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CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

**Annual Results
for the Year Ended 31 December 2020**

**HIGHLIGHTS OF THE ANNUAL RESULTS FOR THE YEAR ENDED
31 DECEMBER 2020**

- Revenue for the year ended 31 December 2020 amounted to US\$1,149.9 million, representing a decrease of 9.9% from US\$1,276.3 million for the year ended 31 December 2019.
- Profit for the year ended 31 December 2020 amounted to US\$167.6 million, representing an increase of 68.6% from US\$99.4 million for the year ended 31 December 2019.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2020 amounted to US\$162.1 million, representing an increase of 45.8% from US\$111.2 million for the year ended 31 December 2019.
- The increase in profit was mainly attributable to (1) contribution from the newly commissioned wind and solar power projects; and (2) one-off gain on disposal of a subsidiary amounted to US\$18.1 million.
- Earnings per share for the year ended 31 December 2020 amounted to 3.78 US cents, representing an increase of 45.8% from 2.59 US cents for the year ended 31 December 2019.
- The Board recommended a final dividend for the year ended 31 December 2020 of 1.59 US cents per share (equivalent to 12.42 HK cents per share), totalling approximately US\$68.3 million (equivalent to approximately HK\$532.9 million), which is calculated based on 4,290,824,000 shares in issue on 24 March 2021 (equivalent to 25% of profit for the year attributable to equity shareholders of the Company for the two financial years of 2019 and 2020 as dividends, since no dividend was paid out for the year ended 31 December 2019).

The Board is pleased to announce the annual results of the Group for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GROUP

For the year ended 31 December 2020

	2020 US\$'000	2019 <i>US\$'000</i>
Revenue	<u>1,149,892</u>	<u>1,276,281</u>
Operating expenses:		
Coal, oil and gas	492,510	698,265
Depreciation of property, plant and equipment	193,031	159,831
Repair and maintenance	30,447	40,675
Staff costs	85,835	76,524
Others	<u>60,602</u>	<u>69,368</u>
Total operating expenses	<u>862,425</u>	<u>1,044,663</u>
Operating profit	287,467	231,618
Other income	26,318	23,157
Other gains and losses	(11,089)	(25,093)
Finance costs	(145,005)	(122,120)
Share of results of associates	29,342	32,807
Gain on disposal of a subsidiary	<u>18,135</u>	<u>548</u>
Profit before taxation	205,168	140,917
Income tax	<u>(37,533)</u>	<u>(41,564)</u>
Profit for the year	<u>167,635</u>	<u>99,353</u>

	2020 US\$'000	2019 US\$'000
Other comprehensive income for the year		
<i>Item that will not be reclassified to profit or loss:</i>		
Remeasurement of net defined benefit retirement obligation	(1,328)	–
<i>Items that are/may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of foreign operations	132,650	(37,470)
Effective portion of changes in fair value of hedging instruments recognized during the year	(2,159)	13,568
Deferred tax credited/(charged) arising on fair value change on hedging instruments	522	(3,283)
Reclassification adjustments for amounts transferred to profit or loss		
– release of hedging reserve	(120)	(122)
– deferred tax credit arising on release of hedging reserve	29	29
– release of cumulative (gains)/losses of translation reserve to profit or loss upon disposal of a subsidiary	(2,198)	126
Other comprehensive income for the year	127,396	(27,152)
Total comprehensive income for the year	295,031	72,201
Profit/(loss) for the year attributable to:		
Equity shareholders of the Company	162,087	111,207
Non-controlling interests	5,548	(11,854)
	167,635	99,353
Total comprehensive income for the year attributable to:		
Equity shareholders of the Company	283,170	85,988
Non-controlling interests	11,861	(13,787)
	295,031	72,201
Earnings per share		
– Basic (US cents)	3.78	2.59
– Diluted (US cents)	3.78	2.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	At 31 December	
	2020	2019
	US\$'000	US\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,747,312	3,491,680
Right-of-use assets	86,637	85,826
Goodwill	169,241	167,236
Interests in associates	206,083	190,608
Derivative financial instruments	5,445	8,667
Contract assets	–	80,031
Deferred tax assets	21,794	21,134
Other non-current assets	505,065	338,821
	<u>5,741,577</u>	<u>4,384,003</u>
CURRENT ASSETS		
Inventories	24,445	28,583
Trade receivables	430,273	327,295
Contract assets	146,637	–
Other receivables and prepayments	91,946	76,955
Amounts due from associates	–	3,377
Amounts due from fellow subsidiaries	6,229	5,529
Tax recoverable	216	3,973
Derivative financial instruments	1,832	566
Pledged bank deposits	134,527	141,833
Short-term bank deposits	–	2,594
Bank balances and cash	398,850	384,141
	<u>1,234,955</u>	<u>974,846</u>
Non-current assets classified as held-for-sale	–	20,318
	<u>1,234,955</u>	<u>995,164</u>

	At 31 December	
	2020	2019
	US\$'000	US\$'000
CURRENT LIABILITIES		
Trade payables	70,704	242,771
Contract liabilities	2,717	1,980
Other payables and accruals	398,024	332,699
Amounts due to fellow subsidiaries	8,738	8,412
Amounts due to non-controlling shareholders		
– due within one year	7,365	8,590
Loans from fellow subsidiaries		
– due within one year	521,268	372,696
Loan from the ultimate holding company		
– due within one year	295,790	–
Bank borrowings – due within one year	721,579	576,214
Lease liabilities – due within one year	3,900	5,441
Government grants	207	810
Tax payable	9,081	9,599
Derivative financial instruments	63	184
	2,039,436	1,559,396
NET CURRENT LIABILITIES	(804,481)	(564,232)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,937,096	3,819,771
NON-CURRENT LIABILITIES		
Amount due to a non-controlling shareholder		
– due after one year	1,085	953
Loans from fellow subsidiaries – due after one year	533,482	700,000
Loan from the ultimate holding company		
– due after one year	122,607	–
Bank borrowings – due after one year	2,889,265	2,021,683
Lease liabilities – due after one year	27,022	24,901
Government grants	9,548	8,957
Contract liabilities	–	68
Net defined benefit retirement obligation	2,792	–
Deferred tax liabilities	53,914	53,716
Derivative financial instruments	–	46
	3,639,715	2,810,324
NET ASSETS	1,297,381	1,009,447

	At 31 December	
	2020	2019
	US\$'000	US\$'000
CAPITAL AND RESERVES		
Share capital	55	55
Reserves	1,213,100	930,060
Total equity attributable to equity shareholders of the Company	1,213,155	930,115
Non-controlling interests	84,226	79,332
TOTAL EQUITY	1,297,381	1,009,447

Revenue and segment information

The Group has three reportable segments as follows:

- (1) Power plants in the PRC – Generation and supply of electricity;
- (2) Power plants in Korea – Generation and supply of electricity; and
- (3) Management companies – Provision of management services to power plants operated by CGN and its subsidiaries.

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2020

	Power plants in the PRC <i>US\$'000</i>	Power plants in Korea <i>US\$'000</i>	Management companies <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue – external	<u>526,685</u>	<u>596,327</u>	<u>26,880</u>	<u>1,149,892</u>
Segment results	<u>161,285</u>	<u>45,467</u>	<u>1,280</u>	208,032
Unallocated other income				48
Unallocated operating expenses				(3,976)
Unallocated finance costs				(28,278)
Share of results of associates				<u>29,342</u>
Profit before taxation				<u>205,168</u>

For the year ended 31 December 2019

	Power plants in the PRC <i>US\$'000</i>	Power plants in Korea <i>US\$'000</i>	Management companies <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue – external	<u>495,024</u>	<u>752,201</u>	<u>29,056</u>	<u>1,276,281</u>
Segment results	<u>86,665</u>	<u>57,000</u>	<u>1,349</u>	145,014
Unallocated other income				44
Unallocated operating expenses				(3,189)
Unallocated finance costs				(33,759)
Share of results of associates				<u>32,807</u>
Profit before taxation				<u>140,917</u>

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2020	2019
	US\$'000	US\$'000
<i>Segment assets</i>		
Power plants in the PRC	5,209,023	3,705,294
Power plants in Korea	1,532,511	1,434,335
Management companies	4,156	3,221
	<hr/>	<hr/>
Total segment assets	6,745,690	5,142,850
Interests in associates	206,083	190,608
Unallocated		
– Right-of-use assets	1,441	2,890
– Others	23,318	42,819
	<hr/>	<hr/>
Consolidated assets	<u>6,976,532</u>	<u>5,379,167</u>
<i>Segment liabilities</i>		
Power plants in the PRC	3,944,793	2,665,605
Power plants in Korea	926,266	887,336
Management companies	645	848
	<hr/>	<hr/>
Total segment liabilities	4,871,704	3,553,789
Unallocated		
– Bank borrowings	100,000	100,000
– Loans from fellow subsidiaries	700,000	700,000
– Lease liabilities	1,552	3,072
– Others	5,895	12,859
	<hr/>	<hr/>
Consolidated liabilities	<u>5,679,151</u>	<u>4,369,720</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and the Shares are listed on the Main Board of the Stock Exchange in October 2014. The registered office of the Company is at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is at 15/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. Its immediate holding company is CGN Energy International, a company incorporated in Hong Kong with limited liability and its ultimate holding company is CGN, a state-owned enterprise established in the PRC.

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs (as defined below). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and the Hong Kong Companies Ordinance for the year ended 31 December 2020.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (“**the Group**”) and the Group’s interest in its associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except certain derivative financial instruments that are stated at their fair value.

The Group had net current liabilities of approximately US\$804.5 million as at 31 December 2020. CGN, the ultimate holding company of the Company, CGN Finance Co., Ltd. (“**CGN Finance**”), CGN Wind Energy Limited (“**CGN Wind Energy**”), and CGNPC Huasheng Investment Limited (“**CGNPC Huasheng**”), the fellow subsidiaries of the Company, have confirmed in writing that despite the loans from CGN of RMB1,930 million (equivalent to US\$295.8 million), CGN Finance of RMB1,170 million (equivalent to US\$179.3 million), CGN Wind Energy of RMB600 million (equivalent to US\$92.0 million) and CGNPC Huasheng of US\$250 million, which are due for repayment within twelve months from 31 December 2020, they will not cancel the existing loan facilities within twelve months from 31 December 2020 and that the loans will be extended upon expiry. Furthermore, taking into account the financial resources of the Group, the Group has unutilised general facilities of US\$864.4 million as at 31 December 2020 for over the next twelve months from the end of the reporting period. In addition, the directors of the Company have reviewed the Group’s cash flow projections prepared by the management of the Group. The cash flow projections cover a period not less than twelve months from the end of the reporting period.

Taking into account the above-mentioned considerations, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The International Accounting Standards Board has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

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

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Operating Results and Analysis

In 2020, the revenue of the Group amounted to approximately US\$1,149.9 million, representing a decrease of approximately 9.9% compared with last year. The profit attributable to the equity shareholders of the Company amounted to approximately US\$162.1 million, representing an increase of approximately US\$50.9 million or 45.8% as compared with last year.

In 2020, the profit of the Group amounted to approximately US\$167.6 million, representing an increase of approximately US\$68.2 million or 68.6% as compared with approximately US\$99.4 million of last year.

Revenue

In 2020, the revenue of the Group amounted to approximately US\$1,149.9 million, representing a decrease of 9.9% compared with approximately US\$1,276.3 million of last year. Revenue derived from Korea amounted to US\$596.3 million, representing a decrease of 20.7% as compared with US\$752.2 million of last year. The decrease in revenue was mainly attributable to the lower weighted average tariff of Yulchon I & II Power Projects as a result of the lower gas price in Korea.

The revenue derived from the PRC coal-fired, cogen and gas-fired projects amounted to US\$121.4 million, representing a decrease of 41.8% as compared with US\$208.7 million of last year, which was mainly attributable to suspension of production of Nanyang General Light coal-fired project in Henan Province starting from 31 December 2019 due to the continued drought and restricted access to local water supply.

The revenue derived from wind and solar projects in the PRC amounted to US\$370.7 million, representing an increase of 46.9% as compared with US\$252.4 million of last year, mainly attributable to the newly commissioned installed capacity.

Operating Expenses

In 2020, the operating expenses of the Group amounted to approximately US\$862.4 million, representing a decrease of approximately 17.4% compared with approximately US\$1,044.7 million of last year. The decrease in operating expenses was mainly due to substantial decrease in gas price and gas costs of our Yulchon I & II Power Projects. In addition, both the coal price and coal consumption of the PRC coal-fired, cogen and gas-fired projects have dropped substantially, which led to an overall reduction in operating expenses.

Operating Profit

In 2020, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to approximately US\$287.5 million, representing an increase of approximately US\$55.9 million or 24.1% compared with approximately US\$231.6 million of last year. The increase in operating profit was mainly caused by the contribution from newly commissioned wind and solar projects.

Other Income

Other income mainly represented interest income, government grants and the refund of value added tax. In 2020, other income of the Group amounted to approximately US\$26.3 million, representing an increase of approximately US\$3.1 million or 13.4% compared with approximately US\$23.2 million of last year.

Finance Costs

In 2020, the finance costs of the Group amounted to approximately US\$145.0 million, representing an increase of approximately US\$22.9 million or 18.8% compared with approximately US\$122.1 million of last year. The increase in finance costs was mainly attributable to the increase in weighted average balances of bank borrowings and loan from the ultimate holding company.

Share of Results of Associates

In 2020, the share of results of associates amounted to approximately US\$29.3 million, representing a decrease of approximately US\$3.5 million or 10.7% compared with approximately US\$32.8 million of last year. The decrease in profit of the associates was mainly due to the temporary suspension of production at power plants located in the Hubei Province as a result of the COVID-19 pandemic during the first half of 2020, which has resumed production starting from April 2020.

Gain on disposal of a subsidiary

In May 2020, the Group disposed of its entire equity interest in Jinqiao JV, representing 60% of the total equity interest in the Jinqiao JV, through a public tender process of Shanghai United Assets and Equity Exchange (上海聯合產權交易所) at a consideration of RMB155.8 million (equivalent to US\$22.0 million). The disposal was completed in May 2020, when the Group disposed of its entire equity interests in the Jinqiao JV and recognized a gain on disposal of US\$18.1 million.

In October 2019, the Group entered into a sale and purchase agreement with CGN Energy International to dispose of its entire interest in MPC Investment (HK) Company Limited (“MPCI”), which in turn owns the entire equity interest in CGN Meineng Corporate Management (Shenzhen) Ltd., to CGN Energy International at a cash consideration of US\$1. Furthermore, CGN Energy International agreed to procure MPCI to repay the shareholder’s loan of US\$1.6 million in full. The disposal was completed in October 2019, when the Group ceased to have control over MPCI and recognized a gain on disposal of US\$0.5 million.

Income Tax Expenses

In 2020, the income tax expenses of the Group amounted to approximately US\$37.5 million, representing a decrease of approximately US\$4.1 million or 9.9% compared with approximately US\$41.6 million of last year.

Liquidity and Capital Resources

The Group’s bank balances and cash increased slightly from US\$384.1 million as at 31 December 2019 to US\$398.9 million as at 31 December 2020, which has been kept at a stable level overall.

Net Debt/Equity Ratio

The Group’s net debt/equity ratio increased from 3.29 as at 31 December 2019 to 3.61 as at 31 December 2020, which was due to the increase in net debt (which equals to total debt less available cash) as a result of increase in bank borrowings and loan from the ultimate holding company.

Dividend

At the Board meeting held on 24 March 2021, the Board recommended the payment of a final dividend for the year ended 31 December 2020 of 1.59 US cents per share (equivalent to 12.42 HK cents per share), totalling approximately US\$68.3 million (equivalent to approximately HK\$532.9 million), which is calculated based on 4,290,824,000 shares in issue on 24 March 2021. Payout ratio of the proposed dividend is 42% (equivalent to 25% of profit for the year attributable to equity shareholders of the Company for the two financial years of 2019 and 2020 as dividends, since no dividend was paid out for the year ended 31 December 2019).

Earnings per share

	Year ended 31 December	
	2020	2019
	<i>US cents</i>	<i>US cents</i>
Earnings per share, basic and diluted – calculated based on the weighted average number of ordinary shares for the year	3.78	2.59
Earnings per share, basic and diluted – calculated based on the number of ordinary shares outstanding at year end	3.78	2.59
	Year ended 31 December	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to equity shareholders of the Company)	162,087	111,207
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	4,290,824	4,290,824
Number of ordinary shares outstanding at year end	4,290,824	4,290,824

Trade Receivables

	As at 31 December	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables – contracts with customers	430,976	327,831
Less: allowance for credit losses	(703)	(536)
	430,273	327,295

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the revenue recognition dates.

	As at 31 December	
	2020	2019
	US\$'000	US\$'000
0 – 60 days	151,034	140,573
61 – 90 days	12,617	9,874
91 – 180 days	39,961	28,918
Over 180 days	226,661	147,930
	<u>430,273</u>	<u>327,295</u>

Trade Payables

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period.

	As at 31 December	
	2020	2019
	US\$'000	US\$'000
0 – 60 days	58,490	82,787
61 – 90 days	1,679	73,365
Over 90 days	10,535	86,619
Total	<u>70,704</u>	<u>242,771</u>

The average credit period on purchases of goods is 26 days (2019: 39 days) for the year ended 31 December 2020. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

Non-current assets classified as held for sale

On 8 May 2019, the Group entered into an agreement with an independent third party, committee of Haian National Economic and Technical Development Zone (the “**Committee**”), to dispose certain electric and steam generating facilities and equipment in the PRC. The assets that are expected to be sold within twelve months from the end of the reporting period have been classified as non-current assets classified as held for sale and are separately presented in the consolidated statement of financial position.

Major classes of assets as at the end of the reporting period are as follows:

	As at 31 December	
	2020	2019
	US\$'000	US\$'000
Total assets classified as held for sale		
– Property, plant and equipment	<u>–</u>	<u>20,318</u>

During the year ended 31 December 2020, the above assets have been transferred to the Committee and non-current assets classified as held for sale is derecognized.

Financial Position

Non-current assets increased from US\$4,384.0 million as at 31 December 2019 to US\$5,741.6 million as at 31 December 2020, which was mainly due to the additions of property, plant and equipment and other non-current assets during the year.

Current assets increased from US\$995.2 million as at 31 December 2019 to US\$1,235.0 million as at 31 December 2020, which was mainly attributable to the increase in trade receivables and contract assets.

Current liabilities increased from US\$1,559.4 million as at 31 December 2019 to US\$2,039.4 million as at 31 December 2020, which was mainly due to the increase in loan from the ultimate holding company.

Non-current liabilities increased from US\$2,810.3 million as at 31 December 2019 to US\$3,639.7 million as at 31 December 2020, which was mainly due to increase in bank borrowings.

Bank Borrowings

The Group's total bank borrowings increased from US\$2,597.9 million as at 31 December 2019 to US\$3,610.8 million as at 31 December 2020. Details of bank borrowings are as follows:

	As at 31 December	
	2020	2019
	US\$'000	US\$'000
Secured	2,979,540	2,189,360
Unsecured	631,304	408,537
	<u>3,610,844</u>	<u>2,597,897</u>

The maturity profile of bank borrowings is as follows:

Within one year	721,579	576,214
More than one year but not exceeding two years	323,538	315,074
More than two years but not exceeding five years	951,658	648,395
Over five years	1,614,069	1,058,214
	3,610,844	2,597,897
Less: Amounts due for settlement within one year shown under current liabilities	(721,579)	(576,214)
Amounts due for settlement after one year	<u>2,889,265</u>	<u>2,021,683</u>

As at 31 December 2020, the Group had committed unutilized banking facilities of US\$4,216.8 million.

Loans from Fellow Subsidiaries and the Ultimate Holding Company

As at 31 December 2020, the amounts represent:

- (i) Loan from CGN Finance of RMB1,170.0 million (equivalent to US\$179.3 million) (2019: RMB1,600.0 million (equivalent to US\$229.4 million)) is unsecured, interest bearing at 3.5% per annum and repayable in 2021.

Loan from CGN Finance of RMB44.1 million (equivalent to US\$6.8 million) (2019: nil) is unsecured, interest bearing at 4.2% per annum and repayable in 2035.

Loan from CGN Finance of RMB500.7 million (equivalent to US\$76.7 million) (2019: nil) is unsecured, interest bearing at RMB Loan Prime Rate announced by the PRC National Interbank Funding Center minus 0.4% per annum and repayable in 2040.

- (ii) Loan from CGN Wind Energy of RMB600.0 million (equivalent to US\$92.0 million) (2019: RMB1,000.0 million (equivalent to US\$143.4 million)) is unsecured, interest bearing at 3.5% per annum and repayable in 2021.
- (iii) Loan from CGNPC Huasheng of US\$250.0 million (2019: US\$250.0 million) is unsecured, interest bearing at 3 months London Interbank Offered Rate plus 1.3% per annum and repayable in 2021.
- (iv) Loan from CGN of RMB1,930.0 million (equivalent to US\$295.8 million) (2019: nil) is unsecured, interest bearing at 3.0% per annum and repayable in 2021.

Loan from CGN of RMB800.0 million (equivalent to US\$122.6 million) (2019: nil) is unsecured, interest bearing at 3.0% per annum and repayable in 2022.

- (v) Loan from China Clean Energy Development Limited of US\$450.0 million (2019: US\$450.0 million) is unsecured, interest bearing at 4.5% per annum and repayable in 2025.

Capital Expenditures

The Group's capital expenditure increased by US\$248.8 million to US\$1,323.1 million in 2020 from US\$1,074.3 million in 2019.

Contingent Liabilities

As at 31 December 2020 and 2019, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, right-of-use assets, trade receivables, contract assets and bank deposits for credit facilities granted to the Group. As at 31 December 2020, the total book value of the pledged assets amounted to US\$1,815.0 million (2019: US\$2,690.3 million).

Employees and Remuneration Policy

As at 31 December 2020, the Group had about 1,837 full-time employees, with the majority based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

Employees located in China are covered by the mandatory social security schemes required by local practice and regulations of the PRC, which are essentially defined contribution schemes. The Group is required by the PRC law to contribute a certain percentage of the average salaries of the employees to various schemes in accordance with the respective regulatory requirements of each city. The PRC government is directly responsible for the payment of the benefits to these employees.

In Korea, the Group is required by law to contribute 4.5% of the employees' monthly average salaries for the national pension, 3.335% for national health insurance (10.25% of the national health insurance contribution for long term care insurance), 1.05% for unemployment insurance, 1.093% (Seoul Office)/0.833% (Yulchon)/0.833%(Daesan) for the industrial accident compensation insurance and 0.06% for a wage claim guarantee fund.

In Hong Kong, the Group participates in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). Employees contribute 5.0% of their relevant income to the mandatory provident fund scheme and the Group contributes 10.0% of each employee's monthly base salary.

II. Industry Overview

In 2020, an overall balance between electricity supply and demand was achieved in China. According to the data published by the NEA, the installed capacity of the PRC amounted to 2,200.6 GW throughout the year, representing a year-on-year increase of 9.5%, while electricity consumption amounted to 7,511.0 TWh, representing a year-on-year increase of 3.1%.

The accumulated grid-connected wind power capacity for 2020 reached 281.5 GW, with a year-on-year increase of 34.6%, while the annual accumulated on-grid wind power generation amounted to 466.5 TWh, representing a year-on-year growth of 15.1%. In 2020, the accumulated grid-connected solar power capacity recorded 253.4 GW, with a year-on-year increase of 24.1%. The annual accumulated on-grid solar power generation amounted to 261.1 TWh, representing a year-on-year growth of 16.6%.

The period for the 14th Five-Year Plan is seen as a critical period for the promotion of transformation of energy use and green development. In addition, China continues to develop renewable energy into the main source of additional power generation during the period for the 14th Five-Year Plan, such that a solid foundation for achieving the strategic goal that non-fossil fuel energy will account for 25% of power consumption in 2030 can be laid. The industries of both wind power industry and photovoltaic power industry in China have shifted from quantity-oriented development to a high quality-oriented one. The main goals set for both wind power industry and photovoltaic power industry for the period of the 14th Five-Year Plan is to achieve full grid-parity for both power sources.

Policies related to green certificate and quota systems:

The NDRC and NEA jointly published “Notice Regarding the Issuance of Weight of Responsible Consumption of Renewable Energy in Each Provincial Administrative Region in 2020” (《關於印發各省級行政區域2020年可再生能源電力消納責任權重的通知》) in May 2020, or the “Quota System” (配額制). Provinces that are expected to have more room for growth in power consumption will see more installed capacity of wind power and photovoltaic power, expanded existing power generation capacity, or the more transacted amount of green certificates.

In November 2020, the PRC Ministry of Ecology and Environment issued the “Implementation Plan for Setting and Allocation of Total Amount of Quota Available for Trading of National Carbon Emission Permit in 2019-2020 (Power Generation Industry)” (Consultation Paper) (《2019-2020年全國碳排放權交易配額總量設定與分配實施方案(發電行業)》(徵求意見稿)), principally relating to the incorporation of a list of key emission units, the category of generating sets, the total amount of quotas, and the method for allocating quota, etc. into the quota management. Enterprises with emissions of 26,000 tons of carbon dioxide equivalent and more in any year from 2013 to 2018 would be included, after screening, in the list of quota management for period 2019-2020. Generating units which are subject to quota management include pure condensing units and cogeneration units. The above measures are also applicable to corporate self-owned power plants.

Policies in respect of subsidies on non-hydro renewable energy and reasonable number of hours:

The Ministry of Finance, the NDRC, and the NEA jointly published “Supplemental Notice to Matters in Respect of Several Opinions on Promoting the Healthy Development of the Power Generation of Non-hydro Renewable Energy” (關於《關於促進非水可再生能源發電健康發展的若干意見》有關事項的補充通知) in September 2020, which further clarifies the term “number of reasonable hours”. For any power generated within the limit of number of reasonable hours, subsidies can be received in full. Any power generated in excess of the eligible total lifetime subsidy is no longer entitled to central government subsidy, and in which case green certificates would be issued and trading of green certificates is allowed. Subsequent to the expiry of 20 years from the date on which any wind power project or photovoltaic power project is connected to the grid, or the expiry of 15 years from the date on which any biomass power generation project is connected to the grid, regardless of whether the project has achieved its total lifetime power generation eligible for subsidies, the project would no longer be financed by central government and instead, green certificates would be issued and trading of green certificates is allowed.

Two Integrations-related policies:

In August 2020, the NDRC and NEA issued the “Guidance on the Integration of Wind Power, Photovoltaic Power, Hydro Power, Thermal Power with Power Storage and Integration of Power Sources, Grid, Load and Storage” (Consultation Paper) (《關於開展「風光水火儲一體化」、「源網荷儲一體化」的指導意見(徵求意見稿)》), or the two “Integrations”, which suggests to explore the ways for implementing the two “Integrations” for access to better clean energy. By now, more than 10 provinces, mainly in Northwest and Central China, have introduced policies to encourage “wind power + storage” (風+儲), “photovoltaic power + storage” (光+儲). With the increase in the proportion of new energy in power generation, the pressure on consuming new energy and enhancing operation of its power dispatch has increased dramatically as wind power and photovoltaic power are difficult to predict, control and dispatch due to their characteristics. In order to cope with the challenges brought by access to new energy, China has introduced various policies and standards which set higher requirements for the grid-friendliness of new energy. “New energy + Power storage” will become an important form of power use and important infrastructure.

Policies related to transmission price of regional and provincial power grids:

In September 2020, the NDRC issued the “Notice on the Approval of Transmission Prices for Regional Power Grids in 2020-2022” (《關於核定2020-2022年區域電網輸電價格的通知》), by which the structure of transmission price were further enhanced and the transmission prices were further reduced, which are conducive to promotion of the consumption of clean energy and optimization of the allocation of power resources on a larger scale. The regional grid power tariff is charged commensurate with the power actually settled in regional grid transactions, and the capacity tariff is charged commensurate with the power (including power traded in market) sales in each provincial grid terminal, whereas no extra capacity tariff of regional grid would be charged to the users in the market. In September 2020, the NDRC issued the “Notice on the Approval of Transmission and Distribution Prices for Provincial Power Grids in 2020-2022” (《關於核定2020-2022年省級電網輸配電價的通知》) which mentioned, for the first time, that the transmission and distribution prices were approved to be charged in accordance with voltage level, and the price charged for “grid-to-grid” outbound transmission would be included in provincial grid tariff calculation. Except for a few places such as Beijing, Southern Hebei, Northern Hebei, and Eastern Inner Mongolia, where the provincial transmission and distribution prices were raised, other places would see different degrees of reduction in provincial transmission and distribution prices.

The 14th Five-Year Plan issued by Central Committee of the Communist Party of China:

In October 2020, the fifth plenary session of the 19th Central Committee of the Communist Party of China considered and approved the “Recommendations of Central Committee of the Communist Party of China on the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035” (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和2035年遠景目標的建議》), the full text of which consists of 15 parts and 60 articles. Highlighted areas in respect of the planning of new energy include the followings: consideration of new energy as a strategic emerging industry, promotion of energy revolution, establishment of smart energy systems, enhancement of power generation and layout of transmission channels, optimization of consumption and storage capacity of new energy as well as strengthening of the capacity of power transmission and distribution to remote areas. The plan also proposes to expedite the effort in green and low-carbon development, facilitate the use of energy that are clean, low-carbon and safe and efficient for the purpose of reducing carbon emissions intensity, while enabling places that are feasible to achieve suggested goals to peak their carbon emissions first and to develop action plans for peaking carbon emissions by 2030.

Policies in respect of admission to the list of subsidized projects:

For the purpose of facilitating the review on list of subsidized projects, the Ministry of Finance issued the “Notice on Accelerating the Review on the List of Subsidized Renewable Energy Power Generation Projects” (《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) in November 2020, all compliant projects with specified construction targets can be offered confirmed rights (確權) by applying to admit into list of subsidized projects. The notice also clearly states that “all projects that were approved (filed) in compliant with relevant provisions and were connected to the grid in full capacity in and subsequent to 2006 are qualified in applying for admission into the list of subsidized projects” and “the tariff of any project is based on the full capacity grid connection time and in accordance with requirements of the national tariff policies”. Since then, all the existing compliant projects would be entitled to confirmed rights to receive subsidies, and in turn the shortfall in aggregate amount of subsidies required in renewable energy projects can be filled, providing a basis for further resolving the problems of defaulted subsidies.

Policies related to offshore wind power:

In January 2020, the Ministry of Finance, the NDRC and the NEA jointly issued “Several Opinions on Promoting the Healthy Development of the Power Generation of Non-hydro Renewable Energy” (《關於促進非水可再生能源發電健康發展的若干意見》), which specifies that additional offshore wind power projects are no longer entitled to any subsidies financed by central government, effective from 2020; existing offshore wind power projects that are approved (filed) in compliant with relevant provisions and are connected to the grid in full capacity before 31 December 2021 can enjoy subsidies based on corresponding tariff policies. In March 2020, the NEA issued the “Measures for the Construction of Wind Power Projects in 2020” (《2020年風電項目建設方案》), which clearly states that strategic deployment and approval of offshore wind power projects for 2020 in provinces where the grid-connected capacity and the scale of construction had exceeded the planning goals were suspended in 2020. In September 2020, the Ministry of Finance, the NDRC and the NEA jointly published the “Supplemental Notice to Matters in Respect of Several Opinions on Promoting the Healthy Development of the Power Generation of Non-hydro Renewable Energy” (關於《關於促進非水可再生能源發電健康發展的若干意見》有關事項的補充通知) in which the reasonable number of utilization hours for lifetime of various project were set, among which, the number for offshore wind power projects is set at 52,000 hours. In September 2020, six departments, namely the Guangdong Development and Reform Commission, the Energy Bureau of Guangdong Province, the Guangdong Science and Technology Department, the Department of Industry and Information Technology of Guangdong Province, the Department of Natural Resources of Guangdong Province, and the Department of Ecology and Environment of Guangdong Province jointly issued the “Guangdong’s Action Plan for Cultivation of Clusters of Strategic Emerging New Energy Industry (2021-2025)” (《廣東省培育新能源戰略性新興產業集群行動計劃(2021-2025年)》), which proposes to step up effort in promoting the development of offshore wind power.

In December 2020, the Energy Bureau of Guangdong Province issued a document named “Circular on seeking for ‘Guiding Opinions on Promoting the Orderly Development of Offshore Wind Power and the Sustainable Development of Related Industries in Guangdong Province (Consultation Paper)’” (關於徵求《關於促進我省海上風電有序開發和相關產業可持續發展的指導意見(徵求意見稿)》的函), which, for the first time, the scope, scale, standards, principles and funding sources of provincial subsidies for offshore wind projects applicable to the industry is clarified. This circular was marked the first subsidies for offshore wind power ever granted by local authority in PRC, which is conducive to the sustainable development of offshore wind power in Guangdong Province.

Policies related to carbon neutrality:

In response to climate change, the structure of global energy is undergoing a profound shift from high-carbon and less efficient power sources to a low-carbon and more efficient one. The Report of the 19th National Congress of the Communist Party of China proposed China should step up efforts to speed up its establishment of a sound economic structure that facilitates green, low-carbon, and circular development, spur the development of clean energy industries and promote a revolution in energy production and consumption for the purpose of building up an energy sector that is clean, low-carbon, safe, and efficient. The promotion of revolution in energy production and consumption is expected to be China’s long-term strategies in the future while the development of green energy is also necessary in the establishment of an energy sector that is clean, low-carbon, safe, and efficient.

President Xi Jinping made announcement at the General Debate of the 75th Session of The United Nations General Assembly in September 2020 that China aims to have carbon dioxide emissions peaked before 2030 and achieve carbon neutrality before 2060. These two carbon-related commitments suggest that it is inevitable for an electricity system to have a high proportion of electricity generated from renewable energy. The position of new energy, i.e. wind power and photovoltaic power, as the main source of electricity generation is further consolidated. Against the backdrops that the energy structure on global scale is experiencing critical changes, the commitment China has made for “carbon neutrality” also reveals its long-term policy direction about transforming into a low-carbon country.

President Xi Jinping delivered an important speech at the Climate Ambition Summit titled “Building on Past Achievements and Launching a New Journey for Global Climate Actions” in December 2020 in which he announced that, all by 2030, China will cut its carbon dioxide emissions per unit of GDP by over 65% from the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 25%, increase the forest stock volume by 6 billion cubic meters from the 2005 level, and bring its total installed capacity of wind power and solar power to over 1,200 GW. As substantial reduction of carbon emission becomes especially highlighted, new power sources such as wind power and photovoltaic power are considered to have great potential, and their installed capacity are expected to be further increased. Looking ahead to the period for 14th Five-Year Plan, apart from more market demand and diversified use scenarios for new energy, there will be more innovation in business models, and new energy industry will see a full-swing market expansion. We believe a wave of new energy development has already started and it is far from the end.

In addition, as the Korean power market is undergoing a transformation of energy structure, it is expected that there would be an increase in the use of renewable energy and more natural gas power plants in the future. As the operation of new power plants would intensify the competition in the power market, the profitability of Korean gas-fired power generation companies was hindered.

III. Business Review

The Group's portfolio of assets comprises wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects, which are operating in the PRC and Korea power markets. Our business in the PRC covers 18 provinces, two autonomous regions and a municipality with wide geographical coverage and diversified business scope. As of 31 December 2020, the operations in the PRC and Korea accounted for approximately 72.8% and 27.2% of our attributable installed capacity of 7,550.6 MW, respectively. Clean and renewable energy projects (namely, wind, solar, gas-fired, hydro and fuel cell projects) accounted for 77.4% of our attributable installed capacity; and conventional energy projects (namely, coal-fired, oil-fired and cogen projects) accounted for 22.6% of our attributable installed capacity.

The following table sets out items selected by us from the results of the Group (by fuel type):

US\$ million	Korea Gas-fired and Oil-fired projects	PRC Coal-fired, Cogen and Gas-fired projects	PRC Hydro projects	PRC Wind projects	PRC Solar projects	Corporate	Total
For the year ended 31 December 2020							
Revenue	596.3	121.4	30.9	257.6	113.1	30.6	1,149.9
Operating expenses	(534.3)	(106.0)	(17.5)	(114.9)	(47.0)	(42.7)	(862.4)
Operating profit	62.0	15.4	13.4	142.7	66.1	(12.1)	287.5
Profit for the year	33.0	68.0	11.7	90.0	34.2	(69.3)	167.6
Profit attributable to the equity shareholders of the Company	33.0	66.2	11.0	87.0	34.2	(69.3)	162.1
US\$ million	Korea Gas-fired and Oil-fired projects	PRC Coal-fired, Cogen and Gas-fired projects	PRC Hydro projects	PRC Wind projects	PRC Solar projects	Corporate	Total
For the year ended 31 December 2019							
Revenue	752.2	208.7	33.5	171.3	81.1	29.5	1,276.3
Operating expenses	(674.7)	(179.9)	(22.5)	(78.0)	(40.9)	(48.7)	(1,044.7)
Operating profits	77.5	28.8	11.0	93.3	40.2	(19.2)	231.6
Profit for the year	37.8	30.1	9.6	61.2	24.1	(63.4)	99.4
Profit attributable to the equity shareholders of the Company	37.8	43.4	9.0	60.3	24.1	(63.4)	111.2

Korea Gas-fired and Oil-fired Projects

The utilization hours of our Korea gas-fired plants decreased from 4,524 hours to 4,320 hours in 2020, mainly due to the increased reserve margin and decreased electricity demand in Korea.

Net profit decreased from US\$37.8 million to US\$33.0 million, which was mainly attributable to the lower electricity generation and decreased margins from power production in 2020.

PRC Coal-fired, Cogen and Gas-fired Projects

The decrease in operating profit from US\$28.8 million to US\$15.4 million was mainly due to suspension of production of Nanyang General Light coal-fired project in Henan Province starting from 31 December 2019 as a result of the continued drought and restricted access to local water supply. The substantial increase in profit for the year from US\$30.1 million to US\$68.0 million was mainly attributable to the one-off gain on the disposal of the Jinqiao JV amounted to US\$18.1 million.

PRC Wind Projects

In 2020, the Group's newly commissioned attributable installed capacity of wind projects amounted to 1,077.3 MW. The increase in revenue was mainly attributable to (1) contribution from newly commissioned wind projects; (2) better wind resources and lower grid curtailment which led to the increase in average utilization hours from 1,977 hours to 2,009 hours as well as the increase in generation of gross electricity. Overall, the operating profit soared to US\$142.7 million.

PRC Solar Projects

The Group's newly commissioned attributable installed capacity of solar projects amounted to 214.3 MW in 2020. The increase in revenue was mainly attributable to contribution from newly commissioned solar projects. The substantial impact of the newly commissioned solar project has also driven the operating profit to soar to US\$66.1 million in 2020, representing an increase of US\$25.9 million as compare with US\$40.2 million in 2019.

Installed Capacity

The attributable installed capacity of the Group's power assets as of 31 December 2020 and 2019 by fuel type are set out as follows:

	As at 31 December	
	2020	2019
	(MW)	(MW)
Clean and renewable energy portfolio		
Wind	2,961.1	1,883.8
Solar	1,088.6	874.3
Gas-fired	1,655.0	1,655.0
Hydro	137.3	137.3
Subtotal	5,842.0	4,550.4
Conventional energy portfolio		
Coal-fired	1,138.6	1,138.6
Oil-fired	507.0	507.0
Cogen	63.0	90.0
Subtotal	1,708.6	1,735.6
Total attributable installed capacity	7,550.6	6,286.0

As at 31 December 2020, the attributable installed capacity of the Group reached 7,550.6 MW, representing an increase of 1,264.6 MW or 20.1% from last year, among which, attributable installed capacity of wind power was 2,961.1 MW, representing a year-on-year increase of 1,077.3 MW or 57.2% (the new projects were mainly located in Henan Province, Hunan Province, Jiangxi Province, Jiangsu Province, Guangxi Autonomous Region, etc.), while that of solar power amounted to 1,088.6 MW with a year-on-year increase of 214.3 MW or 24.5% (the new projects were mainly located in Guizhou Province, Hubei Province, etc.). As at 31 December 2020, the consolidated installed capacity of the Group's power plants reached 6,908.0 MW.

In 2020, the attributable installed capacity of the cogen projects of the Group decreased by 27.0 MW, which was due to the disposal of the Haian cogen power plants in Jiangsu Province. Furthermore, as Jinqiao Development Zone, Shanghai Municipality is accelerating the implementation of the new strategy of “secondary development and leaping development”, there will be fewer production enterprises in the area. The Group timely disposed of the Jinqiao Steam Project in Shanghai Municipality with a total capacity of 240 tons/hour in 2020.

The Company has been adhering to the principle of high-quality development and expedited project development. It is expected that the growth of new operating capacity in 2021 will remain steady.

Safety Management

Safety is our top priority. Adhering to the basic principles of “Safety First, Quality Foremost and Pursuing Excellence” as well as the core corporate value of “Doing Things Right in One Go” during the development process, the Company continued to enhance safety management and profoundly cultivate a safety culture. In 2020, the safe production trend was generally under control and each unit dedicated extra efforts in the fostering of safety-oriented culture to facilitate the continuous enhancement of a culture of transparency.

The Company strengthened the operation of a prevention guidance mechanism dedicated for the COVID-19 outbreak. An epidemic prevention system featuring diversified, recurring and long-term multi-disease prevention and civil-military integration was effectively launched to realize a stably controlled situation of “zero internal infection and zero internal spread”. During the epidemic, the Company fully took advantage of informatization measures to enhance distant safety supervision and educational trainings, ensuring constant safety management and frequent online educational trainings.

A safe production accountability policy was thoroughly implemented by the Company, under which a safety, quality and environment performance file was individually created for each staff member of each business division and branch and an innovative daily points system was developed. Staff member of each unit would be comprehensively evaluated in respect of their performance in safety, quality and environment based on the daily points, performance-based interviews and performance results. This aimed to facilitate the effective implementation of the safe production accountability of the Company policy and completion of the supervision over high, middle and low level leaders regarding their safety, quality and environment performance.

The full-fledged safety supervision team of the Company pushed forward the implementation of a safety director policy and in turn enhanced the development of top-level organizational management personnel. The Company was proactive in the rolling-out of the safety director policy, and the safety director of each unit who shall be specifically responsible for works related to safety, quality and environmental protection in the respective area all reported for duty. Therefore, professional matters shall be taken care of by the professionals. A safe production supervision and guidance team with outstanding comprehensive qualities, authority, relative independence, strong performance, clearly defined roles and responsibilities and effective management was gradually formed.

An innovative safety, quality and environment inspection approach was adopted by the Company. By taking into account the evolving status of the epidemic and leveraging on existing resources, the Company adopted a safety, quality and environment inspection approach through the combination of online and offline means, which was subject to the consolidation of the Company and cross-region implementation, to realize a full-coverage inspection.

Project Construction

As influenced by both of the “installation spree” and the epidemic, with regard to its project construction, the Company exerted every effort to overcome the difficulties including short supply along the industry chain and rising construction costs, and always remained tough and strong. The Company continued to improve the construction process and strengthen synergetic cooperation with upstream and downstream companies. While ensuring that safety was well under control, the Company achieved a new record high in the new installed capacity.

In addition, the Company undertook standardized and progressive informatization development with innovation achievements obtained. The informatization management level in project construction was improved through project operation analysis and establishment of early warning system. The Company received the Certificate of Scientific and Technological Achievements Evaluation in respect of the results of the scientific research independently completed by it, i.e. the “Research on the Application and Practice of Ubiquitous Internet of Things Technology in Wide-area Distributed Project Management”. The research provided a big data management platform for access to upstream and downstream, internal and external information as well as decision-making during construction management, which in turn ensured timely supply of equipment, improved the management of quality, safety and environmental and water protection at construction sites, real-time analysis and early warning of deviations in construction management indicators, reduced labour input, and expedited the construction cycle through effective, timely and accurate communication methods. All these reliably guaranteed the early commissioning of projects, effectively prevented operational risks arising from the projects and provided information assurance for the new capacity put into operation.

The Company convened weekly construction coordination meetings throughout the year to fully realize early identification of problems, early determination of plans and early on-site implementation during the project construction process, which effectively improved the synergy and working efficiency of each department in project construction of the Company and achieved favourable results in facilitating project construction.

Onshore Development of Preliminary Projects

New energy steadily entered into the era of full grid parity in 2020. In the face of influences from the epidemic and complexities in the volatile external environment, the Company meticulously drew up plans, conducted in-depth investigations, facilitated synergies with internal and external parties, and propelled development through innovation. Through investigations and scientific demonstration, development strategies such as “prioritizing grid parity and fighting for competitive bidding”, “optimization and iteration of quoted prices”, and “prioritizing self-planning and participating in government tenders” were formulated, showcasing the Company’s bravery in enduring stress and its all-out effort.

The Company made additional efforts to keep track of the changes in policies of relevant national and provincial departments and energy regulators and agencies, conducted in-depth studies regarding various new energy policies and innovated work ideas based on local conditions, in order to lay a solid foundation for the high-quality development of the Company during the 14th Five-Year Plan period. In 2021, the Company will continue to exert greater efforts in reserving project resources and grasp opportunities to develop wind power and photovoltaic power projects during the 14th Five-Year Plan period, in order to make greater contributions to new energy development.

Offshore Wind Power

In 2020, influenced by the cessation of granting subsidies for new projects of offshore wind power industry and the capacity constraints of the 13th Five-Year Plan for offshore wind power planning, construction of offshore wind power were dominated by project reserves, and the capacity of new projects that have obtained approval was very limited.

In December 2020, the “2020 China Offshore Wind Engineering and Technology Conference” was held in Beijing, co-hosted by organizations such as Offshore Wind Association of China Association of Oceanic Engineering, China Southern Power Grid Co. Ltd. During the conference, prediction and speculation for the development trend of offshore wind power at home and abroad was made. It was expected that planned installed capacity of offshore wind power on global scale in the next two decades would grow at an annual rate of 13%, and by 2030, the additional planned installed capacity in respect thereof around the globe would achieve about 200 GW, while grid parity would be the main direction of the future development and focus of domestic offshore wind power industry. The conference suggested the promotion of investment and operation model highlighting “sea booster stations/converter station”, active expansion into industries peripheral to offshore wind power industry development, coordination among various kinds of energy, and exploration on the viability of development integrating aquafarm and offshore wind power.

The Company has maintained steady development of offshore wind power business, and have planned in advance and make reasonable deployment with reference to national policies and the Company’s overall strategies such that the Company can make every effort to complete its goals. The construction for the Company’s H8# project (300 MW) in Rudong, Jiangsu Province and the 5# and 6# projects (282 MW) in Shengsi, Zhejiang Province commenced and are progressing according to the construction plan.

Electricity Generation

The electricity generated (GWh) of the projects of the Group are set out as follows:

	For the year ended 31 December	
	2020	2019
PRC wind projects	4,452.4	3,040.9
PRC solar projects	1,362.4	828.7
PRC coal-fired, cogen and gas-fired projects	430.8	1,732.7
PRC hydro projects	875.7	926.6
Korea gas-fired projects	6,703.9	7,012.1
Total	<u>13,825.2</u>	<u>13,541.0</u>

The Company insisted on modification, maintenance and upgrade of equipment as its focus during production and operation. Leveraging informatization, the Company spared all effort to overcome difficulties under the adverse circumstances caused by the widespread epidemic and the economic downturn in the first half of the year. The Company continued to carry out specific equipment modification activities to improve the utilization rate of the equipment, which largely guaranteed the completion of the annual electricity generation target plan. As of 31 December 2020, the electricity generated by the Group's consolidated power generation projects amounted to 13,825.2 GWh, representing an increase of 2.1% from 13,541.0 GWh as compared with that of last year. The increase in electricity generated was mainly due to increased power generation from newly commissioned installed capacity of wind and solar power. The electricity generated by wind power projects and solar power projects reached 4,452.4 GWh and 1,362.4 GWh, representing growth rates of 46.4% and 64.4%, respectively.

The power generated from PRC Coal-fired, Cogen and Gas-fired projects reached 430.8 GWh, representing a decrease of 75.1% as compared to 2019, mainly due to suspension of production of Nanyang General Light coal-fired project in Henan Province starting from 31 December 2019 as a result of the continued drought and restricted access to local water supply.

The total steam sold by the Group amounted to 3,353,000 tonnes, representing a slight increase of 5.9% as compared with 2019.

The following table sets out the average utilization hour applicable to our projects for the Group:

Average utilization hour by fuel type⁽¹⁾

	For the year ended	
	31 December	
	2020	2019
PRC Wind Projects ⁽²⁾	2,009	1,977
PRC Solar Projects ⁽³⁾	1,348	1,519
PRC Coal-fired Projects ⁽⁴⁾	4,252	5,054
PRC Cogen Projects ⁽⁵⁾	5,685	4,742
PRC Hydro Projects ⁽⁶⁾	4,500	4,768
Korea Gas-fired Projects ⁽⁷⁾	4,320	4,524

Notes:

- (1) Average utilization hour is the gross electricity generated in a specified period divided by the average installed capacity in the same period.
- (2) Average utilization hours for the year ended 31 December 2020 for the PRC wind projects in major regions such as Shandong Province, Zhejiang Province and Gansu Province were 1,961 hours, 1,826 hours and 1,986 hours, respectively. Average utilization hours for the PRC wind power projects increased mainly due to better overall wind resources which led to increase in the total volume of electricity generation.

- (3) The average utilization hours for the year ended 31 December 2020 for the PRC solar projects in major regions such as Inner Mongolia Autonomous Region, Anhui Province, Guizhou Province and Qinghai Province were 1,749 hours, 1,131 hours, 1,018 hours and 1,548 hours, respectively. Average utilization hours for the PRC solar power projects decreased mainly because of the unstable solar resources available in 2020.
- (4) Average utilization hour for the PRC coal-fired projects decreased in 2020 as the associates located in Hubei Province were temporary suspended from production as a result of the COVID-19 pandemic during the year, which caused a decrease in power generation.
- (5) After taking out the factor of closing down of a PRC cogen project with declining productivity since April 2019, the overall utilization hour of the PRC cogen projects improved in 2020.
- (6) Average utilization hour for the PRC hydro projects decreased in 2020 mainly due to reduction of incoming water flow which caused a decrease in power generation.
- (7) Our Korea gas-fired power projects had lower utilization hour in 2020 mainly due to a decrease in the electricity generation of Yulchon I Power Project and Yulchon II Power Project as a result of the increased reserve margin and decreased electricity demand in Korea.

The table below sets out the weighted average tariffs (inclusive of value-added tax (“VAT”)) applicable to our projects in the PRC and Korea for the Group for the periods indicated below:

Weighted average tariff (inclusive of VAT)⁽¹⁾

	Unit	For the year ended	
		31 December 2020	2019
PRC Wind Projects	RMB per kWh	0.51	0.47
PRC Solar Projects ⁽²⁾	RMB per kWh	0.71	0.83
PRC Coal-fired Projects ⁽³⁾	RMB per kWh	0.43	0.38
PRC Cogen Projects ⁽³⁾⁽⁴⁾	RMB per kWh	0.47	0.47
PRC Hydro Projects ⁽⁵⁾	RMB per kWh	0.28	0.29
Korea Gas-fired Projects ⁽⁶⁾	KRW per kWh	93.17	116.50

Weighted average tariff-steam (inclusive of VAT)

PRC Cogen Projects ⁽⁷⁾	RMB per ton	196.85	221.03
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Notes:

- (1) The weighted average tariffs are affected not only by the change in the tariff for each project but also the change in net power generation for each project.
- (2) The weighted average tariff of our PRC solar projects decreased in 2020 due to keen competition in electricity bid trading. In addition, the tariff of newly commissioned solar projects is generally lower, which therefore led to the drop in weighted average tariff.
- (3) The weighted average tariffs for our PRC coal-fired and PRC cogen projects remained stable in 2020.
- (4) The weighted average tariff for our PRC cogen projects excludes steam tariff.
- (5) The weighted average tariff of our PRC hydro projects remained stable in 2020.
- (6) The weighted average tariff for Korea gas-fired projects includes the tariff for the 25.4 MW fuel cell projects owned by Yulchon I Power Project. The decrease in weighted average tariff for our Korea gas-fired projects was in line with the decrease in Korean gas price.
- (7) The decrease in weighted average tariff of steam in 2020 was in line with the decrease in PRC coal price.

The following table sets out the weighted average gas and standard coal (inclusive of VAT) applicable to our projects in the PRC and Korea for the Group for the periods indicated below:

		For the year ended	
		31 December	
	Unit	2020	2019
PRC weighted average standard coal price ⁽¹⁾⁽²⁾	RMB per ton	756.1	793.1
Korea weighted average gas price ⁽¹⁾⁽³⁾	KRW per Nm ³	438.5	560.7

Notes:

- (1) The weighted average standard coal and the weighted average gas prices are weighted based on the consumption of gas or coal in each applicable period.
- (2) The PRC weighted average standard coal price in 2020 decreased compared to 2019 due to decrease in market coal price.

- (3) Our Korea weighted average gas price in 2020 decreased compared to 2019 due to the decrease in the prices known as the Japanese Crude Cocktail, which are calculated with reference to the average prices of crude oil imported into Japan and are an important determinant of natural gas prices in Korean markets. Yulchon I Power Project's power purchase agreement ("PPA") allows us to pass on the fuel cost fluctuations of the tariff to our customers in accordance with the laws.

Scientific and Technological Innovation

The Company has attached great importance to scientific and technological innovation. It focused on the introduction, promotion and application of advanced technologies and supported the progressive development of new energy business by leveraging scientific and technological innovation, contributing its efforts towards the goals of peaking carbon dioxide emissions by 2030 and carbon neutrality by 2060.

Digital transformation to build a smart operation and maintenance platform:

The Company has built a smart operation and maintenance platform and established four centers for the management and control of existing assets, namely the centralized control center, early warning center, safety center and data center. These four centers worked together to enable the Company to achieve high-quality development empowered by production informatization.

Centralized control center: Aiming to address the multiplicity as well as the substantial range of and difficulties in management works of new energy, the Company comprehensively facilitated region-based centralized control by exploring the path of standardization, informatization, centralization and specialization. The Company has established a centralized control center to realize a centralized monitoring model and optimize the on-site operation and maintenance model in stations, which saved labor costs.

Early warning center: To realize the transformation from passive to active equipment management, anticipation of substandard equipment condition for preventative maintenance, the Company has established an early warning center with the best core competency focusing on equipment condition. Development and core operation and maintenance of a self-control model were basically achieved under the system to enable online monitoring and fault early warning of equipment. A preventative maintenance system has been preliminarily formed.

Safety center: The Company has set up an integrated safety monitoring platform to enable remote technical guidance, safety inspection, remote stationing and other works at the sites, and established a full-scenario safety protection network system and a safety emergency operations center, ensuring that safe production was supervised and reviewed. Currently, a number of video surveillance points have been established across the country and mobile operation and maintenance have made fully available, which sufficiently allowed centralized control of safety monitoring and dispatching. By means of technology and informatization, the Company improved the level of safety monitoring characterized by excellent quality in order to prevent the occurrence of major accidents and incidents.

Data center: Digital economy has become a “new driver, new engine and new advantage” for facilitating the high-quality growth of enterprises, where “data” has even become a new production factor. In order to reinforce and improve the quality of corporate data, the Company has established a data center primarily for basic data of the production information system, and has developed a well justified methodology for data standard and data management which the Company was the first in the industry. Through online monitoring and manual review, the Company ensured the accuracy and reliability of final data, and laid a foundation for digital transformation in business and subsequently advanced application.

Smart offshore wind power operation platform:

In December 2020, the Company launched a smart offshore wind power operation platform to enable full-scenario safety protection, construction and operation management, and analysis of operation and maintenance strategies for offshore projects. The system also fully embodied the close integration between meteorological service and generation, operation and maintenance of offshore wind power. Such system excelled the traditional meteorological service model by significantly improving the accuracy of weather forecast for offshore wind power projects, playing a leading and exemplary role in the industry.

Groundbreaking establishment of the first suite of electric power marketing information system in the domestic new energy industry:

In order to cope with the challenges in the market, the Company has established the first suite of electric power marketing information platform for new energy in the PRC by centering on scientific and technological innovation in the context of thriving digital economy. In December 2020, the first phase of the electric power marketing information management platform of the Company was successfully put into operation, which enabled platform-based tracking and monitoring of the entire business process covering transactions at self-owned stations, electricity purchase and sale transactions with external parties, power curtailment management and so on, signifying that the Company's electric power marketing business has entered into a new stage of digitalization and intelligentization.

The Company will continuously insist on scientific and technological innovation and strengthen education for and cultivation of talents with innovative minds, in order to solidly guarantee the high-quality growth of the Company.

Social Responsibility

The Company has been earnestly fulfilling its corporate social responsibility by preventing the epidemic, fighting against floods, as well as bravely and responsibly guiding the industry to pursue healthy development in response to the national energy strategies. The Company committedly took part in poverty alleviation works through industry-driven poverty alleviation, education-driven poverty alleviation and donations.

The Company was steadfast in thoroughly following the important guidance, spirit and work deployment of the Central Committee of the Communist Party of China in respect of epidemic prevention. The Company considered epidemic prevention as the most important and urgent political mission and was committed to overcoming such difficult times together with the country. With its comprehensive epidemic prevention efforts, the Company dealt with the epidemic outbreaks and sporadic local cases in places like Wuhan, Beijing and Hong Kong in a sophisticated and reliable manner.

During June and July 2020, floods occurred in several southern provinces. The Company initiated certain contingency plans for certain projects and deployed leaders at each level of the branches on the frontline to fight against the floods and made them fully devote themselves to works such as monitoring and early warning, slope and dam inspection, which enabled the Company to achieve a big win in this flood control war.

Exchange of Ideas with Industry Peers

In 2020, the Company organized and participated in a number of conferences in relation to the wind power industry and photovoltaic power industry, in which the Company had discussion and analysis on hot issues about development of the industries together with representatives such as competent authority for the industries and experts.

In November 2020, the third Annual Forum for Leaders of Renewable Energy Enterprise (第三屆可再生能源開發企業領導人年度座談會), organized by the Chinese Wind Energy Association of the China Renewable Energy Society and undertaken by the Company, was held in Beijing in which there was in-depth discussion and exchange of ideas focusing on the current opportunities and challenges in the face of the development of renewable energy in China, mainly in relation to the goals for different stages of development of wind power industry in the context of achieving “carbon neutrality by 2060” and suggestions for the 14th Five-Year Plan and supporting policies in respect thereof.

In November 2020, the Company participated in the 2020 National Annual Conference for Large Wind Energy Equipment Industry cum Wind Power Industry Development Forum (2020全國大型風能設備行業年會暨風電產業發展論壇) and delivered a keynote speech titled “Collaboration and Win-win – Joining Hands to Create a New Pattern of Synergic Development for the Wind Power Industry under the Vision of Carbon Neutrality” (《合縱連橫，攜手共贏，全力打造碳中和願景下風電產業協同發展新格局》). In the conference, we had in-depth discussion and exchange of ideas with other attendees on some top news and hot topics in the industry such as transformation of energy structure and renewable energy development-related policies, status of development of the wind power industry development and trends in the period for 14th Five-Year Plan, the ways to achieve synergy and win-win industrywide in the era of grid parity, innovation and cutting-edge technologies in the wind power industry, the integrated use of wind power as well as green and low-carbon development.

In December 2020, the Company participated in the 2020 China Offshore Wind Engineering and Technology Conference (2020中國海上風電工程技術大會) and took part in a forum session with peers in industry chain under the theme of “Sharing Innovated Engineering Technologies and Discussing the Ways to Achieve Grid-Parity” (《共享工程技術創新共商平價發展之路》). Against the backdrops of goals of achieving “peaking carbon emission” and “carbon neutrality”, the conference aimed to explore the ways to achieve grid parity of offshore wind power, expedite the innovation and advancement of engineering technologies, and help solve difficult issues taken place in the industry chain. We had in-depth discussions and shared ideas with guest attendees in regard to the above topics.

In December 2020, we participated in the 5th China Offshore Wind Power Conference (第五屆中國海上風電大會) organized by China Electrical Equipment Industrial Association, in which we delivered an opening speech and participated in dialogue with peers in the industrial chain. In the conference, there were in-depth discussion and exchange of ideas on the focus of the conference which themed “Offshore Wind Power, Smart Energy” (海上風電、智慧能源), contributing valuable ideas and suggestions for facilitating self-dependent innovation and industrial upgrading in respect of offshore wind power technologies and equipment and engineering projects and in turn serving to push forward quality-oriented development of wind power industry in China.

In December 2020, the Company participated in the 2020 China Photovoltaic Industry Annual Conference (2020中國光伏行業年度大會) and took part in the guest dialogue. The conference was organized by China Photovoltaic Industry Association with the aim to facilitate the exchange of ideas and communication about the opportunities in and challenges faced by the photovoltaic industry under the new development pattern of full grid parity, as well as to discuss the future direction and trend of the development of the photovoltaic industry in China with respect to an “intensive reduction in carbon emission”.

In order to adhere to the spirit of President Xi Jinping in his instructions on reaching “peaking carbon emission by 2030” and “carbon neutrality by 2060” and to assume the responsibilities of being a centrally administrated state-owned enterprise, the Company is determined to its strategies of propelling its development in the new energy business with a hope to secure any opportunities in the wind power industry and photovoltaic power industry.

Brand Promotion: Recognitions and Awards

In 2020, adhering to the philosophy of “bearing the initial intention in mind in the path to ingenuity” (以初心、致匠心), the Company has made effort on consolidating its leading position in technological innovation and establishing a system that conduces technical innovation. Apart from expanding its scope of business, for the purpose of facilitating a high-quality development, the Company insisted on building a professional team, by hierarchy and in goal-oriented approach, which are equipped with high technological background, competitive market-wise and can deliver great prospect. The Company won a number of awards in terms of engineering and innovation as follows.

When it comes to innovation in branding, it only took as short as 98 days for Dangtu Photovoltaic Power Station to go through from construction to power connection, which is located in Anhui Province and is the largest fishing-photovoltaic power project in Eastern China with a capacity of 260 MW. Apart from self-made innovation, the Company was in active cooperation with various colleges and scientific research institutions, and has forged Dangtu Photovoltaic Power Station as an industry, education and research base for Company and Nanjing University of Aeronautics and Astronautics, while the Company was also committed to developing Dangtu Photovoltaic Power Station into “a garden-like photovoltaic power station” in the hope of winning the first “National Quality Engineering Award” in photovoltaic field in China. The Company was also granted the honor of “China Innovation Leadership Vanguard Brand” (全國創新領導先鋒品牌) thanks to unremitting effort and contribution.

In September 2020, the Company was awarded 3 Outstanding Quality Management Achievement Awards for China’s power industry by China Association for Water and Electricity Quality Management. The theme of the performance report released by our quality management team was “Consolidating Our Base, Implementing Our Standards, Innovating and Empowering Ourselves” (紮根基層•落實標準•創新賦能), in which our quality management team exchanged its fruitful experience and shared new ideas from performance in quality management, in the hope of brainstorming power enterprises in enhancing its quality management. At the report release conference, our quality management team deeply explained its idea, yet in a simple and understandable language, which was highly received and recognized by the evaluation panel, attaining remarkable performance. Being profoundly concerned about quality management, the Company has been perseverant in making employees enthusiastic and proactive in being a part in innovation, and encouraging employees to develop new products, research and develop new methods, adopt new technologies and solve new problems.

In November 2020, two scientific and technological achievements gained by the Company, namely “Research and Application of Technology for Analysis of Harmonic Source Positioning in New Energy Stations” (《新能源場站諧波源定位分析技術的研究與應用》) and “Research and Application in Enhancement of Design of Grounding Network of Fishing-Photovoltaic Power Complementary Photovoltaic Station” (《漁光互補光伏電站接地網設計優化研究與應用》), won “Third Prize in 2020 Scientific and Technological Advancement Award for Power Development” (2020年度電力建設科學技術進步獎三等獎) awarded by China Electric Power Construction Association. The Scientific and Technological Advancement Award for Power Development is granted by the Ministry of Science and Technology and is regarded as the most honorable science and technology award in the power development industry. This award aims to incentivize power enterprises in enhancing their ability in scientific and technological innovation, to promote the production and application of scientific and technological outcomes, and accordingly facilitate the channeling of the scientific and technological outcomes to productivity that are conducive to enterprises’ scientific and technological innovation.

In December 2020, the Company received 2 awards titled “Second Prize for Achievements in Activities of the Electricity Development Quality Control Group in 2020” (2020年度電力建設質量管理小組活動二等成果獎) from the China Electric Power Construction Association. The achievements of the quality control group of the Company being shortlisted demonstrated to industry peers our project quality management standard and innovation development level as well as the enthusiasm and creativity of our employees, further enhancing the influence of the Company in the power industry. The Company will make greater efforts in innovation by actively promoting the application of “new technology, new craftsmanship, new procedures, new equipment and new applications”, with an aim to make greater contributions to facilitating the high-quality sustainable development of the Company.

Considering “Developing Clean Energy and Building a Beautiful China” (發展清潔能源，建設美麗中國) as its mission, the Company has always upheld its key development principles such as promoting green development. The Company has always prioritized its concern about environmental-friendliness in development and operation of any project and has started its work in the protection for ecosystem, atmosphere and aquatic environment. In October 2020, the Company was awarded the “InnoESG Prize” 2020 in Hong Kong, which represents that the Company’s contribution to sustainable development has drawn attention from and recognized by the market. The Company is the only power producer that had received this award for two consecutive years. The “InnoESG Prize”, jointly issued by the organizations such as UNESCO HK Global Peace Centre, is offered as a credit to listed companies that have made a constructive and positive impact in the area of “environmental, social and corporate governance” (ESG), which also serves as a support and full recognition for the Company’s initiatives in sustainable development. The Company will continue its efforts in promoting high-quality development, and consolidating in the clean energy market for the purpose of providing safe, environmentally friendly and economical clean energy to the society.

IV. Risk Factors and Risk Management

Risks Relating to the Industry

Our power projects are located in the PRC and Korea, both of which have undergone, and may continue to undergo, regulatory changes. Governmental regulations affect all aspects of our power project operations, including the amount and timing of electricity generation, the setting of tariffs, compliance with power grid controls, dispatch directives and environmental protection. Regulatory changes in the PRC and Korea can affect, among other things, dispatch policies, clean and renewable energy and environmental compliance policies and tariffs, and may result in a change of tariff setting procedures or mandatory installation of costly equipment and technologies to reduce environmental pollutants.

Further, the solar power projects are highly dependent on solar illumination conditions, and the wind power projects are dependent particularly on wind conditions. Extreme wind or weather conditions could lead to downtime of the wind power projects. Solar illumination conditions and wind conditions vary across seasons and locations, and could be unpredictable and are out of our control.

Risk Relating to Fuel Cost

The non-renewable energy power projects of the Group require supplies of coal, oil and gas as fuel. Fuel costs represent a significant portion of our operating expenses and the operating expenses of our associates. The extent to which our profit is ultimately affected by the cost of fuel depends on our ability to pass through fuel costs to our customers as set out under the relevant regulatory guidelines and the terms of our power purchase agreement for a particular project, as we currently do not take any measures to hedge our exposure to fuel price fluctuations. Our fuel costs are also affected by the volume of electricity generated because the coal consumption rate of coal-fired and cogen power projects decreases when we generate more electricity as a result of economies of scale. In the PRC, government tariff regulations limit our ability to pass through changes in fuel costs. In Korea, while our Yulchon I Power Project is able to pass through our exposure to fuel price fluctuations through fuel cost pass through provisions in the tariff formula, our Yulchon II Power Project and Daesan I Power Project receive payments based on the system marginal price, which is influenced by market demand and supply, and may not fully reflect the power plants' respective fuel price fluctuations. Our diversified generation portfolio enables us to diversify the risks that we would face to utilize a single resource for electricity generation. In particular, our exposure to several fuel types mitigates risks such as price increases in or the availability of any particular fuel source.

Interest Rate Risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our debt with floating interest rates based on market prevailing rates. We undertake debt obligations to support asset acquisition and general corporate purposes including capital expenditures and working capital needs. Certain of our indebtedness is calculated in accordance with floating interest rate or interest rate that are subject to adjustment by our lenders. We periodically review the ratio of debt with floating interest rates to debt with fixed rates, taking into account the potential impact on our profit, interest coverage and cash flows.

Foreign Exchange Risk

The functional currency of the Company is US dollars, and our reportable profit is affected by fluctuations in foreign currency exchange rates. We collect most of our revenue from our projects in Renminbi and Korean Won, some of which are converted into foreign currencies to (1) purchase foreign-made equipment and parts for repair and maintenance; (2) make investments in certain joint ventures or acquire interests from other companies; (3) pay out dividends to the shareholders of our project companies; and (4) repay our outstanding debt. By managing and monitoring the risks of foreign currency, we ensure that appropriate measures are adopted effectively in a timely manner.

V. Prospects

In 2021, the Company will continue to enhance its core competitiveness, and promote the synergy effect in scale, quality, efficiency and effectiveness, such that quality and sustainable development can be achieved. It is expected that the increase in planned capacity of the Company during the period for the 14th Five-Year Plan would be higher than that during the period for the 13th Five-Year Plan.

First, we are endeavored to carry out and consolidate sound lean management, while maintaining our core competitive advantage of lower cost of electricity:

- (i) We will stick to a goal-oriented approach and strive to enhance the development and management of projects, with a view to steadily increasing our market share and project success rate.
- (ii) A stringent approach will be adopted for project procurement management to ensure our timely access to adequate resources. For the purpose of ensuring our resources are available at any time, we aim to cut our average procurement costs to an extent that are below the industry level and shorten our cycle of procurement.
- (iii) Strict control is implemented over the construction cost and construction time of projects. We will aim to lower the average construction cost of our wind power and photovoltaic projects to below the industry's average and strictly control the standard construction time of projects.
- (iv) We will strictly control our finance cost and keep optimizing our asset structure and debt structure to ensure sound financial position can be maintained.
- (v) Through application of information technology and lean management, we will closely monitor the increase in head count and solidify operation management, and in turn enhance operational efficiency of the Company.
- (vi) By expediting the digitalization of operation, maintenance, inspection and repair as well as promoting smart operation and maintenance, the relevant operation and maintenance costs can be monitored effectively.

Second, we will innovate our technology and improve our layout in the industry with the hope that a new business development pattern driven by diversified source of growth can be developed:

The Company's innovation in technology will center around the improvement of the management of operation and maintenance of the existing power stations, tackling of the key technical problems faced by this new energy industry, and the preparation for developing emerging cutting-edge technologies that will affect the long-term development of the Company. For example, the Company may leverage of digitisation and intelligence and start utilizing data assets from new energy power stations to enhance the intelligent management in areas of engineering and operation and maintenance; the Group may also introduce intelligent operation and maintenance systems to improve the efficiency of power generation and reduce costs on operation and maintenance.

Third, we will deepen our reform in all aspect and further enhance the Company's corporate governance and management mechanism in order to revitalize the Company and unleash its potential:

With regard to the improvement on the corporate governance, the Company will optimize the governance and control over the Company and its regional companies, and develop corporate governance and governance capability that are commensurate with a modern enterprise. With regard to the establishment of market-oriented operation mechanism, the Company will deepen the reform of the three systems, extend its effort on market-oriented employment and talent deployment, standardise the tenure for the management and implement contract-based management at managerial level, while further optimising the market-oriented mechanism for remuneration packages and striving to achieve a breakthrough in the mid- and long-term incentive mechanism.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No important event or transaction affecting the Group has taken place after 31 December 2020.

POSSIBLE PRIVATISATION

On 28 February 2020, the Board was informed by CGN that it was considering a proposal in respect of using its wholly-owned subsidiary, CGN Energy International, as the potential offeror, to privatise the Company by way of scheme of arrangement which may result in the delisting of the Company (the “**Possible Privatisation**”). The Board was subsequently informed by CGN that it has decided not to proceed further with the Possible Privatisation. For details regarding the Possible Privatisation, please refer to the announcements of the Company dated 2 March 2020 and 30 September 2020.

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

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

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has complied with all the code provisions of the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Code for Securities Transactions by Directors, the stipulations of which are no less exacting than those set out in the Model Code, as a code of conduct for dealing in securities of the Company by the Directors.

Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards in respect of securities transactions by the Directors set out in the Model Code and the Company's Code during the year ended 31 December 2020.

REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

FINAL DIVIDEND

The Board recommended a final dividend of 1.59 US cents per share (equivalent to 12.42 HK cents per share). As at 24 March 2021, 4,290,824,000 shares were in issue. If the recommendation is approved, the final dividend of 1.59 US cents per share (equivalent to 12.42 HK cents) will be payable on Monday, 21 June 2021 to registered Shareholders as at Thursday, 10 June 2021.

For the purpose of determining the entitlement to the proposed final dividend, the register of members will be closed from Tuesday, 8 June 2021 to Thursday, 10 June 2021, both days inclusive. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Monday, 7 June 2021.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 25 May 2021 at 10:00 a.m. A circular containing, inter alia, the information required by the Listing Rules concerning (1) re-election of retiring Directors; and (2) grant of general mandates to repurchase Shares and to issue new Shares, together with the notice of the Annual General Meeting, will be published and despatched to the Shareholders in the manner as required by the Listing Rules on or before 23 April 2021.

For the purpose of determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Tuesday, 18 May 2021.

PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.cgnne.com). The 2020 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites on or before 23 April 2021.

DEFINITIONS

“Annual General Meeting”	an annual general meeting of the Company for the year 2021 to be held on Tuesday, 25 May 2021 or any adjournment thereof
“Board”	the board of Directors of the Company
“CGN”	China General Nuclear Power Corporation (中國廣核集團有限公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“CGN Energy International”	CGN Energy International Holdings Co., Limited (中國廣核能源國際控股有限公司), an indirectly wholly-owned subsidiary of CGN incorporated in Hong Kong with limited liability and the immediate shareholder of the Company
“Company”	CGN New Energy Holdings Co., Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Company's Code”	Code for Securities Transactions by Directors of the Company
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Daesan I Power Project”	a 507.0 MW oil-fired project in Korea
“Directors”	the directors of the Company
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries from time to time

“GW”	gigawatt, equal to one million kilowatts
“GWh”	gigawatt-hour, or one million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power projects
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinqiao JV”	Shanghai Meiya Jinqiao Energy Co., Ltd. (上海美亞金橋能源有限公司), which is a limited company established in the PRC in the form of sino-foreign equity joint venture, and a non-wholly owned subsidiary of the Company
“Korea”	the Republic of Korea
“KRW”	Korean Won, the lawful currency of Korea
“kWh”	kilowatt-hour, the standard unit of energy used in the power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MW”	megawatt, or one million watts. The installed capacity of power projects is generally expressed in terms of MW
“Ministry of Finance”	Ministry of Finance of the PRC
“NDRC”	National Development and Reform Commission of the PRC
“NEA”	National Energy Administration of the PRC
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TWh”	terawatt-hour, or one million megawatt-hours. TWh is typically used as a measure for the annual energy production of a region or a country
“US\$” or “US dollar(s)”	United States dollars, the lawful currency of the United States of America
“Yulchon I Power Project”	a 577.4 MW gas-fired project in Korea
“Yulchon II Power Project”	a 946.3 MW gas-fired project in Korea
“%”	per cent.

By order of the Board
CGN New Energy Holdings Co., Ltd.
Li Yilun
President and Executive Director

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises seven Directors, namely:

<i>Chairman and non-executive Director</i>	:	<i>Mr. Chen Sui</i>
<i>Executive Directors</i>	:	<i>Mr. Li Yilun (President) and Mr. Zhang Zhiwu</i>
<i>Non-executive Director</i>	:	<i>Mr. Xing Ping</i>
<i>Independent non-executive Directors</i>	:	<i>Mr. Wang Minhao, Mr. Yang Xiaosheng and Mr. Leung Chi Ching Frederick</i>