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華電國際電力股份有限公司
Huadian Power International Corporation Limited*
*(A Sino-foreign investment joint stock company limited by shares incorporated
in the People's Republic of China (the "PRC"))*
(Stock code: 1071)

**ANNUAL RESULTS FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “**Board**”) of Huadian Power International Corporation Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2020 extracted from the audited consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards.

FINANCIAL AND BUSINESS SUMMARY

- Power generation by the Group in 2020 amounted to 207.32 million MWh, representing a decrease of 3.62% over 2019; the volume of on-grid power sold amounted to 194.55 million MWh, representing a decrease of 3.42% over 2019;
- Turnover of the Group in 2020 amounted to approximately RMB89,382 million, representing a decrease of approximately 2.58% over 2019;
- Profit for the year attributable to equity holders of the Company in 2020 amounted to approximately RMB4,167 million, representing an increase of approximately 23.08% over 2019; profit for the year attributable to equity shareholders of the Company amounted to approximately RMB3,249 million;
- Basic earnings per share in 2020 were approximately RMB0.329, and the Board proposes to declare a final cash dividend of RMB0.25 per share (tax inclusive, based on the total share capital of 9,862,976,653 shares) for the financial year ended 31 December 2020, totaling approximately RMB2,465.744 million (tax inclusive). The dividend distribution proposal is subject to the approval by the shareholders at the upcoming 2020 annual general meeting (such date has not been determined but will be published by the Company in due course).

STATUTORY SURPLUS RESERVE

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

DIVIDENDS

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

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

THE GROUP'S MAJOR EXISTING ASSETS

The Group is one of the largest comprehensive energy companies in the PRC, primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects. The Group's power generating assets are located in 14 provinces, autonomous regions and municipalities across the PRC at the prime location, mainly in the electricity and heat load centres or regions with abundant coal resources.

As at the date of this announcement, the Group had a total of 67 controlled power plants which have commenced operations involving a total of approximately 58,448 MW controlled installed capacity, with a total of 43,160 MW attributable to coal-fired generating units, approximately 7,340 MW attributable to gas-fired generating units and approximately 7,948 MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units. The details are as follows:

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

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
1	Zouxian Plant	2,575	100%	1 x 635MW + 1 x 600MW + 4 x 335MW
2	Shiliquan Plant	2,120	100%	2 x 660MW + 2 x 330MW + 1 x 140MW
3	Laicheng Plant	1,200	100%	4 x 300MW
4	Shuozhou Thermal Power Branch Company	700	100%	2 x 350MW
5	Fengjie Plant	1,200	100%	2 x 600MW
6	Shenzhen Company	365	100%	1 x 120MW + 2 x 82MW + 1 x 81MW
7	Huadian Zouxian Power Generation Company Limited (“ Zouxian Company ”)	2,000	69%	2 x 1,000MW
8	Huadian Laizhou Power Generation Company Limited (“ Laizhou Company ”)	4,001.1	75%	4 x 1,000MW + 1.1MW
9	Huadian Weifang Power Generation Company Limited (“ Weifang Company ”)	2,002.4	45%	2 x 670MW + 2 x 330MW + 2.4MW
10	Huadian Qingdao Power Generation Company Limited (“ Qingdao Company ”)	1,220	55%	1 x 320MW + 3 x 300MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
11	Huadian Zibo Thermal Power Company Limited (“ Zibo Company ”)	950	100%	2 x 330MW + 2 x 145MW
12	Huadian Zhangqiu Power Generation Company Limited (“ Zhangqiu Company ”)	925	87.5%	1 x 335MW + 1 x 300MW + 2 x 145MW
13	Huadian Tengzhou Xinyuan Thermal Power Company Limited (“ Tengzhou Company ”)	930	93.26%	2 x 315MW + 2 x 150MW
14	Hudian Longkou Power Generation Company Limited (“ Longkou Company ”)	880	84.31%	4 x 220MW
15	Huadian Ningxia Lingwu Power Generation Company Limited (“ Ningxia Lingwu ”)	3,320	65%	2 x 1,060MW + 2 x 600MW
16	Sichuan Guang’an Power Generation Company Limited (“ Guang’an Company ”)	2,400	80%	2 x 600MW + 4 x 300MW
17	Huadian Xinxiang Power Generation Company Limited (“ Xinxiang Company ”)	1,320	90%	2 x 660MW
18	Huadian Luohe Power Generation Company Limited (“ Luohe Company ”)	660	75%	2 x 330MW
19	Huadian Qudong Power Generation Company Limited (“ Qudong Company ”)	660	90%	2 x 330MW
20	Anhui Huadian Suzhou Power Generation Company Limited (“ Suzhou Company ”)	1,260	56.07%	2 x 630MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
21	Anhui Huadian Wuhu Power Generation Company Limited (“ Wuhu Company ”)	2,320	65%	1 x 1,000MW + 2 x 660MW
22	Anhui Huadian Lu’an Power Generation Company Limited (“ Lu’an Company ”)	1,320	95%	2 x 660MW
23	Hangzhou Huadian Banshan Power Generation Company Limited (“ Hangzhou Banshan Company ”)	2,415.7	64%	3 x 415MW + 3 x 390MW + 0.7MW
24	Hangzhou Huadian Xiasha Thermal Power Company Limited (“ Xiasha Company ”)	246	56%	1 x 88MW + 2 x 79MW
25	Hangzhou Huadian Jiangdong Thermal Power Company Limited (“ Jiangdong Company ”)	960.5	70%	2 x 480.25MW
26	Huadian Zhejiang Longyou Thermal Power Company Limited (“ Longyou Company ”)	427	100%	2 x 127.6MW + 1 x 130.3MW + 1 x 19.5MW + 22MW
27	Hebei Huadian Shijiazhuang Thermal Power Company Limited (“ Shijiazhuang Thermal Power Company ”)	928.6	82%	1 x 453.6MW + 2 x 200MW + 3 x 25MW
28	Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited (“ Yuhua Company ”)	600	100%	2 x 300MW
29	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited (“ Luhua Company ”)	660	90%	2 x 330MW
30	Shijiazhuang Huadian Heat Corporation Limited (“ Shijiazhuang Heat Corporation ”)	12.55	100%	2 x 2MW + 2 x 4.275MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
31	Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) (“ Pingshi Power Company ”)	600	100%	2 x 300MW
32	Guangdong Huadian Shaoguan Thermal Power Company Limited (“ Shaoguan Thermal Power Company ”)	700	100%	2 x 350MW
33	Huadian Foshan Energy Company Limited (“ Foshan Energy Company ”)	165.5	100%	2 x 59MW + 47.5MW
34	Huadian Guangdong Shunde Energy Company Limited (“ Shunde Energy Company ”)	163.5	90%	2 x 59MW + 45.5MW
35	Tianjin Huadian Fuyuan Thermal Power Company Limited (“ Fuyuan Thermal Power Company ”)	400	63.14%	2 x 200MW
36	Tianjin Huadian Nanjiang Thermal Power Company Limited (“ Nanjiang Thermal Power Company ”)	930	65%	2 x 315MW + 1 x 300MW
37	Huadian Hubei Power Generation Company Limited (“ Hubei Company ”) <i>(note)</i>	6,944.4	82.56%	2 x 680MW + 2 x 660MW + 2 x 640MW + 6 x 330MW + 1 x 300MW + 40 x 2MW + 254.4MW + 2 x 185MW

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

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

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

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

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
10	Hebei Huadian Guyuan Wind Power Company Limited (“Guyuan Wind Power Company”)	290.5	61.87%	167 x 1.5MW + 40MW
11	Hebei Huadian Kangbao Wind Power Company Limited (“Kangbao Wind Power Company”)	699.5	100%	72 x 2MW + 137 x 1.5MW + 140 x 2.5MW + 30MW
12	Hebei Huarui Energy Group Corporation Limited (“Huarui Company”)	99	100%	48 x 2MW + 2 x 1.5MW
13	Huadian Laizhou Wind Power Company Limited (“Laizhou Wind Power Company”)	40.5	55%	27 x 1.5MW
14	Huadian Laizhou Wind Power Generation Company Limited (“Laizhou Wind Company”)	48	55%	24 x 2MW
15	Huadian Laizhou Wind Energy Power Company Limited (“Laizhou Wind Energy Company”)	149.4	55%	72 x 2MW + 3 x 1.8MW
16	Huadian Longkou Wind Power Company Limited (“Longkou Wind Power Company”)	99.3	65%	23 x 1.5MW + 6 x 2.5MW + 24 x 2MW + 1 x 1.8MW
17	Longkou Dongyi Wind Power Company Limited (“Longkou Dongyi Wind Power Company”)	80	55%	20 x 1.5MW + 25 x 2MW
18	Huadian Shandong New Energy Company Limited (“Shandong New Energy Company”)	663	100%	238 x 2MW + 3 x 1.9MW + 1 x 1.8MW + 33 x 1.5MW + 130MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
19	Huadian Xuwen Wind Power Company Limited (“ Xuwen Wind Power Company ”)	198	100%	51 x 2MW + 32 x 3MW
20	Huadian Xiaxian Wind Power Company Limited (“ Xiaxian Wind Power Company ”)	100	100%	50 x 2MW
21	Zezhou County Huadian Wind Power Company Limited (“ Zezhou Wind Power Company ”)	197.7	100%	40 x 2.2MW + 5 x 2MW + 39 x 2.5MW
22	Shanxi Huadian Pinglu New Energy Company Limited (“ Pinglu New Energy Company ”)	99.2	100%	31 x 3.2MW
23	Shanxi Huadian Ying County New Energy Company Limited (“ Ying County New Energy Company ”)	50	100%	11 x 4MW + 2 x 3MW
24	Huadian Henan New Energy Power Generation Company Limited (“ Henan New Energy Power Generation Company ”)	40	100%	16 x 2.5MW
25	Shaanxi Huadian Xunyi Wind Power Company Limited (“ Xunyi Wind Power Company ”)	50	100%	23 x 2.2MW
26	Huadian Ningxia Ningdong Shangde Solar Power Company Limited (“ Shangde Solar Company ”)	10	60%	10MW
27	Huadian Zhangjiakou Saibei New Energy Generation Company Limited (“ Zhangjiakou Saibei New Energy Company ”)	4	100%	4MW
28	Huadian Ningbo New Energy Generation Company Limited (“ Ningbo New Energy Company ”)	10	100%	10MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units
29	Huadian Huzhou New Energy Power Generation Company Limited ("Huzhou New Energy Company")	30	100%	30MW
30	Huadian Taiqian Photovoltaic Power Generation Company Limited ("Taiqian Photovoltaic Power Generation Company")	100	50%	100MW

BUSINESS REVIEW

(1) Power Generation

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

(2) Turnover

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

(3) Profit

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

(4) The Capacity of Newly-added Generating Units

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

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

(5) Installed Capacity of Shutdown Generating Unit:

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

Project	Category	Capacity (MW)
Shijiazhuang Thermal Power Company	Coal-fired	<u>75</u>
Total		<u><u>75</u></u>

(6) Generating Units under Construction:

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

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

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

BUSINESS OUTLOOK

(1) Competition and Development Trend of the Industry

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

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

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

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

(2) Development Strategies of the Group

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

(3) Operation Plan of the Group in 2021

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

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

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

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

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

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

(4) Possible Risks and Measures

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Macroeconomic Conditions and Electricity Demand

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

(2) Turnover

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

(3) Major Operating Expenses

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

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

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

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

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

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

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

(4) Investment Income

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

(5) Other Revenue

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

(6) Other Net Income

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

(7) Finance Costs

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

(8) Share of Results of Associates and Joint Ventures

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

(9) Income Tax

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

(10) Pledge and Mortgage of Assets

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

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

(11) Indebtedness

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

(12) Contingent Liabilities

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

(13) Provisions

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

(14) Impairment Loss

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

(15) Cash Flow Analysis

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

(16) Exchange Rate Fluctuation Risk and Related Hedging

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

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

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

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

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

CHANGE OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

As at 25 March 2020, due to age, Mr. Tian Hongbao tendered his resignation as the vice chairman, an executive director and a member of the nomination committee of the eighth session of the Board of the Company and the general manager of the Company with effect from the same date. Mr. Tian Hongbao has confirmed that he has no disagreements with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

As at 8 May 2020, due to work arrangement, Mr. Peng Xingyu tendered his resignation as a supervisor of the eighth session of the supervisory committee of the Company with effect from the same date. Mr. Peng Xingyu has confirmed that he has no disagreements with the Board and the Supervisory Committee, and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

At the 2019 annual general meeting (the “**2019 AGM**”) convened on 30 June 2020, Mr. Wang Xuxiang, Mr. Luo Xiaoqian and Mr. Feng Rong were re-elected or elected as the executive directors of the ninth session of the Board; Mr. Ni Shoumin, Mr. Peng Xingyu, Mr. Gou Wei, Mr. Hao Bin and Mr. Wang Xiaobo were re-elected or elected as the non-executive directors of the ninth session of the Board; Mr. Wang Dashu, Mr. Zong Wenlong, Mr. Feng Zhenping and Mr. Li Xingchun were re-elected or elected as the independent non-executive directors of the ninth session of the Board. Ms. Chen Wei and Mr. Ma Jing’an were re-elected or elected as the supervisors of the ninth session of the Supervisory Committee. The terms of office of the above directors and supervisors are three years immediately effective upon the shareholders’ approval at the 2019 AGM and expiring upon conclusion of the general meeting of the Company to be convened for election of the tenth session of the Board and the Supervisory Committee (excluding employee representatives).

As at 30 June 2020, due to expiry of terms of office, Mr. Chen Cunlai ceased to serve as the executive director of the Company, Mr. Chen Haibin and Mr. Tao Yunpeng ceased to serve as the non-executive directors of the Company, Mr. Ding Huiping and Mr. Wang Chuanshun ceased to serve as the independent non-executive directors of the Company. Each of them has confirmed that he has no disagreements with the Board and there are no matters in relation to his resignation that need to be brought to the attention of the shareholders of the Company. As at 30 June 2020, due to expiry of terms of office, Mr. Zha Jianqiu ceased to serve as the independent supervisor of the Company, and Ms. Yuan Yanan and Mr. Ma Jing’an ceased to serve as the employee representative supervisors of the Company. Each of them has confirmed that he or she has no disagreements with the Supervisory Committee and the Board, and there are no matters in relation to his or her resignation that need to be brought to the attention of the shareholders of the Company.

According to the laws and regulations of the PRC and the Articles of Association, the employees of the Company democratically elected Mr. Zhang Peng as an employee representative supervisor of the ninth session of the Supervisory Committee with a term of office commencing from the conclusion of the employee representative meeting on 30 June 2020 and ending on the expiry of the term of the ninth session of the Supervisory Committee.

At the first meeting of the ninth session of the Board convened on 30 June 2020, Mr. Wang Xuxiang and Mr. Ni Shoumin were re-elected as the chairman and the vice chairman of the Board, respectively, and Mr. Luo Xiaoqian was appointed as the general manager of the Company with a term of commencing from the conclusion of the Board meeting and ending on the expiry of the term of the ninth session of the Board. At the first meeting of the ninth session of the Supervisory Committee convened on 30 June 2020, Ms. Chen Wei was re-elected as the chairman of the Supervisory Committee.

At the extraordinary general meeting convened on 28 October 2020, Mr. Ding Huande was elected as an executive director of the ninth session of the Board with a term of office commencing from the conclusion of the extraordinary general meeting and ending on the expiry of the term of the ninth session of the Board. At the fifth meeting of the ninth session of the Board convened on 28 October 2020, Mr. Ding Huande was elected as the chairman, and appointed as the chairman of the strategic committee. Since 28 October 2020, Mr. Ding Huande serves as the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). Due to work arrangement, Mr. Wang Xuxiang proposed to resign from his positions as the chairman, an executive director and the chairman of the strategic committee of the ninth session of the Board, with effect upon the conclusion of the above extraordinary general meeting. Mr. Wang Xuxiang has confirmed that he has no disagreements with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company. Since 28 October 2020, Mr. Wang Xuxiang ceased to serve as the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules. Due to age, Mr. Chen Cunlai has resigned from his position as the deputy general manager of the Company. Mr. Chen Cunlai has confirmed that he has no disagreements with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

At the extraordinary general meeting convened on 27 January 2021, Mr. Zhang Zhiqiang and Mr. Li Pengyun were elected as the non-executive directors of the ninth session of the Board with a term of office commencing from the conclusion of the extraordinary general meeting and ending on the expiry of the term of the ninth session of the Board. At the eighth meeting of the ninth session of the Board convened on 27 January 2021, Mr. Zhang Zhiqiang was appointed as a member of the remuneration and appraisal committee, Mr. Li Pengyun was appointed as a member of the strategic committee, Mr. Song Jingshang was appointed as the chief engineer of the Company, and Mr. Wu Yuejie was appointed as the deputy general manager of the Company.

As at 27 January 2021, due to work arrangement, Mr. Gou Wei ceased to serve as a non-executive director and a member of the remuneration and appraisal committee of the ninth session of the Board, and Mr. Hao Bin ceased to serve as a non-executive director and a member of the strategic committee of the ninth session of the Board. Each of Mr. Gou Wei and Mr. Hao Bin has confirmed that he has no disagreements with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the shareholders of the Company.

For details, please refer to the announcements of the Company dated 25 March 2020, 8 May 2020, 30 June 2020, 11 September 2020, 28 October 2020, 8 January 2021 and 27 January 2021, and the circular of the Company dated 15 May 2020.

SIGNIFICANT EVENTS

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

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

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

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

SUBSEQUENT EVENTS

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

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

China Huadian Corporation Limited (“**China Huadian**”) is the controlling shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company as at the date of this announcement. As Huadian Factoring is a wholly-owned subsidiary of China Huadian, Huadian Factoring is a connected person of the Company. Therefore, the entering into of the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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

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

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

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

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

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

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

For details, please refer to the announcement of the Company dated 26 February 2021.

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

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

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

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

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

(4) Shareholder's Return Plan

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

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

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

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

(L) = long position

(P) = lending pool

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

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

AUDIT COMMITTEE

The Company’s audit committee has reviewed the annual results of the Group for 2020 and the financial statements prepared under IFRSs for the financial year ended 31 December 2020.

MATERIAL LITIGATION

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

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

As at the date of this announcement, the Board comprises:

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

Beijing, the PRC
30 March 2021

* *For identification purpose only*

I SUMMARY OF FINANCIAL INFORMATION IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The consolidated financial information set out below is extracted from the audited consolidated financial statements prepared under IFRSs of the Group as set out in its 2020 annual report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Renminbi)

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Turnover	<i>3</i>	89,382,243	91,752,980
Operating expenses			
Fuel costs		(41,394,152)	(45,371,094)
Costs of coal sold		(11,461,662)	(11,689,111)
Depreciation and amortisation		(11,759,219)	(11,825,403)
Repairs, maintenance and inspection		(3,940,470)	(3,806,140)
Personnel costs	<i>4</i>	(6,333,469)	(5,995,775)
Administration expenses		(3,300,386)	(2,573,146)
Taxes and surcharges	<i>5</i>	(1,099,224)	(1,095,065)
Other operating expenses	<i>9(b)</i>	(1,303,510)	(1,181,516)
		(80,592,092)	(83,537,250)
Operating profit		8,790,151	8,215,730
Investment income	<i>6</i>	45,120	23,399
Other revenue	<i>7</i>	1,039,567	780,140
Other net income	<i>7</i>	929,271	760,294
Interest income from bank deposits		100,078	96,817
Fair value loss on financial assets at fair value through profit or loss		(1,251)	–
Fair value loss on financial liabilities at fair value through profit or loss		–	(9,690)
Finance costs	<i>8</i>	(4,532,660)	(5,262,693)
Share of results of associates and joint ventures		521,557	757,145
Profit before taxation	<i>9(a)</i>	6,891,833	5,361,142
Income tax	<i>10</i>	(1,216,202)	(1,036,440)
Profit for the year		5,675,631	4,324,702

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

(Expressed in Renminbi)

	<i>Notes</i>	2020 RMB'000	2019 RMB'000
Other comprehensive income for the year (net of tax):			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of other comprehensive income of investees accounted for under the equity method	<i>11</i>	<u>5,800</u>	<u>22,375</u>
Total comprehensive income for the year		<u>5,681,431</u>	<u>4,347,077</u>
Profit for the year attributable to:			
Equity holders of the Company		<u>4,166,756</u>	<u>3,385,324</u>
Non-controlling interests		<u>1,508,875</u>	<u>939,378</u>
		<u>5,675,631</u>	<u>4,324,702</u>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		<u>4,172,556</u>	<u>3,406,951</u>
Non-controlling interests		<u>1,508,875</u>	<u>940,126</u>
		<u>5,681,431</u>	<u>4,347,077</u>
Basic earnings per share	<i>12</i>	<u>RMB0.329</u>	<u>RMB0.288</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		160,304,083	159,729,585
Right-of-use assets	13	7,533,405	8,252,067
Construction in progress		22,361,667	16,657,612
Investment properties		32,283	32,752
Intangible assets		4,163,741	4,232,732
Goodwill		1,233,366	1,327,522
Interests in associates and joint ventures		12,023,223	11,776,604
Financial assets at fair value through profit or loss		307,890	279,439
Other non-current assets		3,126,447	2,661,438
Deferred tax assets		748,228	614,436
		<u>211,834,333</u>	<u>205,564,187</u>
Current assets			
Inventories		2,347,810	3,222,936
Trade debtors and bills receivable	14	11,719,443	12,261,884
Deposits, other receivables and prepayments		4,033,493	4,475,544
Tax recoverable		76,775	52,011
Restricted deposits		180,624	122,233
Cash and cash equivalents		6,498,457	6,465,560
		<u>24,856,602</u>	<u>26,600,168</u>
Current liabilities			
Bank loans		25,566,828	29,454,795
Loans from shareholders		700,000	400,000
State loans		1,926	4,466
Other loans		3,245,524	4,701,694
Short-term debentures payable		–	3,541,337
Long-term debentures payable-current portion		1,996,838	1,998,796
Amount due to the parent company		42,337	72,785
Lease liabilities	13	641,932	738,666
Trade creditors and bills payable	15	17,490,945	17,636,233
Other payables		8,833,733	8,184,037
Tax payable		625,496	596,975
		<u>59,145,559</u>	<u>67,329,784</u>
Net current liabilities		<u>(34,288,957)</u>	<u>(40,729,616)</u>
Total assets less current liabilities		<u>177,545,376</u>	<u>164,834,571</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

(Expressed in Renminbi)

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Non-current liabilities			
Bank loans		50,490,648	57,124,722
Loans from shareholders		6,007,768	2,193,730
State loans		52,372	52,881
Other loans		7,851,972	5,252,197
Long-term debentures payable		10,495,397	10,485,671
Lease liabilities	<i>13</i>	1,175,083	2,060,661
Long-term payables		262,460	313,791
Provisions		236,717	127,532
Deferred government grants	<i>7</i>	1,569,874	1,617,262
Deferred income		3,028,195	2,777,731
Deferred tax liabilities		1,966,243	2,203,843
Retirement benefit obligations		15,538	16,907
		83,152,267	84,226,928
Net assets		94,393,109	80,607,643
Capital and reserves			
Share capital		9,862,977	9,862,977
Perpetual capital securities		24,645,175	16,129,055
Reserves		38,637,209	36,609,706
Equity attributable to equity holders of the Company		73,145,361	62,601,738
Non-controlling interests		21,247,748	18,005,905
Total equity		94,393,109	80,607,643

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

2. Application of New and Revised IFRSs

In the current year, the Group has applied, for the first time, the following amendments to IFRSs:

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

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

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

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

Amendments to IFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

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

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

Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

3. Turnover

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

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

In 2020, there are two (2019: two) customers whose sale has exceeded 10% of the Group’s revenue, and revenue from sale of electricity to these customers, including sale to entities which are known to the Group to be under common control of these customers, amounted to approximately RMB34,835 million (2019: RMB39,110 million).

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade debtors and bills receivable (<i>note 14</i>)	11,719,443	12,261,884
Contract liabilities	1,939,642	1,757,069

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

4. Personnel costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wages, welfare and other benefits	4,608,664	4,053,150
Retirement costs	690,459	962,575
Other staff costs	1,034,346	980,050
	6,333,469	5,995,775

5. Taxes and surcharges

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

6. Investment income

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

7. Other revenue and net income

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

Note:

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

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

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

8. Finance costs

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

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

9. Profit before taxation

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

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

(b) Other operating expenses:

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

10. Income tax in the consolidated statement of profit or loss and other comprehensive income

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

11. Other comprehensive income

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

12. Earnings per share**(a) Basic earnings per share**

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

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

(b) Diluted earnings per share

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

13. Lease

The Group as a lessee

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

(a) *Right-of-use assets*

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

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

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

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

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

(b) *Lease liabilities*

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

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

Future lease payments are due as follows:

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

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on lease liabilities	95,783	143,733
Depreciation charge of right-of-use assets	400,180	472,603
Expense relating to short-term leases	67,469	55,793
	<u>563,432</u>	<u>672,129</u>

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

14. Trade debtors and bills receivable

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade debtors and bills receivable for the sale of electricity	9,437,658	10,705,213
Trade debtors and bills receivable for the sale of heat	846,628	645,722
Trade debtors and bills receivable for the sale of coal	1,709,518	1,199,203
	<u>11,993,804</u>	<u>12,550,138</u>
Less: allowance for impairment	(274,361)	(288,254)
	<u>11,719,443</u>	<u>12,261,884</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysed into:		
– At amortised cost	10,411,862	12,550,138
– At FVOCI (<i>note (i)</i>)	1,581,942	–
	<u>11,993,804</u>	<u>12,550,138</u>

Notes:

- (i) As at 31 December 2020, bank acceptance bills discounted of RMB3,537 million (2019: RMB3,487 million) were derecognised by the Group (the “**Derecognised Bills**”). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “**Continuing Involvement**”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant. Losses related to derecognition of the Derecognised Bills was RMB50 million (2019: RMB8.21 million) in total and charged into profit or loss.

- (ii) As at 31 December 2020, trade receivables amounted to RMB5,288 million (2019: RMB3,964 million) had been factored to a bank on a non-recourse basis. These trade receivables were derecognised as the Group had transferred the significant risks and rewards relating to the trade receivables to the bank under the non-recourse factoring agreements. Losses related to derecognition of the derecognised trade receivables was RMB1.8 million (2019: RMB1.1 million) in total and charged into profit or loss.

As at 31 December 2020, the ageing analysis of trade debtors and bills receivable (net of allowance for impairment), presented based on the invoice date, which approximated to the revenue recognition date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	10,493,513	10,757,651
1 to 2 years	835,637	1,342,010
2 to 3 years	279,437	142,988
Over 3 years	110,856	19,235
	11,719,443	12,261,884

15. Trade creditors and bills payable

As at 31 December 2020, the ageing analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	13,566,685	12,089,916
1 to 2 years	2,761,574	3,563,282
Over 2 years	1,162,686	1,983,035
	17,490,945	17,636,233

16. Dividends

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the end of reporting period of RMB0.25 per share (2019: RMB0.146 per share)	<u>2,465,744</u>	<u>1,439,995</u>

Pursuant to a resolution passed at the directors' meeting held on 30 March 2021, final dividend of RMB0.25 per share will be payable to shareholders for 2020, subject to the approval of the shareholders at the coming annual general meeting.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.146 per share (2019: RMB0.066 per share)	<u>1,439,995</u>	<u>650,956</u>

17. Contingent liabilities

During 2020, some subsidiaries of the Company were the defendants in certain lawsuits for events incurred before the acquisition date. At the end of reporting period, the lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company considered that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

As at 31 December 2020, Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**"), a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB43.58 million (2019: RMB43.58 million) which were granted to Sichuan Huayingshan Longtan Coal Company Limited, an associate of Guang'an Company.

Apart from the above guarantees, the Group has no other material contingent liabilities as at 31 December 2020 (2019: nil).

II. SUMMARY OF FINANCIAL INFORMATION IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“CAS”)

The consolidated financial information set out below is extracted from the audited consolidated financial statements prepared under CAS of the Group as set out in its 2020 annual report.

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET

As at 31 December 2020

(Expressed in Renminbi' 000)

Item	Consolidated		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current assets:				
Long-term investment	170,066	231,358	241,333	309,186
Long-term equity investment	12,006,552	11,759,933	55,560,659	52,642,683
Other non-current financial assets	307,890	279,439	45,898	27,500
Investment properties	32,283	32,752	–	–
Property, plant and equipment	156,043,229	153,871,709	15,647,720	16,346,213
Construction in progress	22,409,048	16,704,993	4,998,500	2,884,176
Right-of-use assets	2,290,514	3,088,463	53,594	119,835
Intangible assets	11,886,373	13,270,795	958,361	923,234
Goodwill	864,415	951,651	–	12,111
Deferred tax assets	787,431	653,916	361,092	–
Other non-current assets	2,957,376	2,431,075	521,727	437,575
Total non-current assets	209,755,177	203,276,084	78,388,884	73,702,513
Current assets:				
Cash and cash equivalents	6,679,081	6,587,793	936,839	986,596
Bills receivable	27,393	1,645,555	27,393	125,499
Trade debtors	10,110,108	10,616,329	416,881	595,781
Bills receivable at fair value through other comprehensive income	1,581,942	–	275,280	–
Prepayments	842,651	526,378	26,213	22,039
Other receivables	1,310,857	1,776,592	15,496,050	13,563,730
Inventories	2,347,465	3,222,591	350,715	486,061
Non-current assets – current portion	157,890	96,552	173,351	112,013
Other current assets	1,798,558	2,127,721	253,028	238,668
Total current assets	24,855,945	26,599,511	17,955,750	16,130,387

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (CONTINUED)

As at 31 December 2020

(Expressed in Renminbi'000)

Item	Consolidated		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Current liabilities				
Short-term loans	20,778,711	24,066,734	5,452,397	7,800,000
Bills payable	368,597	789,927	–	–
Trade creditors	17,132,682	16,882,042	2,502,848	2,335,288
Contract liabilities	1,939,642	1,757,069	60,569	89,999
Salaries payable	231,515	236,568	49,862	40,332
Tax payable	1,705,488	1,574,193	68,316	99,186
Other payables	5,443,515	5,157,063	1,088,744	1,695,736
Non-current liabilities – current portion	11,437,402	13,286,633	3,795,898	2,657,229
Other current liabilities	91,869	3,573,409	12,649	3,065,027
Total current liabilities	59,129,421	67,323,638	13,031,283	17,782,797
Net current assets/(liabilities)	(34,273,476)	(40,724,127)	4,924,467	(1,652,410)
Total asset less current liabilities	175,481,701	162,551,957	83,313,351	72,050,103
Non-current liabilities				
Long-term loans	64,402,760	64,623,530	10,454,164	9,600,082
Long-term debentures payable	10,495,397	10,485,671	10,495,397	10,485,671
Lease liabilities	1,175,083	2,060,661	36,721	67,204
Long-term payables	409,717	566,962	35,311	35,311
Retirement benefit obligations	15,538	16,907	–	–
Provisions	236,717	127,532	–	–
Deferred income	4,186,370	3,843,788	78,891	64,973
Deferred tax liabilities	1,595,125	1,771,898	–	58,735
Total non-current liabilities	82,516,707	83,496,949	21,100,484	20,311,976
Net asset	92,964,994	79,055,008	62,212,867	51,738,127

CONSOLIDATED BALANCE SHEET AND BALANCE SHEET (CONTINUED)*As at 31 December 2020**(Expressed in Renminbi'000)*

Item	Consolidated		The Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Shareholders' equity:				
Share capital	9,862,977	9,862,977	9,862,977	9,862,977
Perpetual capital securities	24,645,175	16,129,055	24,645,175	16,129,055
Capital reserves	13,542,737	13,327,312	13,565,303	13,565,080
Other comprehensive income	(12,978)	(18,778)	(11,824)	(17,624)
Specific reserve	289,688	268,051	149,042	143,364
Surplus reserve	3,819,537	3,389,059	3,819,537	3,389,059
Retained earnings	19,941,845	18,552,761	10,182,657	8,666,216
Total equity holders of the Company	72,088,981	61,510,437	62,212,867	51,738,127
Non-controlling interests	20,876,013	17,544,571	-	-
Total equity	92,964,994	79,055,008	62,212,867	51,738,127

CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT

For the year ended 31 December 2020

(Expressed in Renminbi'000)

Item	Consolidated		The Company	
	2020	2019	2020	2019
Total operating income	90,744,016	93,654,431	10,685,335	12,253,650
Less: Total operating costs	83,401,784	88,510,062	10,256,299	12,357,934
Including: Operating costs	76,075,537	80,482,483	9,059,742	10,790,345
Taxes and surcharges	1,119,285	1,119,048	171,498	196,600
Administrative expenses	1,774,380	1,719,152	346,590	357,321
Finance expenses	4,432,582	5,189,379	678,469	1,013,668
Impairment loss	1,597,266	781,877	551,641	276,723
Expected credit loss	49,213	151,156	53,261	–
Add: Investment income	566,677	780,544	3,825,207	2,681,693
Net (loss)/gain on fair value changes	(1,251)	(9,690)	–	201
Gain/(loss) on disposal of assets	8,865	(2,008)	–	–
Other income	494,566	513,090	43,147	40,431
Operating profit	6,764,610	5,493,272	3,692,488	2,341,318
Add: Non-operating income	560,039	264,274	256,550	13,156
Less: Non-operating expenses	280,599	220,971	64,090	15,799
Total profit	7,044,050	5,536,575	3,884,948	2,338,675
Less: Income tax expenses/(credit)	1,267,315	1,098,031	(419,827)	5,349
Net profit	5,776,735	4,438,544	4,304,775	2,333,326
(i) Classified according to the continuity of operation				
(1) Continuous operating net profit	5,776,735	4,438,544	4,304,775	2,333,326
(2) Terminate operating net profit	–	–	–	–
(ii) Classified according to the ownership				
(1) Minority interests	1,597,288	1,031,624	–	–
(2) Attributable to equity shareholders of the Company	4,179,447	3,406,920	4,304,775	2,333,326

**CONSOLIDATED INCOME STATEMENT AND INCOME STATEMENT
(CONTINUED)**

For the year ended 31 December 2020

(Expressed in Renminbi'000)

Item	Consolidated		The Company	
	2020	2019	2020	2019
Other comprehensive income, net of tax	5,800	22,375	5,800	20,295
Other comprehensive income attributable to equity shareholders of the Company, net of tax	5,800	21,627	5,800	20,295
(i) Items that will not be subsequently reclassified to profit or loss:	-	-	-	-
(ii) Items that may be subsequently reclassified to profit or loss:	5,800	21,627	5,800	20,295
(1) Shares of other comprehensive income that may be subsequently reclassified to profit or loss of investees accounted for under the equity method	5,800	21,627	5,800	20,295
Other comprehensive income attributable to minority interests, net of tax	-	748	-	-
Total comprehensive income	<u>5,782,535</u>	<u>4,460,919</u>	<u>4,310,575</u>	<u>2,353,621</u>
Attributable to equity shareholders of the Company	<u>4,185,247</u>	3,428,547	<u>4,310,575</u>	2,353,621
Minority interests	<u>1,597,288</u>	<u>1,032,372</u>	<u>-</u>	<u>-</u>
Earnings per share				
Basic earnings per share (RMB/Share)	<u>0.33</u>	<u>0.29</u>	<u>N/A</u>	<u>N/A</u>
Diluted earnings per share (RMB/Share)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

III. RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs

Effects of major differences between the CAS and IFRSs on net profit and net assets attributable to equity shareholders of the Company are analysed as follows:

	<i>Notes</i>	Net profit attributable to equity holders of the Company		Net asset attributable to equity holders of the Company	
		2020	2019	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts under CAS		4,179,447	3,406,920*	72,088,981	61,510,437*
Adjustments:					
Business combination involving entities under common control	(1)	(249,191)	(251,999)	2,063,003	2,312,194
Government grants	(2)	33,592	33,592	(286,801)	(320,393)
Maintenance and production safety funds	(3)	61,603	51,404	78,320	38,354
Separation and transfer of equipment	(4)	1,779	(5,522)	-	-
Taxation impact of the adjustments		51,113	58,683	(426,407)	(477,520)
Attributable to minority interest		88,413	92,246	(371,735)	(461,334)
Amounts under IFRSs		<u>4,166,756</u>	<u>3,385,324</u>	<u>73,145,361</u>	<u>62,601,738</u>

* The figures are extracted from the audited report prepared under China Accounting Standards for Business Enterprise and issued on Shanghai Stock Exchange for the year ended 31 December 2019.

Notes:

- (1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in respect of business combination involving entities under common control, when preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods (no earlier than the later of both parties were under common control).

- (2) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

- (3) Pursuant to the relevant PRC regulations for coal mining companies, the funds for production maintenance and production safety are accrued by the Group at fixed rates based on coal production volume. Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

According to IFRSs, coal mining companies are required to set aside an amount to a fund for production maintenance, production safety and other similar funds through transferring from retained earnings to specific reserve. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of such expenses whereas specific reserve is offset against retained earnings to the extent of zero.

- (4) Pursuant to the relevant PRC regulations for the separation and transfer of “Water/Electricity/Gas Supply and Property Management”, the Group was required to transfer certain equipment to relevant parties without any consideration, which the loss will directly recognise to equity.

According to IFRSs, the loss from the separation and transfer of equipment should be first recorded in profit or loss as incurred, then to equity as reduced the retained profits for the Group.