龍 源 電 力 集 團 股 份 有 限 公 司

# China Longyuan Power Group Corporation Limited*

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

**Stock Code: 00916**

# 2020
# ANNUAL REPORT


* For Identification Purpose Only


龙源电力

# CONTENTS

# CHAIRMAN'S STATEMENT

Dear Shareholders,

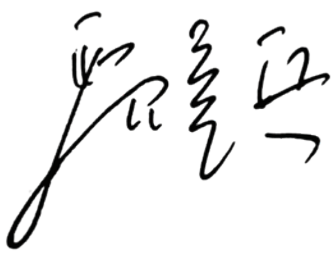
The year 2020 was the end of building a moderately prosperous society in all respects and the "Thirteenth Five-Year Plan", and also a crucial year for our country to achieve the first Centenary Goal. Under the leadership of the Board, Longyuan Power thoroughly implemented the decisions and arrangements of the CPC Central Committee on the "Stability on Six Fronts" and "Security in Six Areas", earnestly put into action the "One Goal, Three Orientations, Five Variations and Seven World-Class Competitiveness (一個目標、三型五化、七個一流)" development strategy, actively responded to the complex and severe macro situation and external environment, strived to overcome the impact of the COVID-19 pandemic, and made new outstanding achievements in production and operation, reform and development and Party building. Main indicators reached new highs, the security and environmental protection situation remained stable, and the annual targets and tasks were fully accomplished.

In 2020, General Secretary Xi Jinping put forward the "30•60" goal, and the development of new energy in China entered a strategic opportunity period. Longyuan Power seized the development opportunity, and made breakthroughs in early-stage development, project construction, mergers and acquisitions through cooperation and other aspects. The Group had new resource reserves of 51,590 MW throughout the year, and obtained the parity and bidding project indicators of 1,990 MW; it reached strategic cooperation with Goldwind, Envision Energy and Sungrow Power, and established a cooperative platform company to jointly develop new energy projects domestically and abroad. The new energy projects with newly-added installed capacity of 2,524 MW were put into production throughout the year, hitting a new record high. The consolidated installed capacity of Longyuan Power approached to 25,000 MW, of which the consolidated installed capacity of the wind power exceeded 22,000 MW, maintaining the leading position among global wind power operators.

# CHAIRMAN'S STATEMENT

In 2020, Longyuan Power took solid steps to improve quality and efficiency, further pushed forward the construction of a world-class new energy company. It carried out the "Trinity" management system construction in respect of risk, internal control and compliance, and actively promoted the implementation of "Three-standards and One-system" in terms of quality, environment, occupational health and safety. It strengthened the refined management of production, accelerated the "Two Integrations" of informatization and digitalization, intensified the efforts to turn losses into profits, and further enhanced the operation of stock assets. Wind power generated in the year amounted to 43,683 million kWh, representing a year-on-year increase of 2,951 million kWh. The Company recorded a profit before taxation of RMB6,922 million, representing a year-on-year increase of 7.3%. Net profit attributable to equity holders of the Company amounted to RMB5,025 million, representing a year-on-year increase of 10.0%, which recorded the highest level in recent years.

The year 2021 marks the first year of the "Fourteenth Five-Year Plan", and also the centenary of the founding of the Communist Party of China. Longyuan Power, guided by Xi Jinping Thought on Socialism with Chinese Characteristics in the New Era, will fully implement the new development philosophy and actively integrate into the new development pattern. We will insist on the theme of promoting high-quality development and the direction of building a value-oriented enterprise, take measures to speed up the digital transformation, strengthen the overall leadership of the Party as the fundamental guarantee, and accelerate the construction of a scientific, complete and efficient management system. We will seize opportunities, work diligently and conscientiously, and strive to start a new journey of building a world-class new energy company, thereby making greater contribution to building a beautiful China.



*Chairman of the Board*

**Jia Yanbing**

# PRESIDENT'S STATEMENT

Dear Shareholders,

In 2020, in the face of the complicated situation and tough tasks, under the strong leadership of the Board of the Company and with the joint efforts of all cadres and employees, the Group earnestly implemented the guidelines adopted at the working meetings held at the beginning and in the middle of the year, adhered to the underlying principle of pursuing progress while ensuring stability, put into practice the new development philosophy, coordinated to advance the pandemic prevention and control as well as the business operation and development, and promoted the establishment of a world-class enterprise in all respects. As a result, various indicators reached new record highs, ushering in a new stage of reform and development.

## NEWLY-ADDED INSTALLED CAPACITY REACHED A RECORD HIGH

In 2020, the Group overcame certain difficulties by virtue of its careful organization. Therefore, the projects with the capacity of 2,523.6 MW were put into operation and the projects with the capacity of 3,110 MW were commenced to construct, reaching the best level in history. We proposed and developed project construction plans in advance, and completed the procurement of key equipment and materials ahead of schedule to grasp the initiative of priority supply. We strengthened the overall planning and coordination, and refined the organization of construction to ensure the efficient connection of each stage. Special measures were formulated to deeply explore the lifting potential and continuously improve the lifting efficiency. We obtained full-capacity grid connection procedures for all the projects put into production, and successfully completed the task of maintaining electricity price.

## RESULTS OF OPERATIONS STEADILY IMPROVED

In 2020, the Group adhered to improving quality and efficiency, and carried out various activities to increase net profit and reduce tax and expenses, resulting in a steady growth in profitability. On a consolidated basis, the Group's operating revenue for the year amounted to RMB28,667 million, representing a year-on-year increase of 4.1%; net profit attributable to equity holders of the Company amounted to RMB5,025 million, representing a year-on-year increase of 10.0%; and the earnings per share amounted to RMB58.81 cents. As at the end of 2020, the Group's total assets and net assets amounted to RMB175,286 million and RMB66,449 million, respectively, with a net gearing ratio of 56.37%.

# PRESIDENT'S STATEMENT

## REMARKABLE EQUIPMENT MANAGEMENT RESULTS

In 2020, the Group continued to focus on equipment renovation. Based on the objective of "More power generation, less shutdown, less assessment", special measures were implemented for precise management, resulting in a significant improvement in equipment operation. Aggregate wind power generated in the year amounted to 43,683 million kWh, representing a year-on-year increase of 7.2%, and the utilisation hours of wind power reached 2,239 hours, 166 hours higher than the industry average.

## OUTSTANDING ACHIEVEMENTS IN EARLY-STAGE DEVELOPMENT

In 2020, the Group insisted on development as its top priority, and entered into new agreements for development of wind and photovoltaic power (PV) of 51,590 MW. Photovoltaic power projects of 2,350 MW and wind power projects of 819 MW were approved for the year, which accelerated the implementation of the strategy of "wind and photovoltaic power simultaneously". Through actively overcoming the adverse impact of the spread of the COVID-19 pandemic abroad, we promoted the construction of the Ukraine Yuzhne Wind Power Project in an orderly manner, and completed the installation of the first wind turbine. A number of wind and photovoltaic power projects, including the Ukraine Southern Wind Power Project, have been approved to launch. As at the end of 2020, the consolidated installed capacity of the Longyuan Power was 24,681 MW, of which the consolidated installed capacity of wind power was 22,303 MW, maintaining the leading position in the global wind power operators.

## STEADY PROGRESS IN THE CONSTRUCTION OF INFORMATIZATION AND DIGITALIZATION

In 2020, the Group took the lead in the ERP construction of the new energy sector of China Energy (CHN Energy), and its 189 affiliated units went online in the second batch ahead of schedule, winning the "Pioneer Leading Award". We accelerated the digital transformation of production, established the three-step target of "consolidating data foundation, realizing predictive maintenance, and achieving reliable and harmonious source network", completed the full data collection of wind turbines and booster stations, and put into operation the new monitoring centers smoothly, forming a new operation and management model of front-end duty monitoring and back-end data analysis. We promoted the reform of the regional operation and inspection model, set up 15 regional maintenance centers, and realized the unattended operation in 30 wind farms.

# PRESIDENT'S STATEMENT

The year 2020 was an extremely extraordinary year. The achievements were not easy to obtain, thanks to the hard work of all cadres and employees, and the strong and consistent support from all sectors of society and all Shareholders. Hereby, on behalf of the management of the Company, I would like to express my sincere appreciation to all of you.

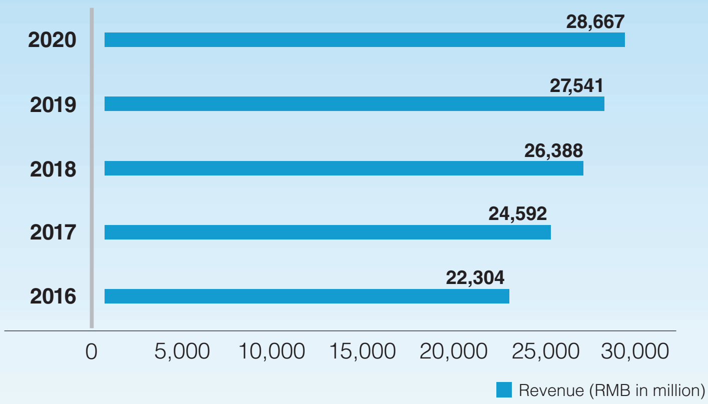
The year 2021 marks the first year of the "Fourteenth Five-Year Plan". At present and in the coming period, it is an important period of strategic opportunities for the Group's development, and also a critical period for further consolidating and expanding its competitive advantage and leading position in the industry. We will comprehensively implement the new development philosophy, further formulate the "Fourteenth Five-Year" development plan in a scientific manner, accurately capture the development opportunities, make new achievements in safety and environmental protection, development and construction, production and operation, in-depth reform, technological innovation and Party building, accelerate the construction of a world-class new energy company with global competitiveness, make contribution to the green transformation of energy industry in China, and reward the Shareholders with sound performance.

*President* Note
**Sun Jinbiao**

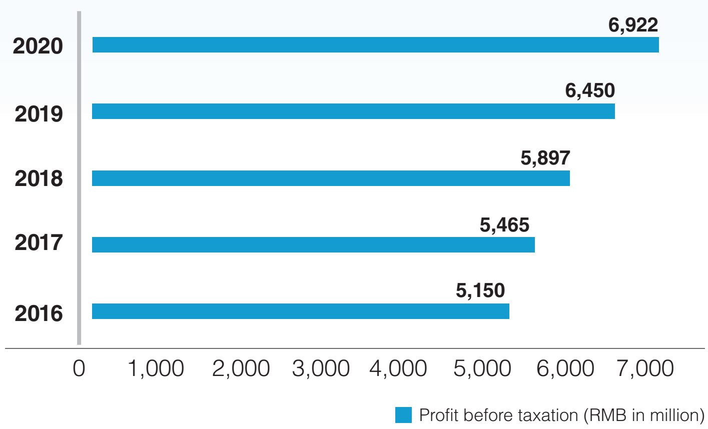
*Note:* Mr. Sun Jinbiao resigned as President of the Company on 14 April 2021.

# KEY OPERATING AND FINANCIAL DATA

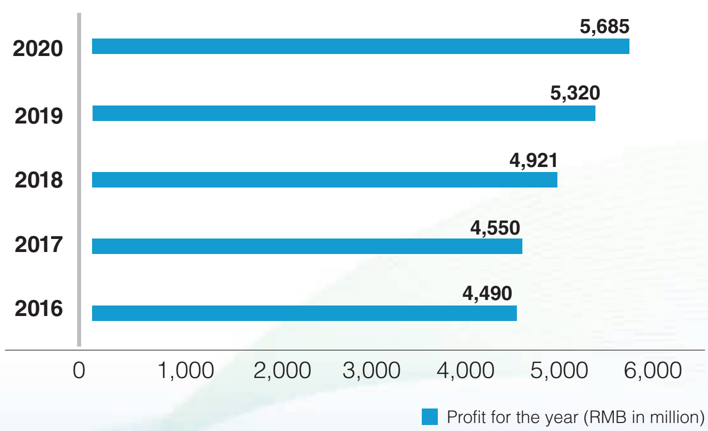
## 1. Revenue




## 2. Profit before taxation

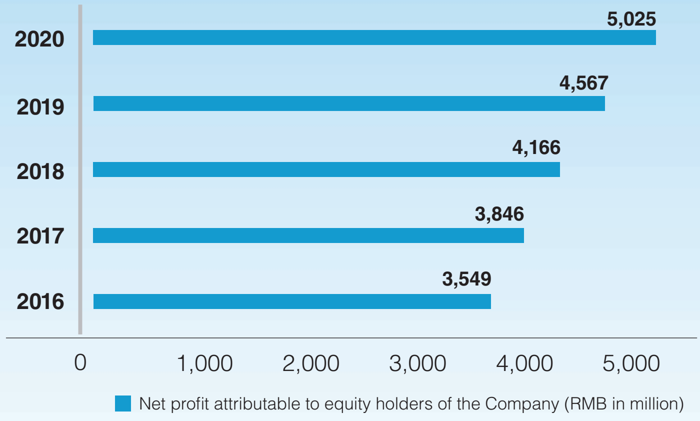



## 3. Profit for the year

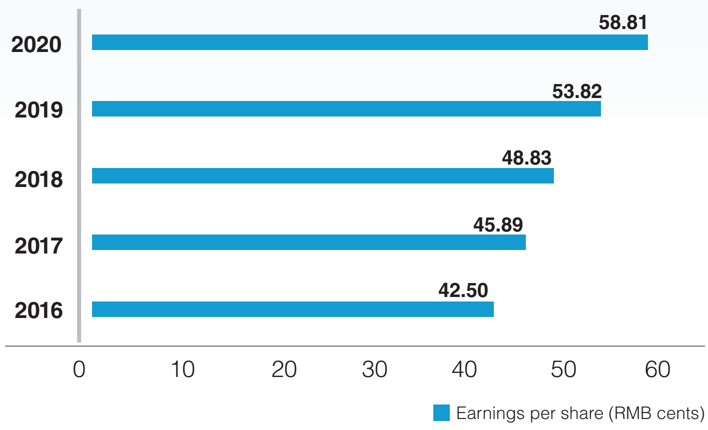


# KEY OPERATING AND FINANCIAL DATA

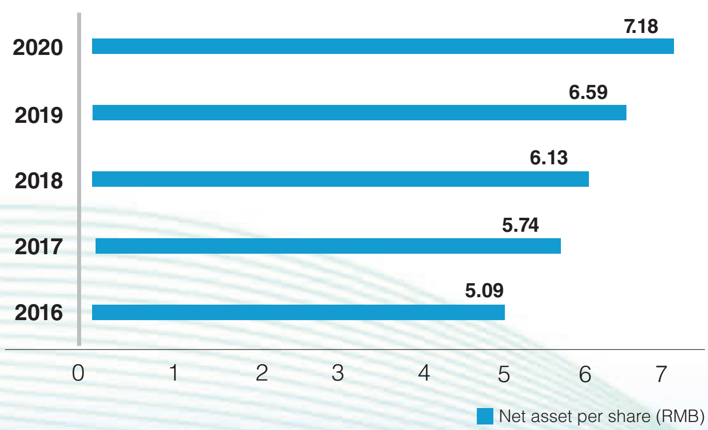
### 4. Net profit attributable to equity holders of the Company




### 5. Earnings per share

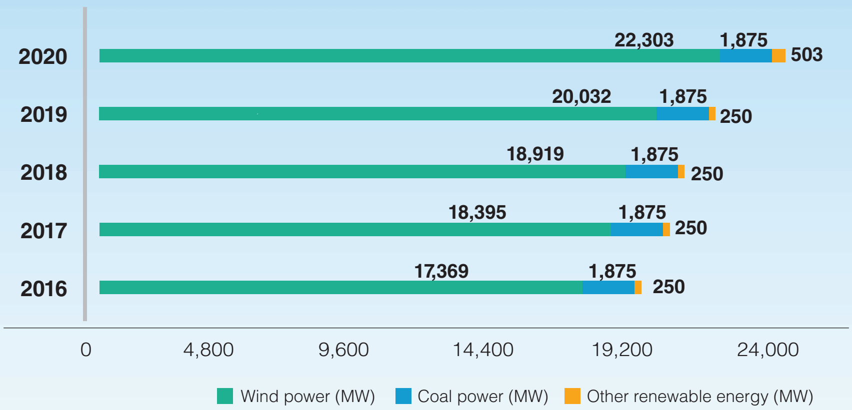



### 6. Net asset per share

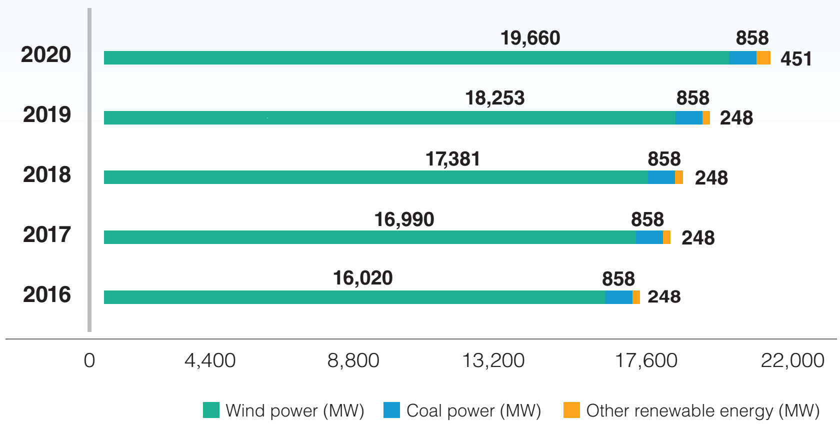


# KEY OPERATING AND FINANCIAL DATA

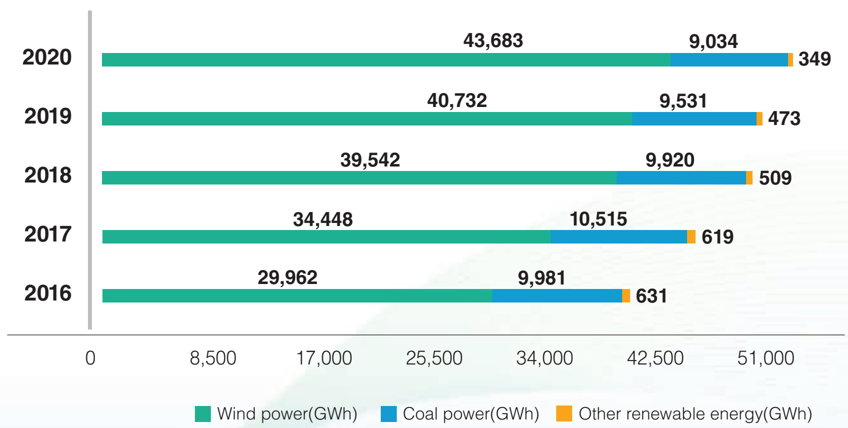
## 7. Consolidated installed capacity




## 8. Attributable installed capacity

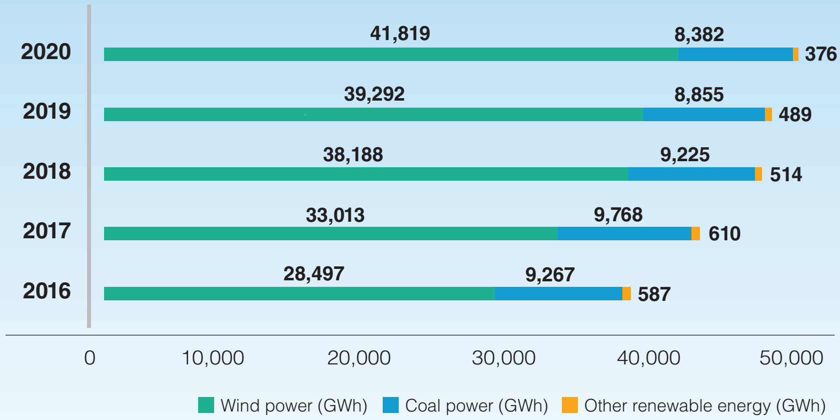



## 9. Electricity output

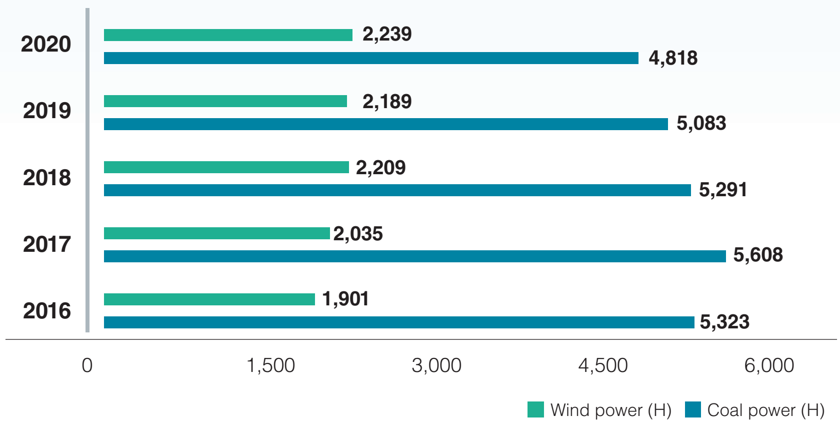


# KEY OPERATING AND FINANCIAL DATA

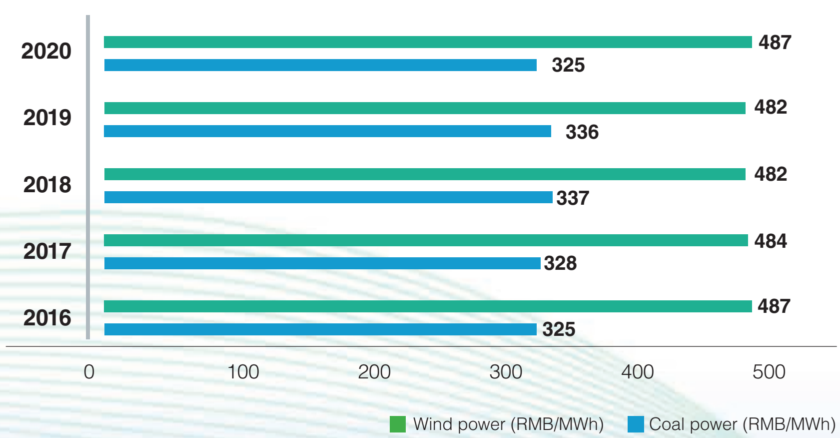
## 10. Electricity sales




## 11. Utilisation hours




## 12. Tariffs (excluding VAT)



# KEY OPERATING AND FINANCIAL DATA

| | 2016<br>*RMB'000* | 2017<br>*RMB'000* | 2018<br>*RMB'000* | 2019<br>*RMB'000* | **2020**<br>***RMB'000*** |
|---|---|---|---|---|---|
| **Revenue** | 22,304,055 | 24,591,616 | 26,387,923 | 27,540,630 | **28,667,181** |
| Profit before taxation | 5,149,903 | 5,465,390 | 5,896,836 | 6,450,456 | **6,921,577** |
| Income tax | (660,182) | (915,692) | (975,616) | (1,130,758) | **(1,236,082)** |
| Profit for the year | 4,489,721 | 4,549,698 | 4,921,220 | 5,319,698 | **5,685,495** |
| **Attributable to:** | | | | | |
| Equity holders of the Company | 3,548,578 | 3,845,990 | 4,165,809 | 4,566,790 | **5,024,979** |
| Non-controlling interests | 941,143 | 703,708 | 755,411 | 752,908 | **660,516** |
| **Total comprehensive income for the year** | 4,460,041 | 4,783,980 | 4,622,561 | 5,455,679 | **5,532,714** |
| **Attributable to:** | | | | | |
| Equity holders of the Company | 3,481,342 | 4,069,314 | 3,886,575 | 4,713,367 | **4,882,823** |
| Non-controlling interests | 978,699 | 714,666 | 735,986 | 742,312 | **649,891** |
| **Basic and diluted earnings per share** *(RMB cents)* | 42.50 | 45.89 | 48.83 | 53.82 | **58.81** |

# KEY OPERATING AND FINANCIAL DATA

| | 2016<br>*RMB'000* | 2017<br>*RMB'000* | 2018<br>*RMB'000* | 2019<br>*RMB'000* | **2020**<br>***RMB'000*** |
|---|---|---|---|---|---|
| Total non-current assets | 125,328,117 | 128,512,863 | 128,718,285 | 133,773,499 | **144,101,991** |
| Total current assets | 13,332,576 | 17,122,177 | 17,786,051 | 23,029,184 | **31,183,881** |
| **TOTAL ASSETS** | 138,660,693 | 145,635,040 | 146,504,336 | 156,802,683 | **175,285,872** |
| Total current liabilities | 55,807,408 | 47,159,418 | 39,780,268 | 43,537,841 | **52,907,326** |
| Total non-current liabilities | 35,067,034 | 45,176,340 | 50,158,275 | 52,609,770 | **55,929,572** |
| **TOTAL LIABILITIES** | 90,874,442 | 92,335,758 | 89,938,543 | 96,147,611 | **108,836,898** |
| **NET ASSETS** | 47,786,251 | 53,299,282 | 56,565,793 | 60,655,072 | **66,448,974** |
| Total equity attributable to the equity holders of the Company | 40,889,777 | 46,125,851 | 49,236,430 | 52,922,642 | **57,687,575** |
| Non-controlling interests | 6,896,474 | 7,173,431 | 7,329,363 | 7,732,430 | **8,761,399** |
| **TOTAL EQUITY** | 47,786,251 | 53,299,282 | 56,565,793 | 60,655,072 | **66,448,974** |
| **NET ASSETS PER SHARE** *(RMB)* | 5.09 | 5.74 | 6.13 | 6.59 | **7.18** |

# CORPORATE PROFILE

## CORPORATE PROFILE

Founded in 1993, Longyuan Power was originally affiliated to the National Energy Administration of the PRC and became an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation successively. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange, which made it known as the "First Listed New Energy Company in the PRC". Currently, Longyuan Power has developed into a large-scale power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2020, the total installed capacity of the Company was 24,680.64 MW, of which the consolidated installed capacity of wind power was 22,302.64 MW, maintaining the position of the Company as the leading wind power operator in the world. Due to its sound operation performance, the Company was successively awarded as the "National Civilized Unit (全國文明單位)", the "Listed Company with Most Brand Value (最具品牌價值上市公司)", the "Most Influential Listed Company (最具影響力上市公司)", the "Best Corporate Governance Listed Company (最佳公司治理上市公司)" and the "Thirteenth Five-Year Plan Listed Company with Most Investment Value ("十三五"最具投資價值上市公司)". It has been rated as one of the "Global New Energy Top 500" (全球新能源500強) enterprises for eight consecutive years and won the "National Labor Day Certificate (全國五一勞動獎狀)", the highest honor awarded by the All-China Federation of Trade Unions (中華全國總工會) to enterprises and institutions.

# CORPORATE PROFILE

## CORPORATE STRUCTURE

Hero Asia (BVI) Company Limited

100%

| | | |
|---|---|---|
| 100% | Longyuan (Bayannur) Wind Power Generation Co., Ltd. | 246.90 MW |
| 100% | Longyuan (Baotou) Wind Power Generation Co., Ltd. | 201.00 MW |
| 100% | Longyuan (Siziwang) Wind Power Generation Co., Ltd. | 49.50 MW |
| 100% | Longyuan Damao Wind Power Generation Co., Ltd. | 300.70 MW |
| 100% | Longyuan (Wulatehou Banner) Wind Power Generation Co., Ltd. | 99.00 MW |
| 100% | Guodian Wuchuan Hongshan Wind Power Co., Ltd. | 49.50 MW |
| 100% | Longyuan Xinghe Wind Power Generation Co., Ltd. | 99.50 MW |
| 100% | Inner Mongolia Longyuan New Energy Development Co., Ltd. | 198.00 MW |
| 34% | Chifeng Xinsheng Wind Power Generation Co., Ltd. | 150.00 MW |
| 97.01% | Chifeng Longyuan Wind Power Generation Co., Ltd. | 148.00 MW |
| 100% | Chifeng Longyuan Songzhou Wind Power Generation Co., Ltd. | 945.20 MW |
| 100% | Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd. | 99.00 MW |
| 100% | Longyuan (Keyouqian Banner) Wind Power Generation Co., Ltd. | 49.50 MW |
| 100% | Inner Mongolia Longyuan Mengdong New Energy Co., Ltd. | |
| 61.71% | Yichun Xing'anling Wind Power Generation Co., Ltd. | 112.30 MW |
| 40% | Yichun Longyuan Wind Power Generation Co., Ltd. | 49.30 MW |

| | | |
|---|---|---|
| 40% | Huanan Longyuan Wind Power Generation Co., Ltd. | 139.60 MW |
| 100% | Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd. | 99.00 MW |
| 51% | Hailin Longyuan Wind Power Generation Co., Ltd. | 20.40 MW |
| 100% | Fuyuan Longyuan Wind Power Generation Co., Ltd. | 31.50 MW |
| 92% | Yilan Longyuan Huineng Wind Power Generation Co., Ltd. | 98.60 MW |
| 95% | Hegang Longyuan Wind Power Generation Co., Ltd. | 49.30 MW |
| 100% | Shuangyashan Longyuan Wind Power Generation Co., Ltd. | 49.50 MW |
| 100% | Harbin Longyuan Wind Power Generation Co., Ltd | |
| 70% | Hailin Chenguang Wind Power Generation Co., Ltd. | |
| 80% | Tonghe Longyuan Wind Power Generation Co., Ltd. | 48.30 MW |
| 100% | Heilongjiang Longyuan New Energy Development Co., Ltd. | 536.90 MW |
| 100% | Wudalianchi Longyuan New Energy Co., Ltd. | |
| 100% | Tieli Longyuan New Energy Co., Ltd. | |
| 66.23% | Jilin Longyuan Wind Power Generation Co., Ltd. | 200.60 MW |
| 100% | Longyuan (Changling) Wind Power Generation Co., Ltd. | 99.00 MW |
| 100% | Tongyu Xingfa Wind Power Generation Co., Ltd. | 313.45 MW |

| | | |
|---|---|---|
| 100% | Yanbian Longyuan Wind Power Generation Co., Ltd. | 50.00 MW |
| 100% | Longyuan (Nong'an) Wind Power Generation Co., Ltd. | 99.00 MW |
| 88% | Jilin Dongfeng Longxin Power Generation Co., Ltd. | |
| 98.62% | Shenyang Longyuan Wind Power Generation Co., Ltd. | 141.30 MW |
| 100% | Tieling Longyuan Wind Power Generation Co., Ltd. | 98.60 MW |
| 100% | Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. | 148.50 MW |
| 100% | Longyuan Fuxin Wind Power Generation Co., Ltd. | 44.00 MW |
| 100% | Liaoning Longyuan New Energy Development Co., Ltd. | 614.80 MW |
| 50% | Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd. | 99.00 MW |
| 55% | Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd. | 148.50 MW |
| 100% | Hebei Longyuan Wind Power Generation Co., Ltd. | 398.10 MW |
| 70% | Hebei Longyuan Zhongbao Wind Power Generation Co., Ltd. | 300.00 MW |
| 100% | Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. | 725.50 MW |
| 100% | Longyuan (Zhangbei) Wind Power Generation Co., Ltd. | 99.00 MW |
| 100% | Xingtai Longyuan New Energy Development Co., Ltd. | |
| 77.11% | Gansu Jieyuan Wind Power Generation Co., Ltd. | 340.30 MW |
| 54.54% | Gansu Xin'an Wind Power Generation Co., Ltd. | 99.00 MW |

**Major Subsidiaries:**

Wind power business | Coal power business | Other new energy business | Other enterprises

# CORPORATE PROFILE

Shareholders of the Company

- Guodian Northeast Electric Power Co., Ltd. — 1.17%
- CHN Energy — 57.27%
- H Shareholders — 41.56%

龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited

The Company

Hero Asia Investment Limited — 100%

| Subsidiary of Hero Asia Investment Limited | Capacity | Shareholding |
|---|---|---|
| Longyuan Power Overseas Investment Co., Ltd. | | 100% |
| Longyuan Canada Renewables Ltd. | 99.10 MW | 100% |
| Longyuan South Africa Renewables (Pty) Ltd. | 244.50 MW | 100% |
| Longyuan Ukraine Yuzhne Wind Power Generation Co., Ltd. | | 100% |

| Company | Capacity | Shareholding |
|---|---|---|
| Longyuan (Jiuquan) Wind Power Generation Co., Ltd. | 550.50 MW | 100% |
| Gansu Longyuan Wind Power Generation Co., Ltd. | 300.00 MW | 100% |
| Xinjiang Tianfeng Power Generation Joint Stock Company | 249.30 MW | 59.53% |
| Xinjiang Longyuan Wind Power Generation Co., Ltd. | 297.00 MW | 100% |
| Longyuan Balikun Wind Power Generation Co., Ltd. | 398.00 MW | 100% |
| Longyuan Hami New Energy Co., Ltd. | 201.00 MW | 100% |
| Longyuan Alashankou Wind Power Generation Co., Ltd. | 198.00 MW | 100% |
| Bu'erjin Tianrun Wind Power Generation Co., Ltd. | 49.50 MW | 60% |
| Guodian Xinjiang Alashankou Wind Power Development Co., Ltd. | 99.00 MW | 70% |
| Longyuan Tuoli Wind Power Generation Co., Ltd. | 49.50 MW | 100% |
| Longyuan Burqin Wind Power Generation Co., Ltd. | 49.50 MW | 100% |
| Fujian Wind Power Co., Ltd. | | 90% |
| Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. | 56.00 MW | 97.50% |
| Longyuan Pingtan Wind Power Generation Co., Ltd. | 100.00 MW | 89.50% |
| Fujian Pingtan Changjiang'ao Wind Power Generation Co., Ltd. | 6.00 MW | 60% |
| Fujian Putian Nanri Wind Power Generation Co., Ltd. | 16.15 MW | 41.56% |
| Fujian Dongshan Aozaishan Wind Power Generation Co., Ltd. | 85.50 MW | 91.15% |
| Longyuan (Putian) Wind Power Generation Co., Ltd. | 239.45 MW | 100% |
| Fujian Longyuan Wind Power Generation Co., Ltd. | 183.50 MW | 100% |
| Fujian Longyuan Offshore Wind Power Generation Co., Ltd. | 388.00 MW | 78.10% |
| Zhejiang Longyuan Wind Power Generation Co., Ltd. | 35.00 MW | 100% |
| Zhejiang Cangnan Wind Power Generation Co., Ltd. | 21.80 MW | 90% |
| Zhejiang Linhai Wind Power Generation Co., Ltd. | 21.30 MW | 90% |
| Zhejiang Wenling Donghaitang Wind Power Generation Co., Ltd. | 40.00 MW | 76.29% |
| Zhejiang Zhoushan Cengang Wind Power Generation Co., Ltd. | 45.00 MW | 89.69% |
| Longyuan Pan'an Wind Power Generation Co., Ltd. | 36.00 MW | 100% |
| Longyuan Xianju Wind Power Generation Co., Ltd. | 28.80 MW | 100% |
| Jiangsu Longyuan Wind Power Generation Co., Ltd. | 150.00 MW | 57.985% |
| Longyuan Qidong Wind Power Generation Co., Ltd. | 100.50 MW | 69.373% |
| Longyuan (Rudong) Wind Power Generation Co., Ltd. | 250.50 MW | 82.985% |
| Longyuan Dafeng Wind Power Generation Co., Ltd. | 350.50 MW | 100% |
| Longyuan Xuyi Wind Power Generation Co., Ltd. | 388.30 MW | 100% |
| Longyuan East Sea Wind Power Generation Co., Ltd. | 98.70 MW | 70% |
| Jiangsu Off-shore Longyuan Wind Power Generation Co., Ltd. | 280.30 MW | 78.10% |
| Longyuan Yancheng Dafeng Off-shore Wind Power Generation Co., Ltd. | 400.00 MW | 79.58% |
| Longyuan Yellow Sea Rudong Off-shore Wind Power Generation Co., Ltd. | 200.00 MW | 72.70% |
| Hai'an Longyuan Off-shore Wind Power Generation Co., Ltd. | 300.00 MW | 78.10% |
| Sheyang Longyuan Wind Power Generation Co., Ltd. | 405.00 MW | 60% |
| Longyuan Yancheng New Energy Development Co., Ltd. | | 51% |
| Longyuan Guoneng Off-shore Wind Power (Yancheng) Co., Ltd. | | 56.13% |
| Hainan Longyuan Wind Power Generation Co., Ltd. | 99.00 MW | 100% |
| Yunnan Longyuan Wind Power Generation Co., Ltd. | 439.50 MW | 100% |
| Longyuan Dali Wind Power Generation Co., Ltd. | 231.00 MW | 80% |
| Longyuan Shilin Wind Power Generation Co., Ltd. | 99.00 MW | 100% |

# CORPORATE PROFILE

## GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS

Hero Asia (BVI) Company Limited

100%

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 100% | Longyuan Weishan Wind Power Generation Co., Ltd. | | 100% | Longyuan (Dezhou) Wind Power Generation Co., Ltd. | 110.00 MW | 26.52% | Shanxi Guodian Jinke Wind Power Generation Co., Ltd. | 49.50 MW |
| 100% | Longyuan Lijiang New Energy Co., Ltd. | 50.00 MW | 100% | Longyuan Guan County Wind Power Generation Co., Ltd. | | 100% | Longyuan Ningxia Wind Power Generation Co., Ltd. | 396.50 MW |
| 51% | Guodian Yunnan Longyuan Luoping Wind Power Generation Company Limited | 50.00 MW | 80% | Longyuan Qixia Wind Power Generation Co., Ltd. | | 100% | Ningxia Tianjing Wind Power Generation Co., Ltd. | 79.50 MW |
| 100% | Anhui Longyuan Wind Power Generation Co., Ltd. | 198.00 MW | 100% | Hero Asia (Penglai) New Energy Co., Ltd. | | 100% | Longyuan Litong Wind Power Generation Co., Ltd. | 98.70 MW |
| 100% | Longyuan Fengyang Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Tianjin Longyuan Wind Power Generation Co., Ltd. | 183.50 MW | 100% | Longyuan Wuzhong Wind Power Generation Co., Ltd. | 200.00 MW |
| 100% | Longyuan Dingyuan Wind Power Generation Co., Ltd. | 97.80 MW | 100% | Longyuan (Tianjin Binhai New Area) Wind Power Generation Co., Ltd. | 164.00 MW | 100% | Longyuan Shaanxi Wind Power Generation Co., Ltd. | 144.10 MW |
| 100% | Longyuan Quanjiao Wind Power Generation Co., Ltd. | 95.50 MW | 100% | Longyuan Guizhou Wind Power Generation Co., Ltd. | 690.00 MW | 100% | Longyuan Jingbian Wind Power Generation Co., Ltd. | 99.00 MW |
| 70% | Longyuan Suzhou Wind Power Generation Co., Ltd. | 76.00 MW | 50% | CHN Energy Longyuan Songtao Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Dingbian Wind Power Generation Co., Ltd. | 50.00 MW |
| 70% | Hanshan Longyuan Meishan Wind Power Generation Co., Ltd. | 48.30 MW | 50% | CHN Energy Longyuan Duyun Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Hengshan New Energy Co., Ltd. | 46.00 MW |
| 100% | China Longyuan Power Group Anhui New Energy Development Co., Ltd. | 244.00 MW | 100% | Shanxi Longyuan Wind Power Generation Co., Ltd. | 298.50 MW | 51% | Guodian Longyuan Wuqi New Energy Co., Ltd. | 200.10 MW |
| 100% | Shandong Longyuan Wind Power Generation Co., Ltd. | 194.00 MW | 100% | Guodian Shanxi Jieneng Youyu Wind Power Generation Co., Ltd. | 99.00 MW | 100% | Jiangxi Longyuan Wind Power Generation Co., Ltd. | 96.40 MW |
| 70% | Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd. | | 100% | Longyuan Ningwu Wind Power Generation Co., Ltd. | 84.00 MW | 100% | Longyuan Yichun Wind Power Generation Co., Ltd. | 40.00 MW |
| 51% | Longyuan Huitai (Binzhou) Wind Power Generaion Co., Ltd. | 98.70 MW | 100% | Longyuan Pianguan Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Le'an Wind Power Generation Co., Ltd. | 60.00 MW |
| 100% | Longyuan Linyi Wind Power Generation Co., Ltd. | 98.20 MW | 100% | Longyuan Kelan Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Tibet Naqu New Energy Co., Ltd. | 7.50 MW |
| 100% | Hero Asia (Liaocheng) New Energy Co., Ltd. | | 100% | Longyuan Jingle Wind Power Generation Co., Ltd. | 201.75 MW | 100% | Guangxi Longyuan Wind Power Generation Co., Ltd. | 95.50 MW |
| 100% | Hero Asia (Ningyang) Wind Power Generation Co., Ltd. | | 100% | Longyuan Heshun Wind Power Generation Co., Ltd. | 111.00 MW | 100% | Longyuan Yulin Wind Power Generation Co., Ltd. | 96.80 MW |
| 50% | Guodian Shandong Jinan Longyuan Wind Power Generation Co., Ltd. | 69.50 MW | 100% | Longyuan Lanxian Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Liuzhou Wind Power Generation Co., Ltd. | |
| 50% | Guodian Shandong Longyuan Linqu Wind Power Generation Co., Ltd. | 48.00 MW | 51% | Guodian Longyuan Shenchi Wind Power Generation Co., Ltd. | 49.50 MW | 100% | Longyuan Binyang Wind Power Generation Co., Ltd. | |

**Major Subsidiaries:**

Wind power business | Coal power business | Other new energy business | Other enterprises

# CORPORATE PROFILE

Shareholders of the Company

| | |
|---|---|
| Guodian Northeast Electric Power Co., Ltd. | 1.17% |
| CHN Energy | 57.27% |
| H Shareholders | 41.56% |

The Company

龍源電力集團股份有限公司
China Longyuan Power Group Corporation Limited

Hero Asia Investment Limited

100%

| | | |
|---|---|---|
| Longyuan Power Overseas Investment Co., Ltd. | | 100% |
| Longyuan Canada Renewables Ltd. | 99.10 MW | 100% |
| Longyuan South Africa Renewables (Pty) Ltd. | 244.50 MW | 100% |
| Longyuan Ukraine Yuzhne Wind Power Generation Co., Ltd. | | 100% |

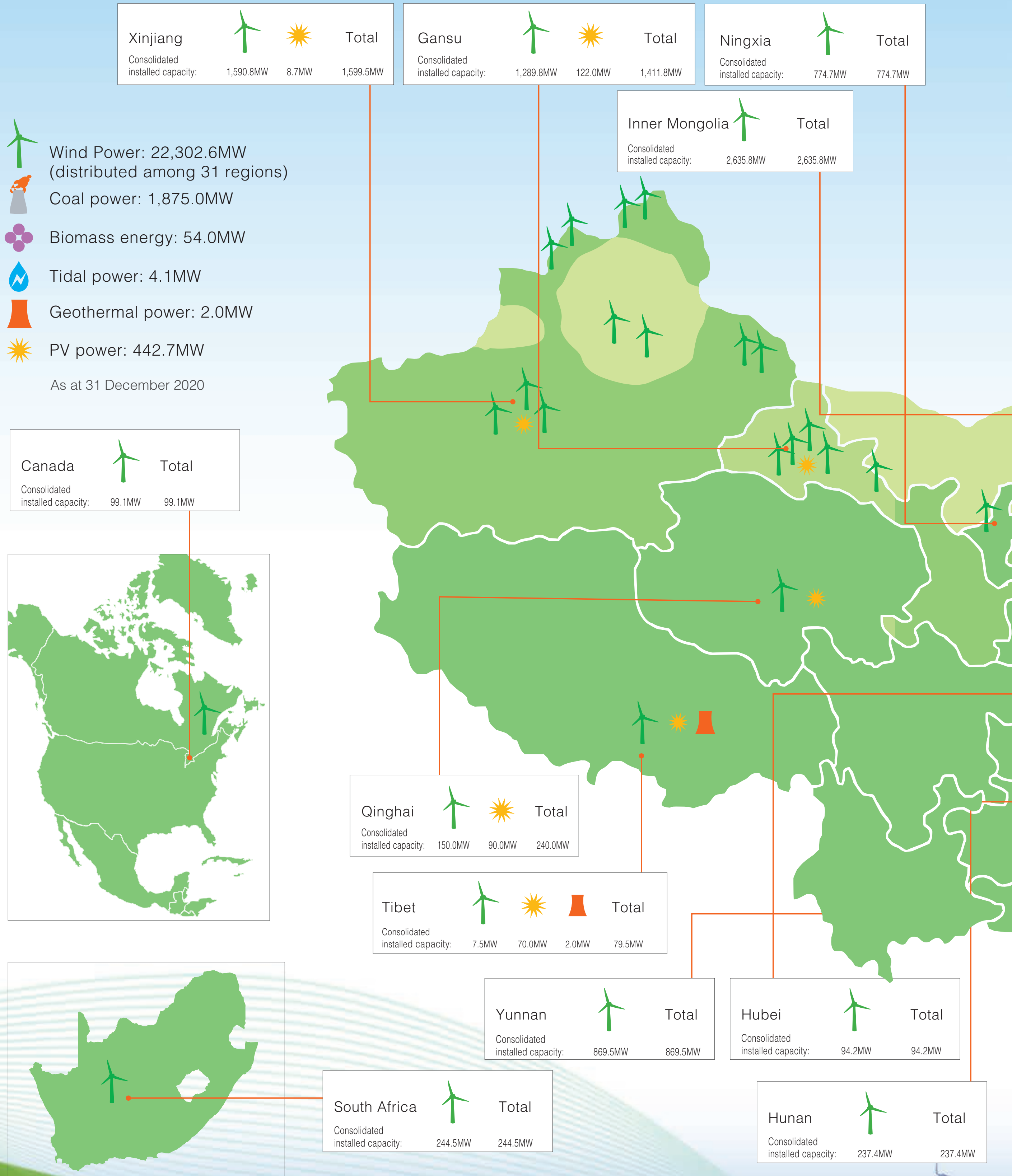
| Company | Capacity | Shareholding |
|---|---|---|
| Longyuan Qinzhou Wind Power Generation Co., Ltd. | | 100% |
| Longyuan Power Group (Shanghai) Wind Power Co., Ltd. | 47.50 MW | 100% |
| Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. | | 51% |
| Guodian Longyuan Longchuan Wind Power Co., Ltd. | 50.00 MW | 51% |
| Chaozhou Haishan Island Wind Power Development Co., Ltd. | 50.00 MW | 30.60% |
| Guodian Yangjiang Hailing Island Wind Power Generation Co., Ltd. | 25.74 MW | 51% |
| Guodian Longyuan Shaoguan Wind Power Generation Co., Ltd. | | 51% |
| Hubei Longyuan New Energy Co., Ltd. | 46.20 MW | 100% |
| Longyuan Baokang Wind Power Generation Co., Ltd. | 48.00 MW | 100% |
| Hunan Longyuan Wind Power Generation Co., Ltd. | 50.00 MW | 100% |
| CHN Energy Longyuan Jiangyong Wind Power Generation Co., Ltd. | 48.00 MW | 50% |
| CHN Energy Longyuan Anhua Wind Power Generation Co., Ltd. | 50.00 MW | 50% |
| Longyuan (Cili) New Energy Development Co., Ltd. | 89.35 MW | 100% |
| Guoneng Chongqing Wind Power Development Co., Ltd. | 289.50 MW | 51% |
| Guodian Chongqing City Fengdu County Wind Power Development Co., Ltd | | 51% |
| Longyuan Da Chai Dan New Energy Development Co., Ltd. | 150.00 MW | 100% |
| Henan Longyuan New Energy Development Co., Ltd. | 173.65 MW | 100% |
| China Longyuan Power Group Sichuan New Energy Co., Ltd. | | 100% |

| Company | Capacity | Shareholding |
|---|---|---|
| Nantong Tianshenggang Power Generating Co., Ltd. | 660.00 MW | 31.94% |
| Jiangyin Sulong Heat and Power Generating Co., Ltd. | 1,215.00 MW | 27% |
| Longyuan Tibet New Energy Co., Ltd. | 42.00 MW | 100% |
| Longyuan Tibet Shigatse New Energy Co., Ltd. | 30.00 MW | 100% |
| Longyuan (Qinghai) New Energy Development Co., Ltd. | 90.00 MW | 100% |
| CHN Energy Gelmud Longyuan Photovoltaic Power Generation Co., Ltd. | | 50% |
| Longyuan (Jiuquan) Wind Power Generation Co., Ltd. Zhangye Branch | 19.00 MW | 100% |
| Longyuan (Jiuquan) New Energy Co., Ltd. Subei Branch | 14.00 MW | 100% |
| Longyuan Zhangye New Energy Co., Ltd. | | 100% |
| Longyuan (Dunhuang) New Energy Development Co., Ltd. | 89.00 MW | 100% |
| Wenling Jiangxia Pilot Tidal Power Station of China Longyuan Power Group Corporation Limited | 4.10 MW | 100% |
| Hero Asia (Wenling) New Energy Co., Ltd. | | 100% |
| Longyuan Turpan New Energy Co., Ltd. | 8.72 MW | 90% |
| Longyuan (Beijing) New Energy Co., Ltd. | 2.00 MW | 100% |
| Longyuan (Tuquan) New Energy Co., Ltd. | | 100% |
| Longyuan Binzhou New Energy Co., Ltd. | 50.00 MW | 100% |
| CHN Energy Fengcheng Photovoltaic Power Co., Ltd. | 100.00 MW | 50% |
| Xingtai Longyuan New Energy Development Co., | | 100% |

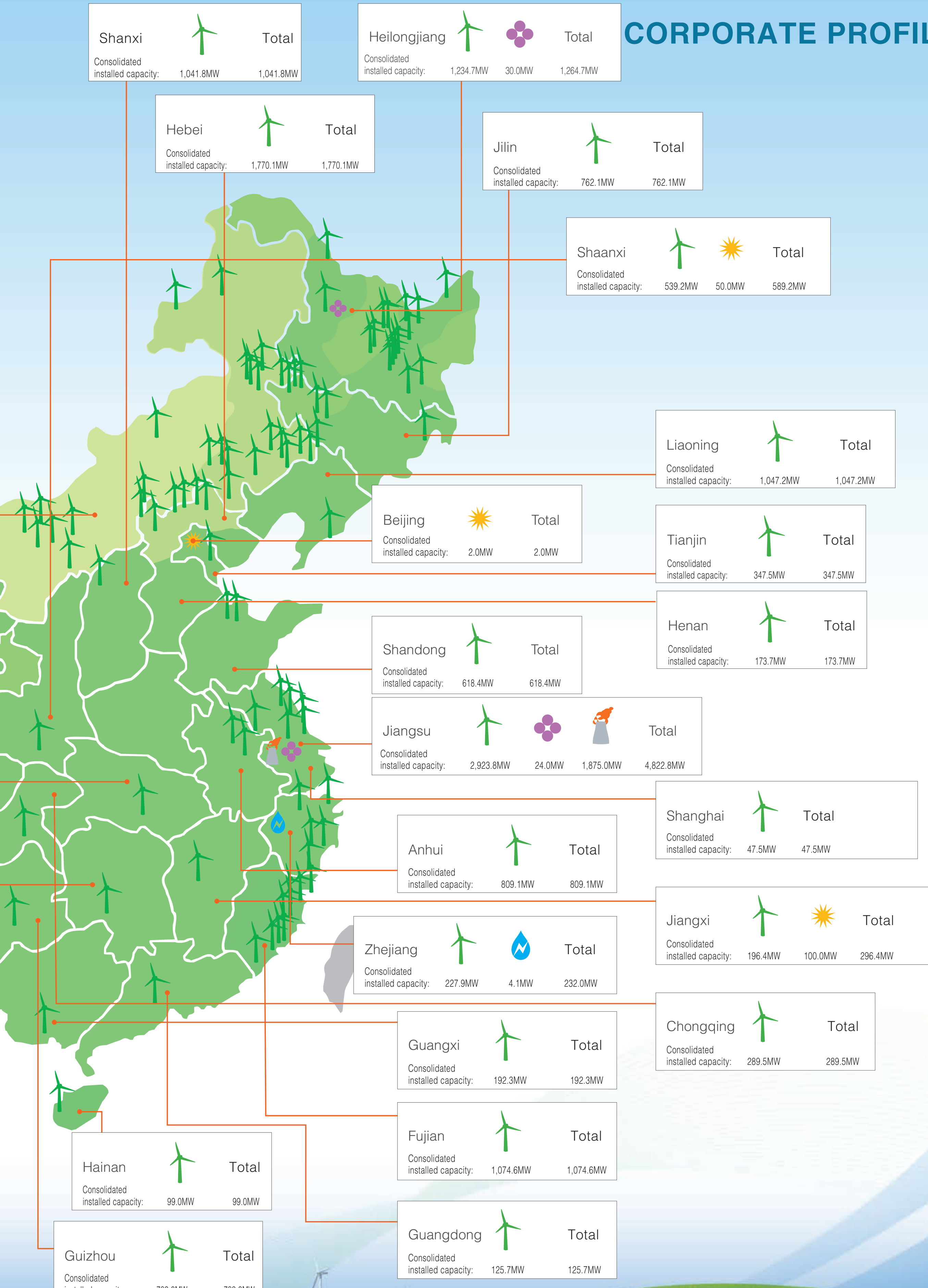
| Company | Capacity | Shareholding |
|---|---|---|
| Donghai Longyuan Biomass Power Plant | 24.00 MW | 95% |
| Guodian Youyi Biomass Power Co., Ltd. | 30.00 MW | 100% |
| Hegang Longyuan Hero Asia New Energy Co., Ltd. | | 100% |
| CHN Energy Longyuan (Qian'an) New Energy Development Co., Ltd. | | 51% |
| Zhongneng Power-Tech Development Co., Ltd. | | 100% |
| China Fulin Wind Power Engineering Co., Ltd. | | 100% |
| Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd. | | 100% |
| Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. | | 100% |
| Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd. | | 100% |
| Longyuan (Beijing) Solar Energy Technology Co., Ltd. | | 100% |
| China Longyuan Power Group Energy Sales Co., Ltd. | | 100% |
| Jiangsu Longyuan Wind Power Technique Training Co., Ltd. | | 100% |
| Nantong Tianshenggang Service Co., Ltd. | | 100% |
| Longyuan (Yichun) Wind Power Engineering Services Co., Ltd. | | 100% |
| Longyuan Power Group (Shanghai) Investment Limited | | 100% |
| Guodian United Power Technology (Changchun) Co., Ltd. | | 100% |

# CORPORATE PROFILE

## GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS



# CORPORATE PROFILE



# HONOURS AND AWARDS

The Company was named as the "Global Top 500 New Energy Enterprises in 2020" (2020全球新能源企業500強) and has thus been on the list for the eighth consecutive year.

The Company won the "Outstanding Issuer of Fixed Income Product" award for 2019 (bonds market) issued by the Shenzhen Stock Exchange.


The Company won the Special Prize (in Management Class) of the Seventh National Power Enterprise Equipment Management Innovative Results Award (第七屆全國電力企業設備管理創新成果管理類特等獎) by virtue of its "Establishment and Application of the Institutional System for Monitor of System for Wind Power Technology" (《風電技術監督制度體系建設與應用》); and the First Prize of the National Power Industry Equipment Management Innovation Results Award (全國電力行業設備管理創新成果一等獎) by virtue of its "UAV Automatic Inspection Technology for Blades of Wind Turbines in Wind Power Plant" (《風電場風電機組葉片無人機自動巡檢技術》).


# HONOURS AND AWARDS

The Company won the Second Prize of the Power Technology Innovation Award (電力科技創新二等獎) by virtue of the “Key Technology Research and Application for Smart Analysis and Smart Operation of Big Data in Super-large Scale Wind Power” (《超大規模風電大數據智能分析和智慧運營關鍵技術研究與應用》) it filed.


2020年度电力科技创新奖

证 书

成果名称：超大规模风电大数据智能分析及智慧运营关键技术研究与应用

奖励等级：二等奖

获 奖 者：龙源电力集团股份有限公司

中国电力企业联合会

2020年12月

证书号：PIA-2020-J-2029-D01

The Company won the Third Prize of Technological Progress Award issued by China Renewable Energy Society (中國可再生能源學會科學技術進步三等獎) by virtue of its “Research and Application of Key Technology for Big Date for Smart Wind Power” (《面向智慧風電的大數據關鍵技術研究與應用》).


证 书

CRES

为表彰在可再生能源科学技术进步工作中做出突出贡献的单位，特颁发此证书，以资鼓励。

奖励日期：二〇二〇年九月

证 书 号：KXJJ-20-3-02

奖励设置：科学技术进步奖

奖励类别：技术创新类

项目名称：面向智慧风电的大数据关键技术研究与应用

获奖单位：龙源电力集团股份有限公司

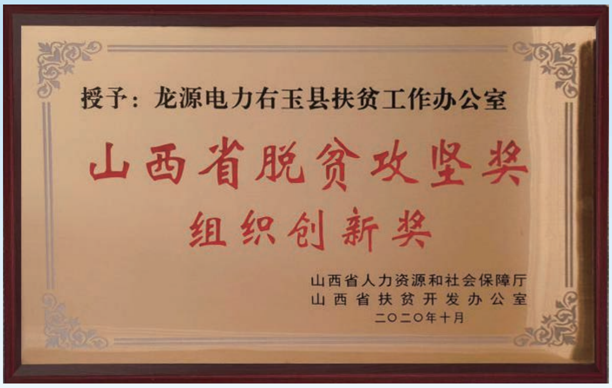
获奖人员：张滨泉、朱志成、迟岩、刘峻岐、范晓旭、王其乐、王寅生、李韶武、朱耀春、陈可仁

获奖等级：三等奖

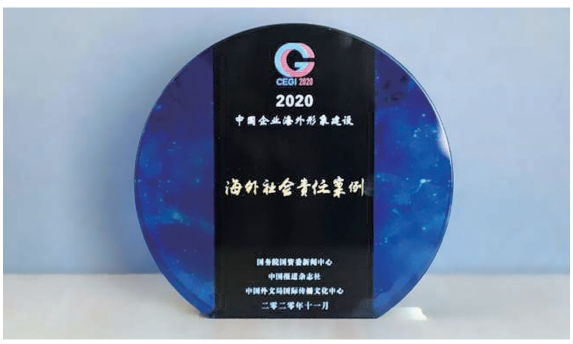
中国可再生能源学会

# HONOURS AND AWARDS

The Company won the "Poverty Alleviation Organization Innovation Award" (脫貧攻堅組織創新獎).




The case of duties performance titled "One Kilowatt Hour of Green Power Illuminates the Rainbow" (《一度綠電　照亮彩虹》) in the project of the Company in South Africa was rated as an outstanding case in "Overseas Social Responsibility Class" in Chinese Enterprises' Global Image for 2020.




# HONOURS AND AWARDS

The Company was awarded the prize of "Overseas Model Enterprise for Responsibilities" (海外履責典範企業獎) for the second consecutive year.


The Company won two awards, the "Award for Excellence in Group Carbon Assets Management" (集團碳資產管理卓越獎) and the "Award for Assistance in the Fight against the pandemic" (抗疫支援獎).

# CORPORATE MILESTONES IN 2020

From 13 to 14 January, Longyuan Power held the fourth session of the third Staff Representatives Assembly & 2020 Working Conference in Beijing to better understand and follow the guiding principles from the 19th CPC National Congress and all the plenary sessions of the 19th Central Committee, earnestly carry through Decisions and Deployment of the Annual Work Meeting of CHN Energy, and review the work in 2019. Besides, at the meeting, Longyuan Power also analysed the situation it faces, defined the goals and tasks for 2020, planned and made arrangements for the work for the whole year, and urged cadres and staff members to make efforts to create an international top-notch new energy enterprise with global competitiveness.

After the breakout of the COVID-19 pandemic, Longyuan Power earnestly followed the guiding principles from General Secretary Xi Jinping's major speech at the meeting of the Standing Committee of the Political Bureau of the Central Committee, and comprehensively implemented various arrangements and requirements for the work of pandemic prevention and control from the Party organization of the Group by taking effective, orderly, scientific and prudent measures to guarantee safe production and physical health of the staff. "Zero confirmed case" was recorded among all the staff. After the pandemic was under control, the Company made overall planning to promote the pandemic prevention and control as well as the work and production resumption, based on its knowledge of the features of the pandemic at various stages. On 7 April, the Company conducted on-site pandemic prevention and organized work resumption for the project of Longyuan in Liujiashan, Hubei, marking the work resumption for all the 32 projects under construction with the capacity of 2.21 million kW.

On 8 April, S&P Global Ratings (SPGI), an international renowned credit rating agency, issued an official announcement, stating that Longyuan Power was granted a corporate credit rating of "A-", with stable outlook, being the highest rating among the current global comparable new energy enterprises.

# CORPORATE MILESTONES IN 2020

On 5 May, South Africa Branch of Longyuan Power donated money and anti-pandemic supplies to Northern Cape Province, South Africa, with a total amount of 2.37 million rand. Saul, the provincial governor of Northern Cape Province, was prompt to express gratitude to the Company for the donation. According to him, the timely help from the Chinese government and enterprises to South Africa in hardship caused by the COVID-19 pandemic bore the best witness to the friendship between the two countries and the two peoples.

On 19 May, Longyuan Power and Goldwind signed a strategic cooperation framework agreement in Beijing, pursuant to which, the parties would make joint efforts to forge a new partnership featuring "strategic synergy, mutual complementarity in advantages, mutual benefit, long-lasting" in accordance with the working principle of "achieving goals from the near-term one to the long-term one, proceeding with cooperation from one point to another, and advancing level by level". On 18 November, a joint venture known as Longyuan Goldwind New Energy Co., Ltd. (龍源金風新能源公司) invested by the Longyuan Power and Goldwind was established in Beijing.

On 30 June, the 49.5 MW wind power project of the wind farm No. 3, phase VI of Longyuan Power in Dabancheng, Xinjiang was successfully connected to the grid for power generation. It was among the first batch of demonstration projects of grid-parity wind power in China approved by the National Energy Administration, and also the first demonstration grid-parity project by Xinjiang Autonomous Region, CHN Energy and Longyuan Power.

On 16 July, upon filing the acceptance record form for the breeding and releasing activity under fisheries qualification with the local Agriculture and Rural Affairs Authority, Longyuan Power successfully finished its annual breeding and releasing work, with 4.84 million fish fries and 90.00 million jellyfish fries released, made to the biodiversity of the Yellow Sea a central enterprise’s contribution.

# CORPORATE MILESTONES IN 2020

On 21 July, Longyuan Power and Prospect Technology Group signed a strategic cooperation agreement in Beijing, pursuant to which, the parties would conduct comprehensive and deep cooperation in such areas as smart energy, energy storage, hydrogen production, dealing in power market and comprehensive energy development and utilization. By way of formation of a joint venture, the parties would be able to make use of the advantages of the Company's professional management and technological innovation, respectively, so as to explore various possible scenarios of energy reform and innovative commercial and technological modes in the future and forge the joint venture into a benchmarking mixed-ownership enterprise.

On 3 August, Longyuan Power's First Network Safety Laboratory was officially established and came into service. The laboratory was the first network safety laboratory put into use in the field of new energy and would provide strong support for scientific research and protection for network safety in the field of energy.

On 10 August, the wind power project of Longyuan Power in De Aar, South Africa held the "Cloud Open Day" activity, which, themed "New Energy and New Life", gave a three-dimensional presentation of the production and operation, pandemic prevention and control as well as work and production resumption in the largest wind power project in South Africa from multiple perspectives, told the stories about the central enterprises that participate in the "Belt and Road Initiative", conveyed the spiritual core of extensive consultation, joint contribution and benefit sharing of the "Belt and Road Initiative", and demonstrated how Chinese enterprises shoulder their responsibility.

On 20 August, the prototype of the photovoltaic supporting bracket (光伏支架樣機), a patent with fully independent intellectual property rights, of Longyuan Carbon Asset Company, successfully passed the simulation experiment of foundation deformation. It is the first supporting bracket in China which is applicable for use in places prone to complex foundation deformation such as sedimentation, extension, compression and tilt, filling the blank in the industry.

# CORPORATE MILESTONES IN 2020

On 15 September, Longyuan Power and Sungrow Power signed a strategic cooperation agreement in Hefei, pursuant to which, the parties would undergo organic integration with each other in terms of development, construction, scale operation, market-oriented management, professionalized technology, etc. of photovoltaic power plants, so as to promote high-quality development of enterprise and share development opportunities of new energy at the age of grid parity. During the signing ceremony, the parties also signed an agreement for pre-acquisition of a 0.35 million kW photovoltaic power plant.

On 17 September, with the successful completion of the welding and grouting work, the installation work for the offshore booster station of the offshore wind farm of Longyuan Power in Sheyang, Jiangsu all came to an end. It is the fourth offshore booster station which was invested in and constructed by the Company, and also one with the heaviest weight, and the farthest distance to the coast at home.

On 24 September, the first set of comprehensive observation system for lightning strike for wind farms in China, outcome of independent research and development by Longyuan Power Engineering Technology Co., Ltd. (龍源電力工程技術公司), were successfully installed and conducted observation in the wind farms in Fujian and Yunnan, marking partial achievement made by Longyuan Power in the field of lightning strike observation for and protection of wind turbines.

On 10 November, Longyuan Hero Asia Company (龍源電力雄亞公司) successfully completed issuance of senior unsecured bonds with an amount of USD300 million and a term of 3 years overseas, which was the first issuance of overseas US Dollar denominated bonds by CHN Energy upon its restructure, with a coupon rate of 1.5%，representing the lowest level of issuance for US Dollar denominated corporate bonds with a rating of BBB+ and a term of 3 years in Asia for the last decade.

On 12 November, Longyuan Power and Pingzhuang Coal signed a strategic cooperation agreement in Pingzhuang Town, Chifeng City, pursuant to which, Longyuan Power would develop and construct new energy base projects, with development scale of 1 million kW, in opencast coal mine dumps, mining subsidence areas and old mine pits under Pingzhuang Coal by way of ecological governance + energy storage for wind power, photovoltaic power and other new energy and other ways.

# CORPORATE MILESTONES IN 2020

On 21 November, upon obtaining the approval from the Poverty Alleviation Leading Team of Gansu Province, eight counties including Li County were delisted from poverty list, which meant that Zhangtie Village in Li County, was delisted from poverty list with the aid and assistance of Gansu Branch of Longyuan Power.

On 10 December, the first wind turbine under the project of Longyuan in Taikang, Henan was successfully connected to the grid, marking Longyuan Power's first distributed project was officially put into operation for power generation.

On 10 December, Longyuan Power and the People's Government of Ordos City, Huawei Technologies Co., Ltd. and GD Power signed a quartet strategic cooperation agreement in Shenzhen, pursuant to which, the four parties would conduct deep cooperation in areas such as development and construction of new energy, digitalization upgrading of power generation enterprises and clean energy industry, construction of digital governments and smart cities, creation of demonstration cities with low (zero) carbon emission and research and development of major science and technology projects by virtue of Huawei's world-leading advantage in 5G communication technology, power and electronic technology, artificial intelligence, cloud technology, etc.

On 17 December, Longyuan Power and China Electric Power Planning & Engineering Institute signed a strategic cooperation agreement in Beijing, pursuant to which, the parties would give full play to their respective advantages, and strengthen cooperation in comprehensive energy development and planning, project construction, energy technology innovation and other areas at home and abroad, so as to complement each other's advantage and achieve mutual benefit and win-win result. The parties signed the Framework Agreement for Whole Process Consultation Service for Development and External Power Delivery of Smart Comprehensive Energy Base Crossing Borders of China and Mongolia (《中蒙跨境智慧綜合能源基地開發外送工程全過程諮詢服務框架協議》), whereby it was agreed that China Electric Power Planning & Engineering Institute should provide the whole process consultation service for the works of the comprehensive energy base according to the project planning and implementation thereof.

# CORPORATE MILESTONES IN 2020

On 22 December, the Safety Production and Operation Monitoring Center newly upgraded by Longyuan Power was officially put into operation. Relying on a new production monitoring system and the APP for smart management and control, the center performs centralized collection and management of information about equipment, video and human behavior and manages to construct a new operation and management mode featuring monitoring and watching in the front office and information analysis in the back office, which meant the Company had made phased progress in production digitalization transformation and reached industry-leading level in production digitalized management.

On 24 December, the photovoltaic project by Shannxi Branch of Longyuan Power at Giant Buddhist Temple, Binzhou with an installed capacity of 50 MW successfully completed its connection to the grid, with the utilization rate of protection and automation system of all the equipment reaching 100% during electrification and all parameters being normal. The project was successfully put into operation, achieving the "breakthrough from zero" in photovoltaic development of Longyuan Power in Shannxi region.

On 25 December, Longyuan Power's wind power project phase II in Wucheng, Shandong was connected to the grid for power generation, representing an installed wind power capacity of the Company exceeding 22 million kW.

# MANAGEMENT DISCUSSION AND ANALYSIS

*(Unless otherwise specified, the following information disclosure was based on financial information prepared in accordance with the International Financial Reporting Standards)*

## I. INDUSTRY REVIEW

### Operational Environment

In 2020, the global economy was hit hard by the COVID-19 pandemic that swept the world. The pandemic has been effectively controlled in China, and its economic operations have gradually returned to normal. All departments in various regions adhered to the general principle of steady progress, coordinated the pandemic prevention and control and economic and social development, solidly ensured "Stability on Six Fronts", and fully implemented the task of "Security in Six Areas", with the employment and people's livelihood being effectively guaranteed, and the major targets and tasks of economic and social development being accomplished better than expected. In 2020, the gross domestic product (GDP) for the year recorded a year-on-year increase of 2.3%, and the above-the-scale industrial added value across the country recorded a year-on-year increase of 2.8%. The fixed asset investment (excluding farmer household) recorded a year-on-year increase of 2.9%, and the total amount of the retail of social consumer goods recorded a year-on-year decrease of 3.9%.

In 2020, the power production growth of China slowed down slightly. According to the statistics from China Electricity Council, power consumption across the country was 7,511 billion kWh, representing a year-on-year increase of 3.1%, 1.3 percentage points lower than that of the same period in last year; and the total power generation across the country was 7,623.6 billion kWh, representing a year-on-year increase of 4.0%, 0.7 percentage point lower than that of last year. In particular, wind power generation amounted to 466.5 billion kWh, representing a year-on-year increase of 15.1%, the proportion of the nationwide power generation up by 0.6 percentage point over last year. The average utilisation hours of power generation facilities across the country in 2020 were 3,758 hours, representing a decrease of 70 hours year-on-year, of which wind power utilisation hours were 2,073 hours, down by 10 hours year-on-year. The power generation capacity newly added through infrastructure construction across the country amounted to 191 GW, of which capacity of wind power amounted to 72 GW. As at the end of 2020, the total power generation installed capacity across the country was 2,201 GW, representing a year-on-year increase of 9.5%, of which capacity of wind power was 282 GW, representing a year-on-year increase of 34.6%, accounting for 12.8% of the total installed capacity.

## Policy Environment

### (I) The policy highlights the price of the regulatory monopoly link, and the price of wind and photovoltaic power decrease in the transition to the market mechanism

In January 2020, the notices of the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian 2020 No. 4) (《關於促進非水可再生能源發電健康發展的若干意見》(財建[2020]4號)) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian 2020 No. 5) (《可再生能源電價附加資金管理辦法》的通知(財建[2020]5號)) were jointly announced by the Ministry of Finance of the People's Republic of China (the "Ministry of Finance"), NDRC and National Energy Administration. The No. 4 and No. 5 documents clearly adhere to the principle of determining expenditure by the revenue, and the scale of new subsidies is determined by the increased income, to ensure that new projects are not overdue. When allocating the subsidy funds, priority shall be given to four types of power generation projects, and equal proportion shall be allocated for other power generation projects. It also made clear that all newly added offshore wind power will no longer be included in the scope of central subsidies from 2020. Wind power and photovoltaics power truly enter into the era of parity and even low price. Considering power restriction, transaction and other factors, certain projects have entered the era of low price.

In March 2020, the NDRC issued the new Central Pricing Catalog (NDRC Order No. 31) (新版《中央定價目錄》(國家發展改革委令第31號)), which highlighted the direction of price regulation in monopoly links and price marketization reform in competitive links, and clearly proposed: (1) the price of power transmission and distribution of power grids at and above the provincial level shall be fixed by the price authority under the State Council; (2) the price of electricity through market transactions is formed by the market; (3) the coal-fired power generation price mechanism and nuclear power and other on-grid electricity prices that have not yet been established through market transactions shall be temporarily set by the price authority under the State Council, and being formed by the market when it is released in due course; (4) the sales price of electricity that has not yet been established through market transactions shall be temporarily managed in accordance with the existing measures, and will be formed by the market when it is released in due course.

In March 2020, the NDRC issued the Notice on Issues Related to the 2020 Policies for On-Grid Tariff of Photovoltaic Power Generation (Fa Gai Jia Ge [2020] No. 511) (《關於二零二零年光伏發電上網電價政策有關事項的通知》(發改價格[2020]511號)), which set the guide prices (tax inclusive) of the newly added centralized photovoltaic power stations in the Class I-III resource areas included in the scope of the national financial subsidies as RMB0.35 per kWh, RMB0.4 per kWh and RMB0.49 per kWh, respectively. As for industrial and commercial distributed photovoltaic power generation projects that applied the mode of "all on-grid" shall be implemented at the guide price of the centralized photovoltaic power station in the resource area where they are located.

In March 2020, the National Energy Administration issued the Notice on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (Guo Neng Fa Xin Neng [2020] No. 17) (《關於二零二零年風電、光伏發電項目建設有關事項的通知》(國能發新能[2020]17號)), and issued 2020 Wind Power and Photovoltaic Projects Development plan at the same time. It focuses on supporting the wind power projects which have connected to the grid or within the verification period requiring state subsidies to transform into grid parity voluntarily, implement the grid parity supporting policy, and requires such projects to be verified and to commence construction before the end of 2020. It makes clear the methods for determining the scale of wind power requiring national grants that can be arranged for each province in 2020. The Photovoltaic Projects still control the new bidding capacity by way of the amounts of the subsidies.

**(II) Officially clarifies the total amount and validity of the subsidy, and the renewable energy certificates will become an important way to increase income**

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian 2020 No. 4) (《關於促進非水可再生能源發電健康發展的若干意見》(財建[2020]4號))and the Notice on Issuing the Measures for the Management of Additional Funds for the Electricity Prices of Renewable Energy (Caijian 2020 No. 5) (《關於印發〈可再生能源電價附加資金管理辦法〉的通知》(財建[2020]5號)) were jointly announced by the Ministry of Finance, NDRC and National Energy Administration, which clearly stipulated that the principle for determining the total amount of subsidy funds each year must be based on determining the expenditure by the revenue, the subsidy funds shall be fully paid for the newly added projects, but entering the subsidy catalog will tend to be strict. The total amount of new renewable energy subsidies each year shall be determined by the Ministry of Finance, and the scale and proportion of various projects shall be determined by the NDRC and the National Energy Administration, but the final inclusion in the subsidy catalog shall be determined by the power grid companies. For existing projects, the power grid enterprises shall determine the order of granting subsidies for projects in the catalog according to conditions such as the project type, grid connection time, technical level and principles determined by relevant authority, and make it public.

In September 2020, the Supplementary Notice on Matters in relation to Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian 2020 No. 426) (《〈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》(財建[2020]426號)) were jointly announced by the Ministry of Finance, NDRC and National Energy Administration, which clarified the reasonable utilisation hours of the full life cycle of wind power, photovoltaic, and biomass power generation projects to determine financial subsidies, and renewable energy certificates can be issued for the excess parts. After the project is connected to the grid, if the operation period exceeds the subsidy period, even if it does not reach the subsidy power of its full life cycle, it will no longer enjoy the central financial subsidy, and the renewable energy certificate for the transaction can be approved and issued. The new policy will reduce the government's overall subsidy burden, and is expected to reduce the peak of the subsidy gap and fully fill the subsidy gap earlier, but it will directly affect the cash flow of enterprises in the last few years of the project's full life cycle. Except for Gansu and Xinjiang, which may be free from the impact, all provinces and regions may have some renewable energy projects whose actual power generation exceed the subsidy amount in the full life cycle. In particular, the subsidy period of the offshore wind power in some provinces and regions has been particularly affected, and the project in Fujian has been most affected.

In November 2020, in order to promote the verification of the subsidy list, the Ministry of Finance issued the Notice on Accelerating Verifying the List of Subsidies for Power Generation of the Renewable Energy (Cai Ban Jian 2020 No. 70) (《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》(財辦建[2020]70號)), which clarified that all projects that have completed the approval (filing) procedures and completed the "grid connection at full capacity" since 2006 (inclusive) can be declared and included in the subsidy list. Non-competitive photovoltaic projects with grid connection after the end of July 2017 can also apply for confirmation of rights and obtain financial subsidies in proportion. Meanwhile, the Measures for the Determination of the Time for the Full Capacity Grid Connection of Renewable Energy Power Generation Projects (《可再生能源發電項目全容量併網時間認定辦法》) was also attached and issued. If there was inconsistency among the time for the full capacity grid connection promised by the subsidy project, the grid connection time specified by the power business license and the grid connection time specified by the grid connection distribution agreements, which affect the electricity price policy, the time for the full capacity grid connection shall be confirmed according to the last time of the three grid connection times, and then included in the subsidy list and enjoys the corresponding electricity price policy.

### (III) Income tax reduction and exemption for wind power projects in western China and extending the preference for another ten years

In April 2020, the Ministry of Finance issued the Announcement on Continuing the Income Tax Policy for Western Development Enterprises (Announcement of the Ministry of Finance [2020] No. 23) (《關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)), which mentioned that from 1 January 2021 to 31 December 2030, corporate income tax may be levied at a reduced rate of 15% on enterprises in encouraged industries that are established in the western region. Enterprises in encouraged industries refer to the enterprises that are mainly engaged in the industrial projects stipulated in the Category of Encouraged Industries in the Western Region (Decree of the NDRC 2014 No. 15) (《西部地區鼓勵類產業目錄》(發改委令2014年第15號)), and whose main business incomes account for more than 60% of the total income of the enterprises (formerly it was 70% in Western Development Policy). The construction and operation of wind farms in Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, and Xinjiang Uygur Autonomous Region are in the scope of the encouraged category and can enjoy the aforementioned preferential income tax policies.

### (IV) Introduction of several favorable policies, and promotion of support for the consumption of renewable energy

In March 2020, the National Energy Administration issued the Notice on Monitoring and Warning Results of Wind Power Investment in 2020 and the Environment Monitoring and Evaluation Results of Photovoltaic Power Market in 2019 (Guo Neng Fa Xin Neng [2020] No. 24) (《二零二零年度風電投資監測預警結果》和《二零一九年度光伏發電市場環境監測評價結果》的通知(國能發新能[2020]24號)), which required to put more emphasis on the implementation of consumption to avoid new power rationing problems. Among the national wind power areas without red alerts in 2020, Gansu and Xinjiang turned from red alerts to orange alerts; for the orange areas in western Inner Mongolia, Chifeng, Xinjiang, Gansu and Hexi region, except for projects in line with the plan and listed in the previous annual implementation plan, projects using inter-provincial and inter-regional transmission channels to send out electricity, and projects that can be consumed locally, no new construction projects will be added this year. Only Tibet is the red region of photovoltaics, while Qinghai, Ningxia and Xinjiang are orange regions, and other areas are green regions. For the red regions, in principle, no new projects will be arranged except for the parity grid demonstration projects that have been arranged for construction and projects using inter-provincial and inter-regional transmission channels to send out electricity; for the orange regions, new projects should be under reasonable control on the premise of putting forward effective measures to guarantee and improve the market environment; for green regions, project construction could be promoted and carried out in an orderly manner based on the implementation of the conditions for grid connection and consumption.

# MANAGEMENT DISCUSSION AND ANALYSIS

In May 2020, the National Energy Administration issued the Guidance Opinion on Establishing and Improving the Long-term Mechanism of Clean Energy Consumption (Draft) (《關於建立健全清潔能源消納長效機制的指導意見(徵求意見稿)》), at which sixteen guidance opinions were put forward in respect of five aspects including building a clean energy development mechanism centered on consumption, accelerating the formation of a power market mechanism which is conducive to clean energy consumption and comprehensively improving the regulation capacity of the power system, etc. The Draft was put forward under the background that as the scale of clean energy continues to expand, in order to stabilize the results of consumption, solve the problem of consumption in certain regions and certain periods of time, and implement the new energy security strategy of General Secretary Xi Jinping of "Four revolutions & One cooperation", the establishment of the long-term mechanism of robust clean energy consumption was put forward so as to promote the high-quality development of clean energy such as wind power, photovoltaic power generation, hydropower, and nuclear power.

In May 2020, the State Council issued the Guideline on Advancing the Development of Western Regions in New Era to Promote Coordinated Regional Development (《關於新時代推進西部大開發形成新格局的指導意見》), one of the themes is to optimize the structure of energy supply and demand. The guideline pointed out that it is necessary to strengthen the development and utilisation of renewable energy, carry out research on large-scale energy storage projects of the cascaded hydropower stations in Yellow River, and cultivate a number of clean energy bases; accelerate the local consumption of wind power and photovoltaic power generation; continue to increase the construction of key power transmission channels to improve clean power transmission capacity; strengthen the construction of power grid peak shaving capacity, so as to solve the problems of abandonment of wind, solar and hydropower effectively to promote the consumption of clean energy in the western region.

# MANAGEMENT DISCUSSION AND ANALYSIS

In June 2020, the NDRC and the National Energy Administration jointly issued the Notice on Issuing the Weight of Responsibility for Consumption of Renewable Energy Power for Provincial Level Administrative Regions in 2020 (Fa Gai Nengyuan [2020] No. 767) (《關於印發各省級行政區域二零二零年可再生能源電力消納責任權重的通知》(發改能源[2020]767號)), clarifying the total amount of the weight of responsibility of the consumption of renewable energy power and minimum amount and incentive amount of the the weight of responsibility of the non-hydropower for all provinces (autonomous regions or municipalities) in 2020. The weight of the total minimum amount of responsibility for renewable energy power consumption for 10 provinces (autonomous regions or municipalities) including Shanghai, Hubei and Hunan exceeds 30%, and the weight of minimum amount of responsibility for non-hydropower consumption for 9 provinces (autonomous regions or municipalities) including Beijing, Shanxi and Inner Mongolia exceeds 15%.

In August 2020, the NDRC and the National Energy Administration jointly issued the Guiding Opinions on the Development of "Integration of Wind, Solar, Water and Coal Storage” and “Integration of Generation, Grid, Load and Energy Storage” (Draft) (《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)》). It is recommended that under the premise that the safe and stable operation of the power system are ensured, priority should be given to the development and consumption of renewable energy power. It proposed that the development of power bases should actively explore "Integration of Wind and Solar Power Storage", and develop "Integration of Wind, Solar and Water Storage" according to local conditions, and steadily promote the "Integration of Wind, Solar, Water and Coal Storage" to strengthen the flexible adjustment role of thermal power, hydropower and energy storage side. We should strive to maintain the utilisation rate of each renewable energy above 95%, and the proportion of the annual transmission power of new energy supporting the transmission channel of the power base shall not be less than 40%.

**(V) Renewable energy meets great opportunities as the country solemnly pledges to reduce carbon emissions**

In September 2020, President Xi Jinping delivered an important speech in the general debate of the 75th session of the General Assembly of the United Nations. President Xi proposed that the Paris Agreement represents the general direction of the worldwide green and low-carbon transformation, and China will increase its nationally determined contributions, strive to reach the peak of carbon dioxide emissions by 2030, and achieve carbon neutral by 2060. He called on all countries to promote a "Green Recovery" of the post-pandemic world economy and gather a strong force for sustainable development.

In November 2020, President Xi Jinping gave an important speech when attending the 12th meeting of the leaders of BRICS: “China will increase its nationally determined contributions, and we have announced that we will adopt more forceful policies and measures, strive to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutral by 2060. We will do what we promised.” In the future, China will build a new pattern of sustainable energy system with new and renewable energy as a main part.

In December 2020, at the Climate Ambition Summit, President Xi Jinping gave an important speech of “Continuing to Forge Ahead and Embarking on a Global New Journey to Tackle Climate Change”. By 2030, China’s carbon dioxide emissions per unit of GDP will decrease by more than 65% from the level in 2005, and the total installed capacity of wind power and solar power will reach to more than 1.2 billion kW. According to the Central Economic Work Conference, it is necessary to promptly formulate an action plan to reach the peak of carbon dioxide emissions by 2030, vigorously develop new energy, and accelerate the construction of the national trading market of energy usage rights and carbon emission rights to improve the dual control system of energy consumption. The State Grid held a special meeting to increase its efforts of trans-regional clean energy transmission, and ensure the safe and efficient use of clean energy. Fifteen provinces, cities and autonomous regions including Beijing, Tianjin, Liaoning, Zhejiang and Hebei have also included new energy consumption, power grid construction and energy storage development into their action plans, laying the foundation for energy development in the next five to ten years.

**(VI) Making long-term plans to implement green and low-carbon energy transformation and expanding the development of renewable energy**

In April 2020, the Energy Law of the People's Republic of China (Draft) (《中華人民共和國能源法(徵求意見稿)》) was published by the National Energy Administration, which put forward to list renewable energy as a priority area for energy development, and formulate a national medium and long-term target in the total energy consumption for the development and utilisation of renewable energy and a weight target of renewable energy in primary energy consumption, which shall be incorporated into the binding indicators of the national economic and social development plan and the annual plan, and shall be allocated to all provinces, autonomous regions and municipalities directly under the Central Government for implementation.

In April 2020, the General Office of the National Energy Administration issued the Notice on Matters in Relation to the Preparation of the Fourteenth Five-Year Plan for the Development of Renewable Energy (Guo Neng Zong Tong Xin Neng [2020] No. 29) (《關於做好可再生能源發展「十四五」規劃編制工作有關事項的通知》(國能綜通新能[2020]29號)). It proposed to implement and prepare the following key plans: highlighting the priority of the market-oriented and low-cost development of renewable energy strategy; systematically evaluating the development conditions of various renewable energy resources; scientifically demonstrating the development goals of various renewable energy in the "Fourteenth Five-Year Plan"; seriously studying the main tasks and major project layouts for the development of renewable energy during the "Fourteenth Five-Year Plan"; coordinating the local consumption and trans-provincial transmission of renewable energy; accelerating the construction of renewable energy technology, equipment and industrial systems; researching and proposing long-term mechanisms and policy measures to support the development of renewable energy.

In November 2020, the Proposal of the CPC Central Committee for Formulating the Fourteenth Five-Year Plan (2021–2025) 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(二零二一年至二零二五年)和二零三五年遠景目標的建議》) made clear of the work plans for green development and other important areas, which took the "Fourteenth Five-Year Plan" into consideration with the long range objectives through the year 2035. In 2035, we shall basically realize a wide range of green production and lifestyles, and carbon emissions shall be steadily declined after reaching the peak.

**(VII) Ecological protection may lead to the liquidation of the original compliance projects, which increased the investment risk of enterprises**

At the end of December 2020, the Ministry of Ecology and Environment of the People's Republic of China formulated and issued the Regulatory Index System for Ecological Protection Red Line (Trial) (《生態保護紅線監管指標體系(試行)》), and simultaneously issued seven standards for ecological protection red line. In order to maintain the continuity and integrity of the ecosystem, the scattered existing wind power, photovoltaic and other facilities that built in the areas with extremely important ecological functions and extremely fragile ecology can be included in the ecological protection red line, while new wind power, photovoltaic and other facilities should avoid the ecological protection red line. In the same period, the Inner Mongolia Autonomous Region has designated 50.46% of its land as an ecological protection red line, and has clearly stated that no new mining development, wind power and photovoltaic projects will be built in the important ecological function areas of grassland and forests, and five new autonomous region wetland parks and five new protected areas on desertification land will be built. Chahar Right Middle Banner of Inner Mongolia Autonomous Region has begun to conduct a thorough clean-up and rectification to the wind power projects located at the Huitengsyler Grassland (輝騰錫勒草原) Reserve, which is expected to remove a number of wind turbines in the wind farms of the reserve in 2021.

## II. BUSINESS REVIEW

### 1. Achieved double victories in the fight against pandemic and production stability with precise control of safety production

In 2020, the Group organically combined safety and environmental protection supervision with pandemic prevention and control, and deployed and coordinated various tasks in a scientific manner, thus the overall safety and environmental protection situation remained stable, and the pandemic prevention and control was effective. During the quarantine period, the Group kept abreast of the development of pandemic prevention and control work in all units through telephone, WeChat, video and other forms, remotely inspected 862 working sites with high risks and issued 120 reports. It launched a special event on “fighting against the pandemic, promoting learning through examination, and ensuring safety”, and called on all cadres and employees in relation to safety production to “work at home and keep on learning during the suspension of production”. The Group carefully prepared 2,328 questions in the Exercise Booklet on Production Safety and Management System (《安全生產管理制度習題冊》) and 83 measures in the Guidance Manual for Pandemic Prevention and Control and Resumption of Work and Production (《防控疫情復工復產指導手冊》), and conducted a full-coverage examination by means of its own online examination system to comprehensively improve the safety and pandemic prevention capabilities of the staff at all levels. After the quarantine was released, the staff went to the site to coordinate and solve the existing difficult issues. The Group developed APPs for the management members and externally engaged personnel to regulate on-site safety management. It actively promoted the implementation of "Three-standards and One-system" in terms of quality, environment, occupational safety, and built a management system. The Company completed the preparation and deployment of its "Fourteenth Five-Year" safety and environmental protection plan and a three-year implementation plan for special rectification. It established “high, middle and low” hierarchical operating risk levels and management and control standards, improving the Group’s emergency management system and prepared the emergency response atlas.

# MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group focused on the digital transformation of production and promoted the change in the production organization model. The Group established a digital sharing platform, set the three-step target of "consolidating the data foundation, realizing predictive maintenance, and achieving reliable and harmonious source network", and completed the full data collection of equipment. The Group deployed online monitoring and control systems to establish a new management style of front-end duty monitoring and back-end data analysis. It deepened the management on professionalization of operation and inspection as well as standardization of operations, implemented the separation of the management and executive levels, made efforts to promote standardized operations, optimized the regional operation and inspection model, and promoted professional maintenance in a solid manner, actively building a world-class safety production control system.

In 2020, the Group continued to focus on equipment renovation, resulting in outstanding results for the year. Based on the working objective of "More power generation, Less shutdown, Less assessment", the Group introduced the indicators for unscheduled shutdown duration and ranked the wind farms of each regional and provincial company separately. Focusing on key models and bulk defects, the Group implemented specific measures for precise management. The healthy operation level of equipment was significantly improved, with the unscheduled shutdown duration of generating units reduced by 86% compared to the beginning of the year, the number of faults in the collector lines dropped by 29% year-on-year, and the cost for grid-connected operation assessment declined by 35% year-on-year. The Group's indicators maintained a leading position according to the benchmarking against other new energy companies.

# MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group continued to strengthen its control on grid curtailment through various management measures. The Group formulated measures on the management of grid curtailment, conducted thematic analysis on grid curtailment, innovated annual assessments on marketing and sorted out extra-high voltage transmission channels. The Group took multiple measures at the same time to actively address the adverse impact of the pandemic during the year and maintained a relatively low level of grid curtailment. Meanwhile, it strengthened the policy research, accurately grasped the regional electricity market policies and trading rules, and carried out in-depth market trading on the principle of "Efficiency first". In addition, the Group enhanced the business capabilities of the staff through specialized training courses for traders and comprehensively improved the professional level of the Company's marketing force.

During the Reporting Period, the Group generated a cumulative gross electricity output of 53,066 GWh, of which electricity generated from our wind power segment amounted to 43,683 GWh, representing a year-on-year increase of 7.25%, mainly attributable to the outstanding equipment management results. In 2020, with a year-on-year decrease in average wind speed, the average utilisation hours of the wind power business was 2,239 hours, increased by 50 hours as compared with that of 2019, which was primarily attributable to the outstanding equipment management results.

Geographical breakdown of the consolidated power generation of the Group's wind farms for 2019 and 2020:

| Region | 2020 *(MWh)* | 2019 *(MWh)* | Percentage of change |
|---|---|---|---|
| Heilongjiang | **3,180,242** | 3,110,671 | 2.24% |
| Jilin | **1,216,115** | 1,148,346 | 5.90% |
| Liaoning | **2,215,637** | 2,246,772 | -1.39% |
| Inner Mongolia | **6,207,568** | 5,866,128 | 5.82% |
| Jiangsu (onshore) | **2,208,251** | 2,113,397 | 4.49% |
| Jiangsu (offshore) | **2,847,897** | 2,481,259 | 14.78% |
| Zhejiang | **393,738** | 357,969 | 9.99% |
| Fujian | **2,804,345** | 2,262,133 | 23.97% |
| Hainan | **152,028** | 120,468 | 26.20% |
| Gansu | **2,652,465** | 2,425,131 | 9.37% |
| Xinjiang | **3,546,601** | 3,497,015 | 1.42% |
| Hebei | **2,543,728** | 2,402,522 | 5.88% |
| Yunnan | **2,392,881** | 2,291,343 | 4.43% |
| Anhui | **1,515,660** | 1,382,126 | 9.66% |
| Shandong | **797,124** | 744,285 | 7.10% |
| Tianjin | **374,038** | 370,664 | 0.91% |
| Shanxi | **1,646,814** | 1,662,541 | -0.95% |
| Ningxia | **1,407,719** | 1,394,190 | 0.97% |
| Guizhou | **1,501,655** | 1,434,055 | 4.71% |
| Shaanxi | **857,682** | 778,334 | 10.19% |
| Tibet | **14,752** | 16,954 | -12.99% |
| Chongqing | **510,710** | 467,817 | 9.17% |
| Shanghai | **112,018** | 110,827 | 1.07% |
| Guangdong | **268,550** | 228,064 | 17.75% |
| Hunan | **321,636** | 238,091 | 35.09% |
| Guangxi | **455,118** | 269,073 | 69.14% |
| Jiangxi | **320,322** | 134,722 | 137.77% |
| Hubei | **107,503** | 107,794 | -0.27% |
| Qinghai | **73,794** | – | – |
| Henan | **2,844** | – | – |
| Canada | **281,939** | 285,642 | -1.30% |
| South Africa | **751,871** | 783,435 | -4.03% |
| Total | **43,683,245** | 40,731,768 | 7.25% |

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for 2019 and 2020:

| Region | Average utilisation hours of wind power for 2020 *(hour)* | Average load factor of wind power for 2020 | Average utilisation hours of wind power for 2019 *(hour)* | Average load factor of wind power for 2019 | Percentage of change of the average utilisation hours of wind power |
|---|---|---|---|---|---|
| Heilongjiang | 2,576 | 29% | 2,523 | 29% | 2.10% |
| Jilin | 2,151 | 24% | 2,108 | 24% | 2.04% |
| Liaoning | 2,153 | 25% | 2,242 | 26% | -3.97% |
| Inner Mongolia | 2,355 | 27% | 2,217 | 25% | 6.22% |
| Jiangsu (onshore) | 1,754 | 20% | 1,680 | 19% | 4.40% |
| Jiangsu (offshore) | 2,344 | 27% | 2,228 | 25% | 5.21% |
| Zhejiang | 1,716 | 20% | 1,560 | 18% | 10.00% |
| Fujian | 3,027 | 34% | 2,988 | 34% | 1.31% |
| Hainan | 1,536 | 17% | 1,217 | 14% | 26.21% |
| Gansu | 2,056 | 23% | 1,880 | 21% | 9.36% |
| Xinjiang | 2,256 | 26% | 2,267 | 26% | -0.49% |
| Hebei | 2,080 | 24% | 2,049 | 23% | 1.51% |
| Yunnan | 2,972 | 34% | 2,978 | 34% | -0.20% |
| Anhui | 2,036 | 23% | 1,885 | 22% | 8.01% |
| Shandong | 1,943 | 22% | 2,007 | 23% | -3.19% |
| Tianjin | 1,814 | 21% | 1,911 | 22% | -5.08% |
| Shanxi | 1,845 | 21% | 1,891 | 22% | -2.43% |
| Ningxia | 1,818 | 21% | 1,921 | 22% | -5.36% |
| Guizhou | 2,071 | 24% | 2,110 | 24% | -1.85% |
| Shaanxi | 1,916 | 22% | 1,997 | 23% | -4.06% |
| Tibet | 1,967 | 22% | 2,261 | 26% | -13.00% |
| Chongqing | 2,287 | 26% | 2,282 | 26% | 0.22% |
| Shanghai | 2,358 | 27% | 2,333 | 27% | 1.07% |
| Guangdong | 2,589 | 29% | 2,287 | 26% | 13.21% |
| Hunan | 2,660 | 30% | 2,812 | 32% | -5.41% |
| Guangxi | 3,255 | 37% | 2,818 | 32% | 15.51% |
| Jiangxi | 2,708 | 31% | 2,694 | 31% | 0.52% |
| Hubei | 2,073 | 24% | 2,246 | 26% | -7.70% |
| Qinghai | 1,386 | 16% | – | – | – |
| Henan | 197 | 2% | – | – | – |
| Canada | 2,845 | 32% | 2,882 | 33% | -1.28% |
| South Africa | 3,075 | 35% | 3,204 | 37% | -4.03% |
| Total | 2,239 | 25% | 2,189 | 25% | 2.28% |

During the Reporting Period, the consolidated power generation from coal power segment of the Group was 9,034 GWh, representing a decrease of 5.2% as compared with 9,530 GWh in the corresponding period of 2019. This was mainly due to the decrease in electricity load as a result of the pandemic in the first half of the year. The average utilisation hours of the Group's coal power segment in 2020 was 4,818 hours, representing a decrease of 265 hours as compared with 5,083 hours in 2019.

**2. Optimized the resource acquisition, with double leaps in wind and photovoltaic power results**

In 2020, the Group entered into new agreements for development of wind and photovoltaic power of 51,590 MW, nearly four times that of the same period last year, including wind power of 18,990 MW and photovoltaic power of 32,600 MW. Among the new agreements, there were 16 agreements with the capacity of over 1 million kW each, totaling 37,290 MW, which were located in regions with better resources, such as Inner Mongolia, Heilongjiang, Liaoning, Shaanxi, Gansu, Qinghai, Shanxi, Guangxi and Jiangsu. The approved (filed) projects had a capacity of 3,169 MW, hitting a new record high, including approved wind power of 819 MW and filed photovoltaic power of 2,350 MW. The Group obtained grid parity and bidding project indicators of 1,990 MW, nearly seven times that of the same period last year, including wind power of 940 MW and photovoltaic power of 1,050 MW.

In 2020, the Group focused closely on the overall strategy of "One Goal, Three Types, Five Variations and Seven First-classes" of CHN Energy, aiming to build a world-class new energy company with global competitiveness. Under the unified deployment of the CHN Energy, the Group proactively promoted the planning and design of two base projects with a capacity of 10 million kW each, of which the first batch of projects passed the review of feasibility study and the others were included in the energy cooperation plan of the National Energy Administration and the "Fourteenth Five-Year Plan" of State Grid. Meanwhile, the Group increased its efforts in acquiring high-quality resources and independently planned 27 small and medium-sized base projects, making a historic breakthrough in new resource reserves during the year.

The Group dynamically streamlined its internal organization and the systems and procedures to enhance the supporting and service capability of the technical back-up units for preliminary development under the coordination mechanism of up-down linkage; it systematized the work and set up base project offices in a timely manner to promote the development of the Company's base projects; it actively explored the cooperation and development patterns, and set up joint ventures with leading enterprises in the wind power, photovoltaic and energy storage industries to obtain high-quality resources; and it introduced the "photovoltaic+" model to develop agricultural photovoltaic, tidal photovoltaic and subsidence area projects.

### 3. Project management with stable quality while recovering the progress, protected environment while maintaining cost and ensuring commissioning

In 2020, the Group embraced safe and steady project construction status, the project quality and environmental protection level were steadily improved without any material or above safety, quality, environmental protection accident or mass incident affecting social stability throughout the year, no new cases of COVID-19 infection, and the project cost was controllable and under practical control.

During the year, the project progress was effectively advanced. Due to the impact of the COVID-19 pandemic, the overall resumption time of the projects was delayed by more than two months. Having prior planning before resuming work and adopting multiple measures such as scientific organization and active coordination after resuming work, the Group improved the lifting efficiency and continuously recovered the progress at nodes as planned, laying an important foundation for ensuring the completion of the annual commissioning on schedule to maintain electricity price.

The Group continued to improve the level of project safety and quality management. Throughout the year, the Group carried out 166 physical and data inspections on all projects under construction, formulated and issued the "Construction Safety Manual for Wind Turbine Installation" (《風機安裝施工安全手冊》), and strengthened the system restrictions of "Ten-Forbidden Lifting" and "Eight Strict Prohibitions" to ensure construction safety. Through optimizing design, strengthening supervision and emphasizing supervising and manufacturing, the Group coordinated to solve problems in a timely manner. Throughout the year, the Group carried out 198 equipment supervisions and 43 project acceptances to ensure project quality.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group further strengthened the environmental protection work of the projects and completed the ecological optimization of the wind power projects put into production in 18 provinces, planting 530,000 trees and 4.49 million shrubs, with an ecological restoration area of over 841 hectares. The construction start-up procedures were strictly implemented to carry out forest land and land formalities in time to ensure that the projects were constructed in accordance with the laws and regulations. The Group standardized the work concerning conservation of water and soil in the wind farms, strictly implemented the "Three Concurrence" requirements for conservation of water and soil, and fully fulfilled the requirements of acceptance check and putting on record in relation to water conservation and environmental protection for projects already completed, in order to achieve a green and sustainable development.

The Group strictly strengthened cost management during the rush installation period, adopted integrated design, optimized technical schemes and construction organization to reduce project cost, strengthened drawing review to effectively reduce project changes, revised and improved the Management Measures for Project Construction Costs (《工程建設造價管理辦法》), the Management Measures for Project Changes (《工程變更管理辦法》) and the Management Measures for Execution of Budgets (《執行概算管理辦法》), and carried out a special analysis on the adjustment of listing contracts in view of the price increase of lifting machinery due to the pandemic and the "rush installation" this year to keep the cost within the scope of the decision.

As at 31 December 2020, the consolidated installed capacity of the Group was 24,681 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 22,303 MW, 1,875 MW and 503 MW, respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as at 31 December 2019 and 31 December 2020 is set out as below:

| Region | 2020 31 December *(MW)* | 2019 31 December *(MW)* | Percentage of change |
|---|---|---|---|
| Heilongjiang | **1,234.70** | 1,234.70 | 0.00% |
| Jilin | **762.05** | 547.40 | 39.21% |
| Liaoning | **1,047.20** | 1,003.20 | 4.39% |
| Inner Mongolia | **2,635.80** | 2,635.80 | 0.00% |
| Jiangsu (onshore) | **1,338.50** | 1,338.50 | 0.00% |
| Jiangsu (offshore) | **1,585.30** | 1,180.30 | 34.31% |
| Zhejiang | **227.90** | 227.90 | 0.00% |
| Fujian | **1,074.60** | 1,017.10 | 5.65% |
| Hainan | **99.00** | 99.00 | 0.00% |
| Gansu | **1,289.80** | 1,289.80 | 0.00% |
| Xinjiang | **1,590.80** | 1,541.30 | 3.21% |
| Hebei | **1,770.10** | 1,470.10 | 20.41% |
| Yunnan | **869.50** | 819.50 | 6.10% |
| Anhui | **809.10** | 779.10 | 3.85% |
| Shandong | **618.40** | 463.40 | 33.45% |
| Tianjin | **347.50** | 244.00 | 42.42% |
| Shanxi | **1,041.75** | 939.00 | 10.94% |
| Ningxia | **774.70** | 774.70 | 0.00% |
| Guizhou | **789.00** | 691.50 | 14.10% |
| Shaanxi | **539.20** | 439.20 | 22.77% |
| Tibet | **7.50** | 7.50 | 0.00% |
| Chongqing | **289.50** | 209.50 | 38.19% |
| Shanghai | **47.50** | 47.50 | 0.00% |
| Guangdong | **125.74** | 101.74 | 23.59% |
| Hunan | **237.35** | 148.00 | 60.37% |
| Guangxi | **192.30** | 192.30 | 0.00% |
| Jiangxi | **196.40** | 148.40 | 32.35% |
| Hubei | **94.20** | 48.00 | 96.25% |
| Qinghai | **150.00** | 50.00 | 200.00% |
| Henan | **173.65** | – | – |
| Canada | **99.10** | 99.10 | 0.00% |
| South Africa | **244.50** | 244.50 | 0.00% |
| Total | **22,302.64** | 20,032.04 | 11.33% |

4. **Reduced tax rate and increased marketing kept overall electricity price level stable**

In 2020, the average on-grid tariffs for overall power generation segments of the Group amounted to RMB463 per MWh (value-added tax ("VAT") exclusive), representing an increase of RMB4 per MWh as compared with the average on-grid tariffs of RMB459 per MWh (VAT exclusive) in 2019. The average on-grid tariffs for wind power amounted to RMB487 per MWh (VAT exclusive), representing an increase of RMB5 per MWh as compared with the average on-grid tariffs of RMB482 per MWh (VAT exclusive) in 2019, which was mainly due to the decrease in the VAT rate and the increase in sale volume of offshore power with higher tariffs as compared to that of 2019. The average on-grid tariffs for coal power amounted to RMB325 per MWh (VAT exclusive), representing a decrease of RMB11 per MWh as compared with the average on-grid tariffs for coal power of RMB336 per MWh (VAT exclusive) in 2019, which was mainly due to a joint influence of the increase in the proportion of electricity volume in coal power trading, and the decrease in the VAT rate.

5. **Optimized the existing liabilities portfolio by quantitative easing, and demonstrated the cost advantage by broadening financing channels**

In 2020, affected by the pandemic, the currency market was moderately loose. The Group seized opportunities to intensify management and control of financing, and laid down an overall operation plan to conduct replacement and optimization of existing interest-bearing liabilities, and save financial costs. Meanwhile, by leveraging the capital scheduling and coordination mechanism under the direct management of the headquarters and rigid capital plan management, it continued to improve capital utilisation efficiency to maximise the time value of funds. In terms of financing, it kept a close watch on domestic and foreign capital markets to further expand financing channels, successfully issued eighteen tranches of ultra-short-term debentures, two tranches of medium-term notes, and three tranches of green renewable corporate bonds, enabling the Group to maintain an advantage among the industry in terms of capital cost throughout the year. The Group successfully issued US$0.3 billion bonds, and the coupon rate is only 1.5%, representing the lowest issue price in Asia with the same rating and the same term in the past decade. There were two tranches of ultra-short-term financing bonds issued by the Group for the purpose of pandemic prevention and control, demonstrating the Group's responsibility and role in winning the pandemic prevention and control. In addition, the Group actively revitalized stock assets with the financial instruments traded in open markets, successfully issued a tranche of asset-backed securities (ABS) worthy of RMB713 million.

6. **Strengthened the efforts on the core technology breakthrough, and made qualitative and quantitative breakthroughs in scientific and technological achievements**

In 2020, the Group implemented series of deployment of the National Science and Technology Innovation and Development Strategy, and attached greater importance to scientific and technological innovation. The Group initiated 31 scientific and technological innovation projects, representing a significant year-on-year increase. The Group spared every effort on the research and development of the "Key Technology and Engineering Demonstration of Floating Wind Power" project, a key scientific and technological breakthrough plan of CHN Energy, the primary design of which has been basically completed. This year, nine industry standards such as the Safety Regulations for Offshore Wind Farm Operation (《海上風電場運行安全規程》) edited by the Group have been approved and released by the National Energy Administration. Thus, the Company edited or coedited 75 national industry standards, of which 31 standards have been issued, firmly occupying the commanding heights of industry technology. In particular, the Group coedited IEC international standard PT62862-1-4 (part 1-4 thermal insulation of the Solar-thermal Power Station), which made a breakthrough in the formulation of international standards.

In 2020, the Group obtained 21 new scientific and technological patents including 3 invention patents and 18 utility model patents. The Group published more than 60 papers in various scientific journals. The project of "Key Technologies and Engineering Applications of Renewable Energy Independent Power Supply System in Qinghai-Tibet Region" (《青藏地區可再生能源獨立供電系統關鍵技術及工程應用》) the Group participated in won the second prize of National Science and Technology Progress Award. The scientific and technological achievement of the Key Technology Research and Application of Smart Wind Power Operation Based on Group-level Big Information (《基於集團級大數據的智慧風電運營關鍵技術研究和應用》) passed the technical appraisal of Chinese Society for Electrical Engineering and China Electricity Council, and was awarded the title of "International Leading".

7. **Prevented and controlled overseas pandemic, protected operation and promoted the deployment to seek breakthrough**

In 2020, the Group actively overcame the adverse impact of the spread of the COVID-19 pandemic abroad, committed to the implementation of the "Going Global" strategy, and orderly carried out business exploration around countries covered by the "Belt and Road Initiative", and achieved positive results in all aspects of the work. The Ukraine Yuzhne Wind Power Project started smoothly, the construction of the project was advanced in an orderly manner, and the first wind turbine has been hoisted; a batch of wind power photovoltaic projects such as Southern Wind Power Projects in Ukraine have been approved for initiation. The Group is actively exploring the potential of key markets such as Central and Eastern Europe, Southeast Asia and Latin America, striving to achieve regional rolling development and breakthroughs in key markets.

The Group strengthened overseas asset management, effectively prevented and controlled the pandemic and production risks, deepened cooperation and communication and operated all in-service projects well. Canada Dufferin Wind Farm of the Group recorded total power generation of 282 GWh throughout the year, which overfulfilled the annual plan; its utilisation hours reached 2,845 hours, and it has maintained safe production for 2,222 consecutive days. The Group's wind power projects in De Aar of South Africa recorded the power generation of 752 GWh in total, the project utilisation hours reached 3,075 hours, and maintained its accumulated safe production for 1,157 days.

## III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

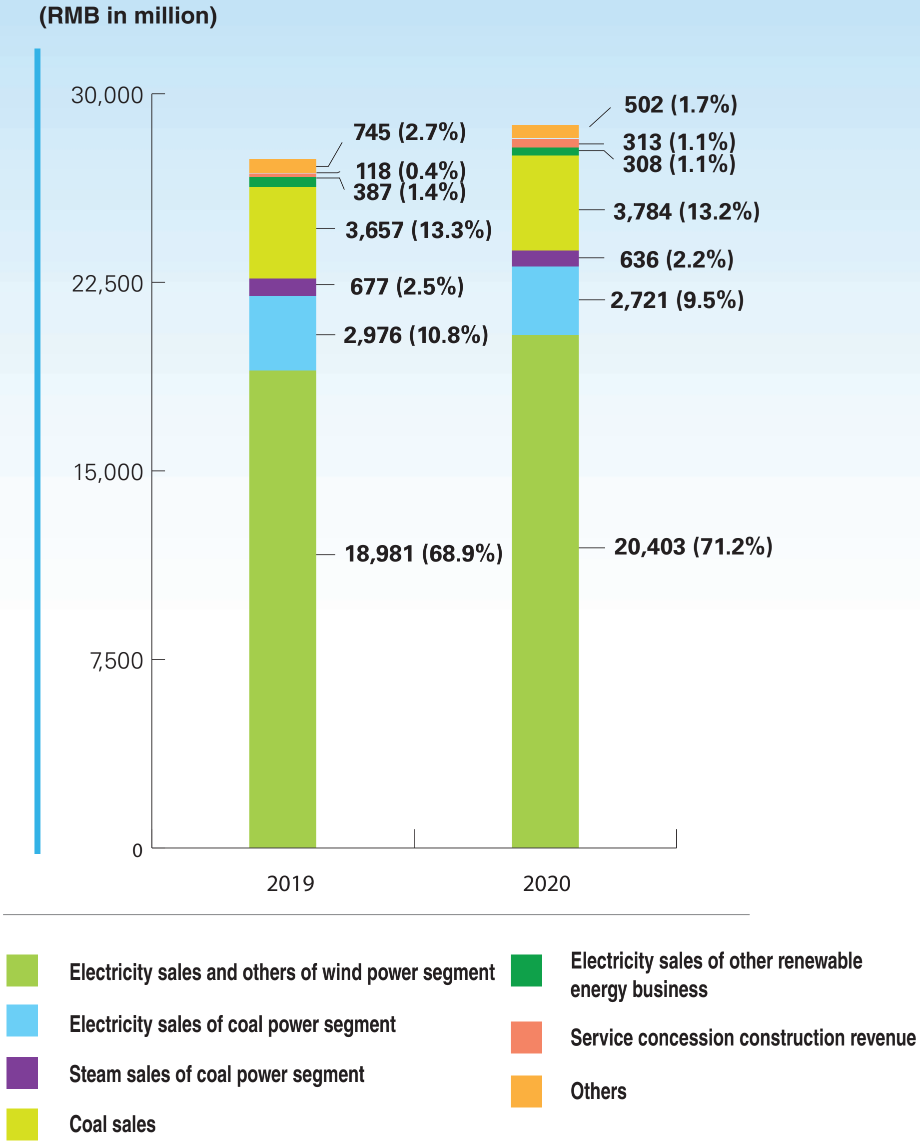
### Profit or loss and other comprehensive income

In 2020, the net profit of the Group amounted to RMB5,685 million, representing an increase of 6.9% as compared to RMB5,320 million in 2019. Net profit attributable to equity holders of the Company amounted to RMB5,025 million, representing an increase of 10.0% as compared to RMB4,567 million in 2019. Earnings per share amounted to RMB58.81 cents, representing an increase of RMB4.99 cents as compared to RMB53.82 cents in 2019.

### Operating revenue

In 2020, the operating revenue of the Group amounted to RMB28,667 million, representing an increase of 4.1% as compared to RMB27,541 million in 2019. The increase of operating revenue was mainly due to: (1) electricity sales and other revenue of wind power segment increased by RMB1,422 million or 7.5% in 2020 as compared to 2019, which was primarily due to increases in electricity sales volume of wind power segment and the average unit price of electricity sales as compared to 2019; (2) an increase of RMB195 million or 165.3% in service concession construction revenue of wind power segment in 2020 as compared to 2019, which was primarily due to an increase in construction volume of service concession projects under construction in 2020 as compared to 2019; (3) a decrease of RMB255 million or 8.6% in revenue from electricity sales of coal power segment in 2020 as compared to 2019, which was primarily due to the decrease in electricity sales volume of coal power segment and the average unit price of electricity sales as compared to 2019; (4) an increase of RMB127 million or 3.5% in revenue from coal sales of coal power segment in 2020 as compared to 2019, which was primarily due to the increase in sales volume of coal as compared to 2019; and a decrease of RMB41 million or 6.1% in revenue from sales of steam as compared to 2019, which was primarily due to the decrease in sales volume of steam; (5) a decrease of RMB79 million or 20.4% in revenue from renewable electricity sales of other segments in 2020 as compared to 2019, which was primarily due to the decrease in biomass power generation; and (6) no revenue from external EPC of other segments in 2020 as compared to RMB219 million in 2019.

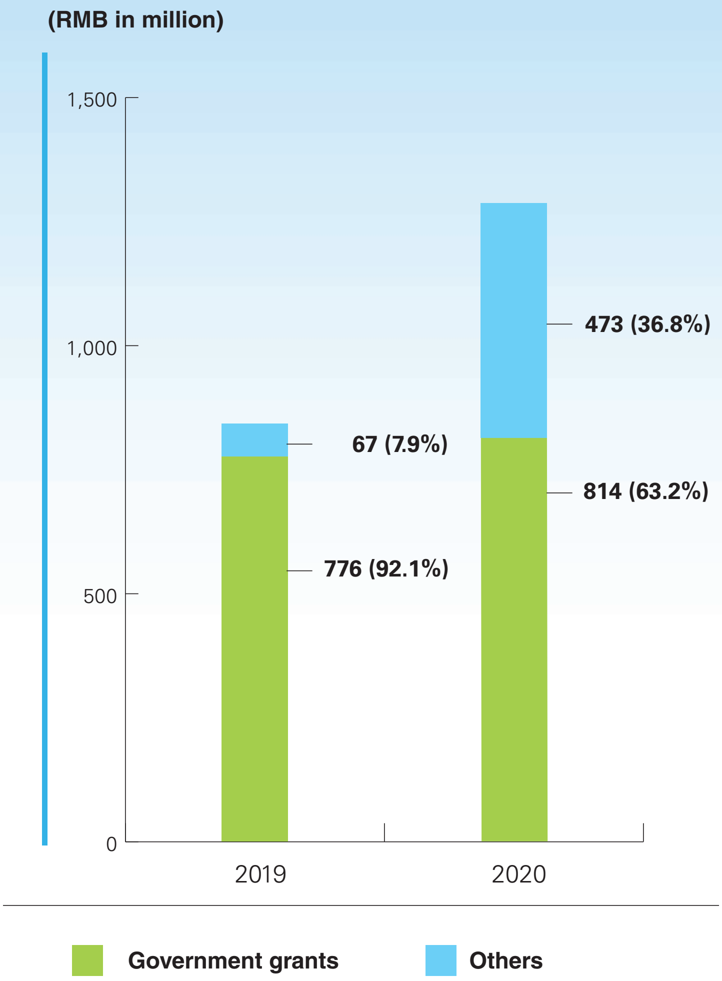
Operating revenue of each segment and their respective proportions are set out in the diagram below:




## Other net income

Other net income of the Group amounted to RMB1,287 million in 2020, representing an increase of 52.7% as compared to RMB843 million in 2019, primarily due to (1) an increase of RMB405 million in net income from disposal of non-current assets and a subsidiary as compared to 2019; and (2) an increase of RMB38 million in the government grants as compared to 2019.

The breakdown of other net income items and their respective proportions are set out in the diagram below:

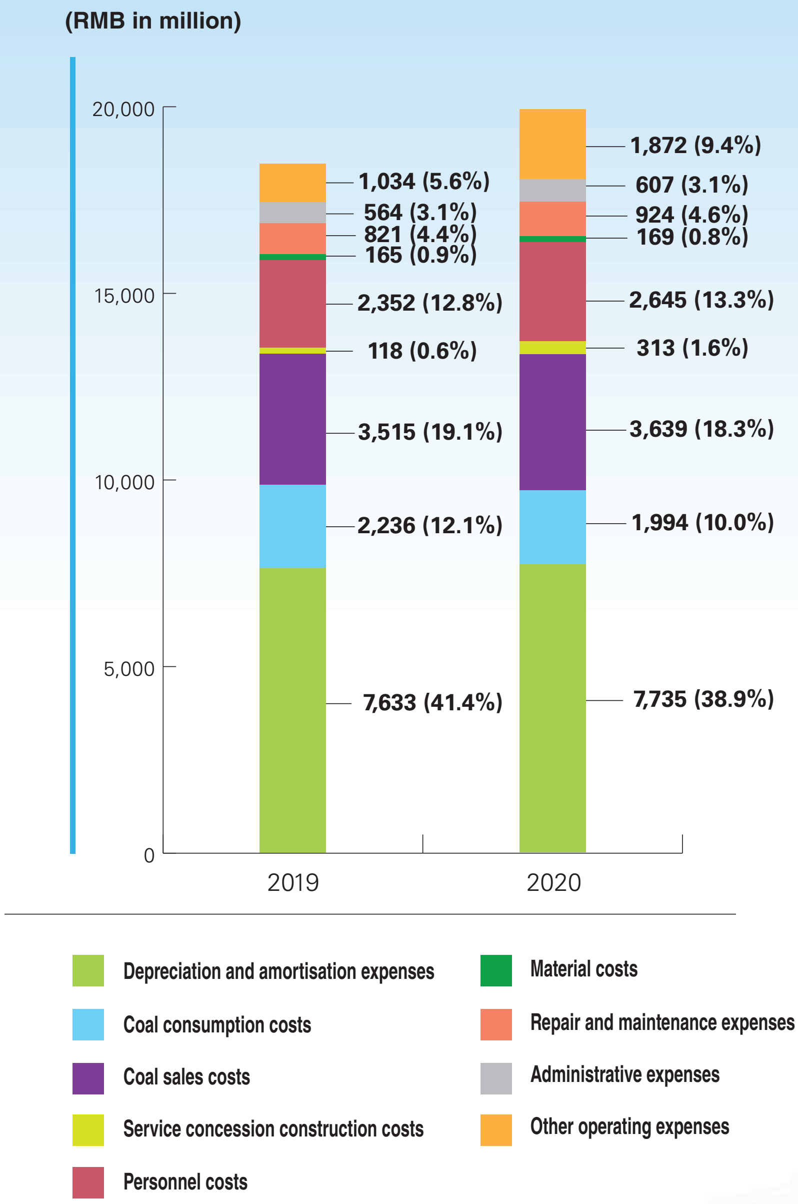



## Operating expenses

Operating expenses of the Group amounted to RMB19,898 million in 2020, representing an increase of 7.9% as compared to RMB18,438 million in 2019, primarily due to: (1) a decrease of RMB242 million in coal consumption costs, an increase of RMB182 million in labor costs and an increase of RMB124 million in coal sales costs in the coal power segment; (2) an increase of RMB596 million in the depreciation and amortisation expenses, service concession construction costs, personnel costs, repair and maintenance expenses in the wind power segment; (3) the provision of RMB1,025 million made for asset impairment in 2020, representing an increase of RMB1,022 million as compared to RMB3 million in 2019; and (4) a decrease of RMB209 million in external EPC costs during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses items and their respective proportions are set out in the diagram below:



*Depreciation and amortisation expenses*

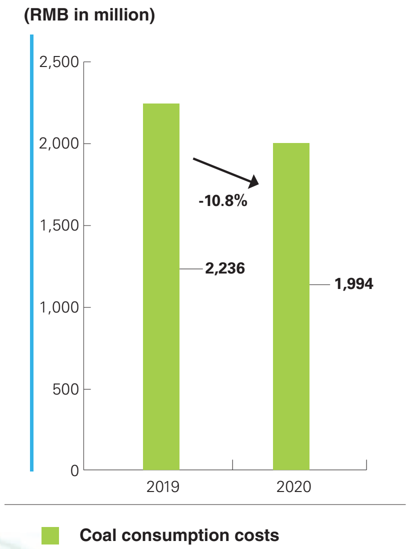
Depreciation and amortisation expenses of the Group amounted to RMB7,735 million in 2020, representing an increase of 1.3% as compared to RMB7,633 million in 2019, primarily due to: (1) an increase of RMB162 million or 2.3% in depreciation and amortisation expenses in the wind power segment as compared to 2019 as a result of the effect of expansion in the installed capacity of wind power projects; and (2) a decrease of RMB43 million or 19.1% in depreciation and amortisation expenses in other segments as compared to 2019.

Depreciation and amortisation expenses are set out in the diagram below:


*Coal consumption costs*

Coal consumption costs of the Group amounted to RMB1,994 million in 2020, representing a decrease of 10.8% as compared to RMB2,236 million in 2019, which was primarily due to: (1) a decrease of approximately 6.2% in the consumption of standard coal for power generation and heat supply as a result of the decrease in power generation; and (2) a decrease of approximately 4.9% in the average unit price of standard coal for power generation and heat supply as affected by the slight decrease in the coal price in 2020.

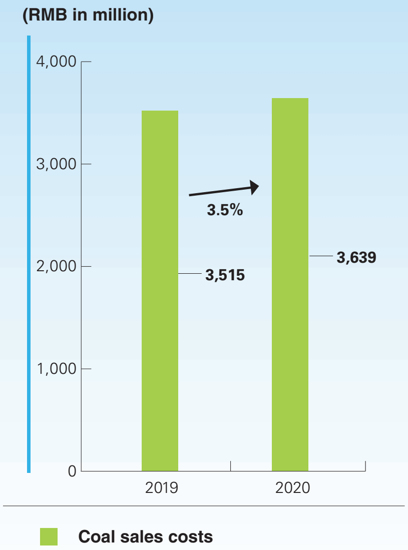
Coal consumption costs are set out in the diagram below:



*Coal sales costs*

Coal sales costs of the Group in 2020 amounted to RMB3,639 million, representing an increase of 3.5% as compared to RMB3,515 million in 2019, which was primarily due to: (1) an increase of approximately 6.4% in the sales volume of coal in 2020 as compared to 2019; and (2) a decrease of approximately 2.7% in the average procurement price of coal as compared to 2019.

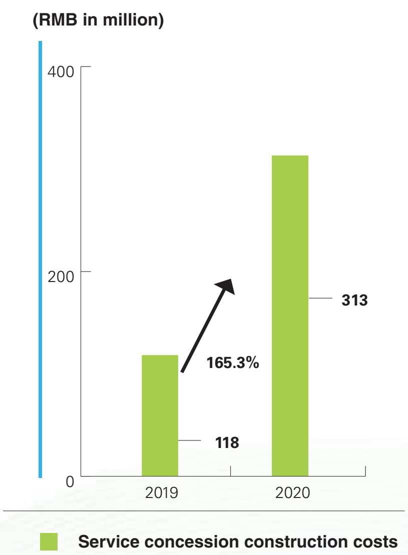
Coal sales costs are set out in the diagram below:




*Service concession construction costs*

The Group's service concession construction costs in 2020 amounted to RMB313 million, representing an increase of 165.3% as compared to RMB118 million in 2019, primarily due to an increase in the construction volume of service concession projects under construction in 2020 as compared to 2019.

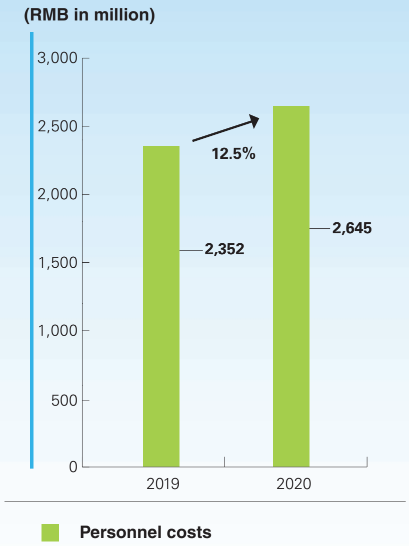
Service concession construction costs are set out in the diagram below:



*Personnel costs*

Personnel costs of the Group amounted to RMB2,645 million in 2020, representing an increase of 12.5% as compared to RMB2,352 million in 2019, which was primarily due to: (1) an increase in headcounts as a result of expansion in the installed wind power capacity; (2) an increase in salary and benefits of staff; and (3) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

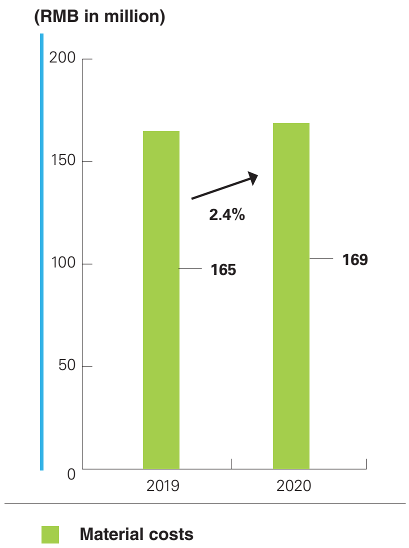
Personnel costs are set out in the diagram below:




*Material costs*

Material costs of the Group amounted to RMB169 million in 2020, representing an increase of 2.4% as compared to RMB165 million in 2019, which was primarily due to an increase in material procurement with the growth of the sales of coal power by-products of the coal power segment, and a decrease of material consumption as a result of a decrease of the biomass power generation.

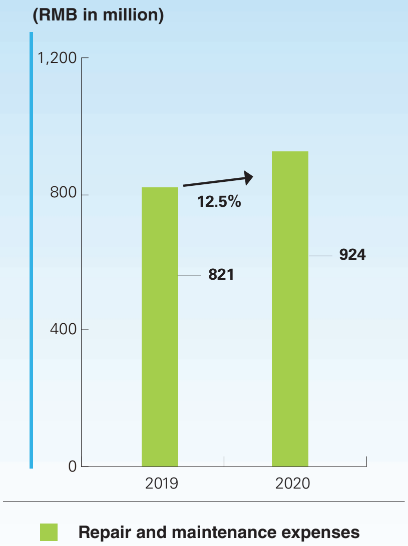
Material costs are set out in the diagram below:



*Repair and maintenance expenses*

The repair and maintenance expenses of the Group amounted to RMB924 million in 2020, representing an increase of 12.5% as compared to RMB821 million in 2019, primarily due to an increase in the installed capacity of the wind power segment and an increase in the generating units after the warranty period.

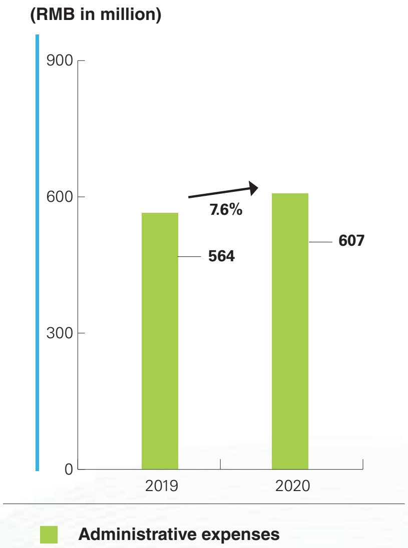
Repair and maintenance expenses are set out in the diagram below:




*Administrative expenses*

Administrative expenses of the Group amounted to RMB607 million in 2020, representing an increase of 7.6% as compared to RMB564 million in 2019, which was primarily due to an increase in the expenses including lease charges, consulting fees, office allowance and repair costs with the growth of the Group's businesses.

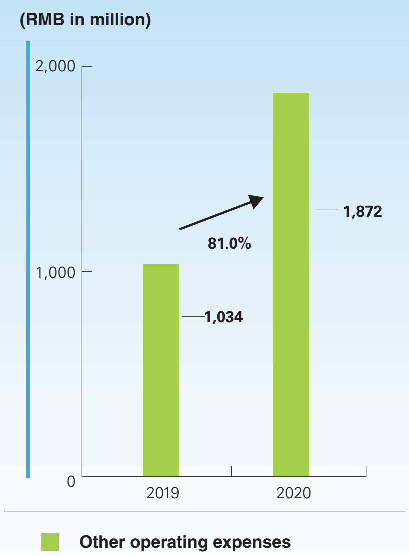
Administrative expenses are set out in the diagram below:



*Other operating expenses*

Other operating expenses of the Group amounted to RMB1,872 million in 2020, representing an increase of 81.0% as compared to RMB1,034 million in 2019, which was primarily due to (1) the provision of RMB1,025 million made for asset impairment in 2020, representing an increase of RMB1,022 million as compared to RMB3 million in 2019; and (2) a decrease of RMB209 million in the external EPC costs as compared to 2019 arising from the decrease in the external EPC volume.

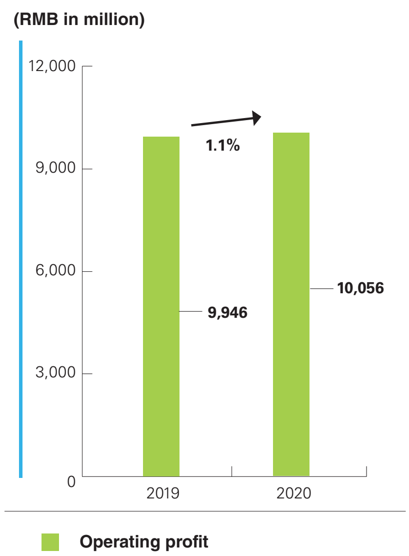
Other operating expenses are set out in the diagram below:




**Operating profit**

In 2020, the operating profit of the Group amounted to RMB10,056 million, representing an increase of 1.1% as compared to RMB9,946 million in 2019, which was primarily due to: (1) an increase of RMB557 million in operating profits of wind power segment as a result of the comprehensive impact of the increase in installed capacity, the average unit price of electricity sales and the provision for impairment in the wind power segment; (2) a decrease of RMB44 million in operating profits of coal power segment as a result of the decrease in utilisation hours of coal power segment; and (3) an increase of RMB382 million in the provision for impairment in 2020 as compared to 2019 in other segments.

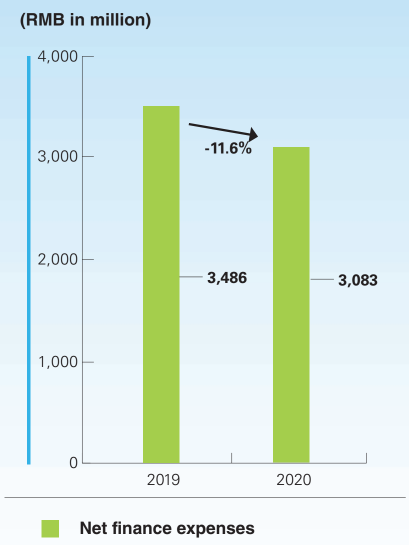
Operating profit is set out in the diagram below:



**Net finance expenses**

Net finance expenses of the Group amounted to RMB3,083 million in 2020, representing a decrease of RMB403 million or 11.6% as compared to RMB3,486 million in 2019, which was primarily due to: (1) a decrease in average borrowing rate which led to a reduced amount of RMB264 million in interest expenses in 2020 as compared to that of 2019; (2) a decrease of RMB19 million in the interest income generated from financial assets in 2020; (3) an increase of RMB37 million in the net foreign exchange gain in 2020 as compared to that of 2019; (4) an increase of RMB69 million in loss from changes in fair value of the interest rate swap contracts in 2020 as compared to that of 2019; (5) a decrease of RMB13 million in bank charges and charges for other businesses in 2020 as compared to that of 2019; (6) an increase of RMB51 million in the unrealised profits for trading securities held in 2020 as compared to that of 2019; (7) an increase of RMB84 million in dividend income from other investment in 2020 as compared to that of 2019; and (8) an increase of RMB42 million in cash discount received in 2020 as compared to that of 2019.

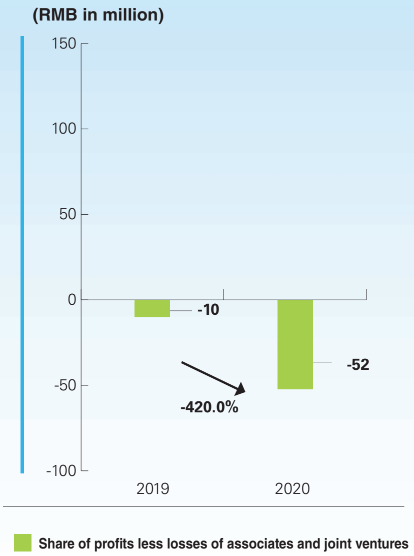
Net finance expenses are set out in the diagram below:



### Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB-52 million in 2020, representing a decrease of 420.0% as compared to RMB-10 million in the corresponding period of 2019, which was primarily due to the decrease in the results of operations of associates and joint ventures in 2020 as compared to that of 2019.

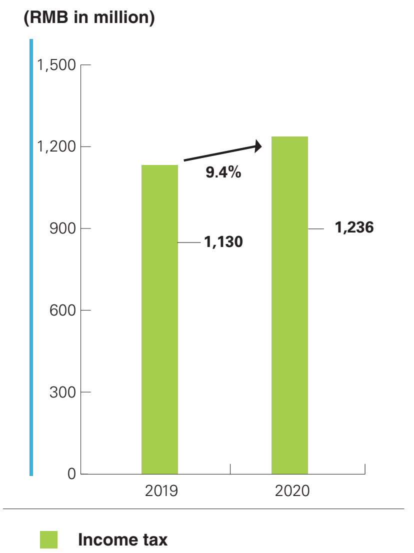
Share of profits less losses of associates and joint ventures is set out in the diagram below:




### Income tax

In 2020, the income tax of the Group amounted to RMB1,236 million, representing an increase of 9.4% as compared to RMB1,130 million in 2019, which was mainly due to: (1) a year-on-year increase of 7.3% in profit before tax in 2020; and (2) a higher tax rate in 2020 as compared to that of 2019 as a result of the end of tax exemption period for certain wind power projects.

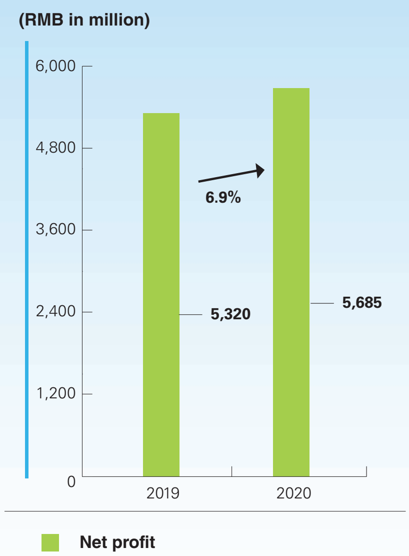
Income tax is set out in the diagram below:



## Net profit

In 2020, the net profit of the Group amounted to RMB5,685 million, representing an increase of 6.9% as compared to RMB5,320 million in 2019, which was mainly due to the year-on-year increase in net profit of wind power segment and coal power segment.

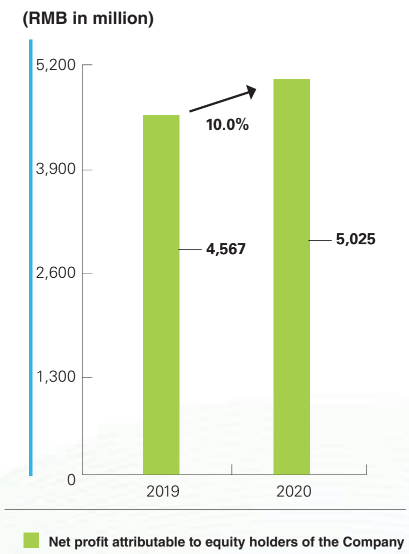
Net profit is set out in the diagram below:




## Net profit attributable to equity holders of the Company

In 2020, the net profit of the Group attributable to equity holders of the Company amounted to RMB5,025 million, representing an increase of 10.0% as compared to RMB4,567 million in 2019, mainly attributable to the increase in net profit of wind power segment.

Net profit attributable to equity holders of the Company is set out in the diagram below:



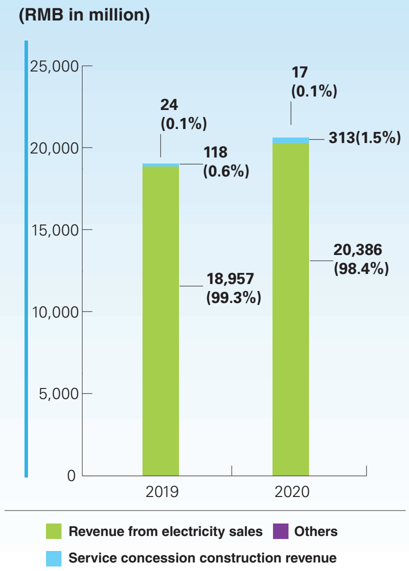
## Segment results of operations

### Wind power segment

*Operating revenue*

In 2020, the operating revenue of the wind power segment of the Group amounted to RMB20,716 million, representing an increase of 8.5% as compared to RMB19,099 million in 2019, primarily due to an increase in revenue from electricity sales as a result of growing electricity sales caused by an increase in installed capacity and average utilisation hours and an increase in revenue from service concession construction of wind power segment.

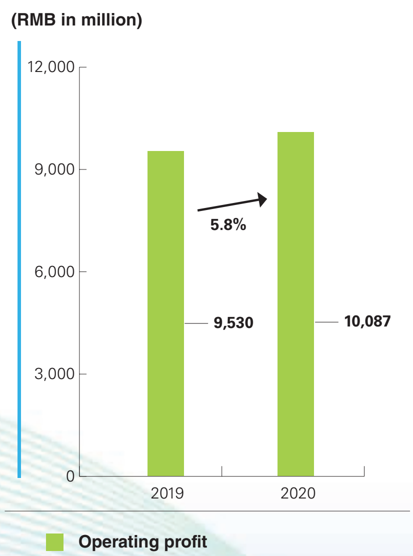
Operating revenue in the wind power segment and proportions are set out in the diagram below:




*Operating profit*

In 2020, the operating profit in the wind power segment of the Group amounted to RMB10,087 million, representing an increase of 5.8% as compared to RMB9,530 million in 2019, which was mainly attributable to the increase in revenue from electricity sales in the wind power segment. The growth rate of operating profit was lower than that of the revenue from electricity sales in the wind power segment, which was primarily due to the fact that the growth rate of revenue from electricity sales was less than that of the cost as a result of the increase in the repair and maintenance expenses and provision for impairment in 2020.

Operating profit in the wind power segment is set out in the diagram below:

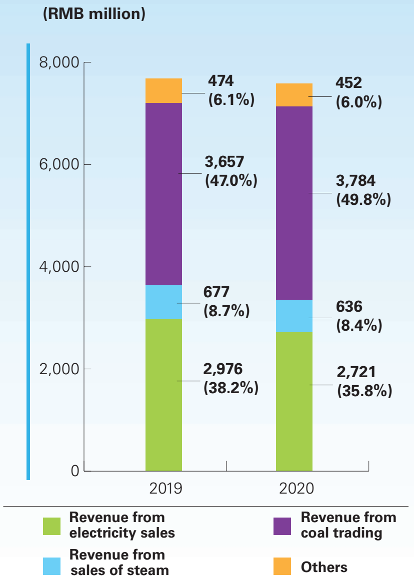


### Coal power segment

*Operating revenue*

In 2020, operating revenue of the coal power segment of the Group amounted to RMB7,593 million, representing a decrease of 2.5% as compared to RMB7,784 million in 2019, primarily due to: (1) a decrease of RMB255 million in electricity sales revenue of coal power segment as compared to 2019 as affected by the decrease in electricity sales volume of coal power segment and the average unit price of electricity sales in 2020; and (2) an increase of RMB127 million in revenue of coal sales of coal power segment as compared to 2019 resulting from the combined impact of an increase in sales volume of coal and a decrease in unit selling price of coal in 2020.

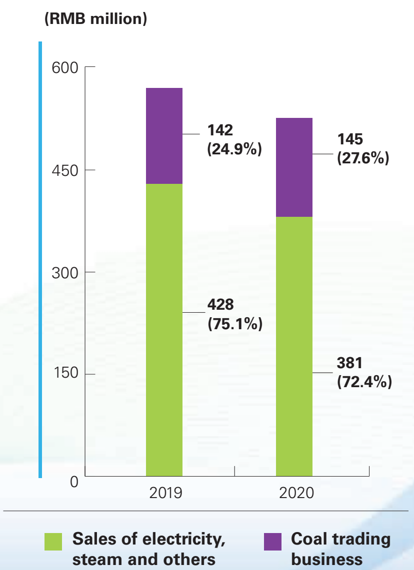
Operating revenue of the coal power segment and proportions are set out in the diagram below:




*Operating profit*

In 2020, the operating profit of coal power segment of the Group amounted to RMB526 million, representing a decrease of 7.7% as compared to RMB570 million in 2019, which was mainly attributable to: (1) a decrease of approximately RMB255 million in electricity sales revenue resulting from the decline in utilisation hours and the average unit price of coal power segment, and the corresponding decrease in fuel costs and the increase in staff costs and administration expenses; and (2) an increase of RMB178 million in operating profit resulting from the disposal of long-term assets and the provision for impairment losses.

Operating profit of the coal power segment and proportions are set out in the diagram below:

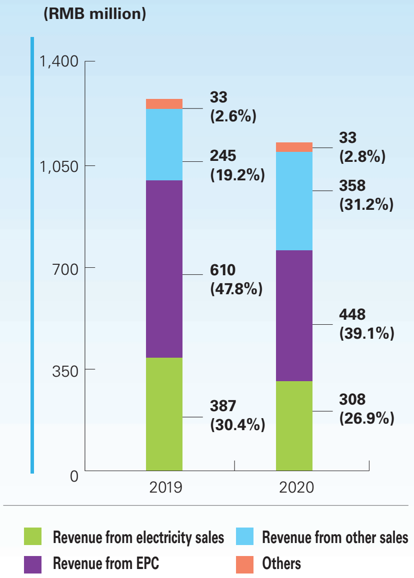


## Other segments

*Operating revenue*

In 2020, the operating revenue of other segments of the Group amounted to RMB1,147 million, representing a decrease of 10.0% as compared to RMB1,275 million in 2019, which was mainly attributable to (1) an increase of RMB113 million in consulting and design services in other segments and a decrease of RMB162 million in revenue from the EPC as a result of the decrease in EPC services; and (2) a decrease of RMB78 million in revenue from electricity sales as a result of the decrease in electricity volume generated from biomass.

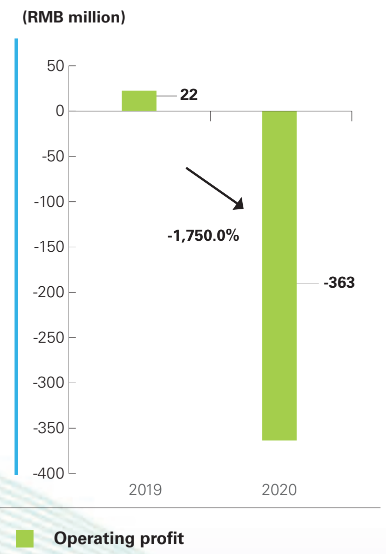
Operating revenue of other segments and proportions are set out in the diagram below:




*Operating profit*

In 2020, the operating profit of other segments of the Group amounted to RMB-363 million, representing a decrease of 1,750.0% as compared to RMB22 million of operating profit in 2019, which was mainly attributable to the provision of RMB382 million made for impairment in 2020.

Operating profit of other segments is set out in the diagram below:



### Assets and liabilities

As at 31 December 2020, total assets of the Group amounted to RMB175,286 million, representing an increase of RMB18,483 million as compared with total assets of RMB156,803 million as at 31 December 2019. This was primarily due to:

(1) an increase of RMB8,155 million in current assets including trade and bills receivables; and

(2) an increase of RMB10,328 million in non-current assets including property, plant and equipment.

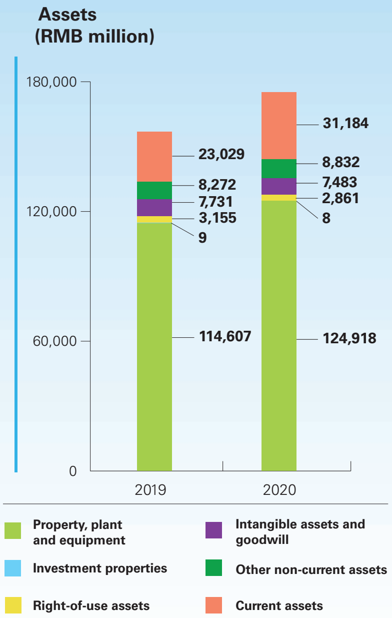
As at 31 December 2020, total liabilities of the Group amounted to RMB108,837 million, representing an increase of RMB12,689 million as compared to total liabilities of RMB96,148 million as at 31 December 2019. This was primarily due to:

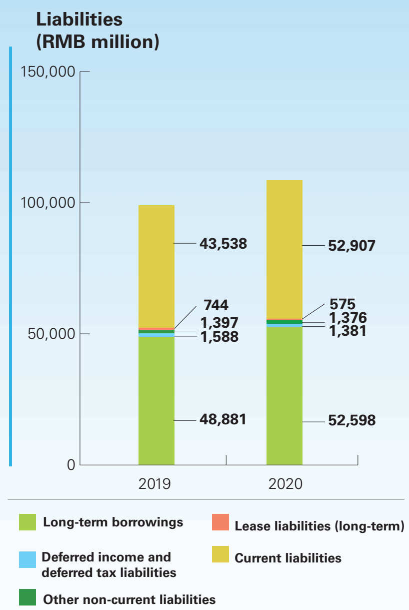
(1) an increase of RMB3,320 million in non-current liabilities including long-term borrowings; and

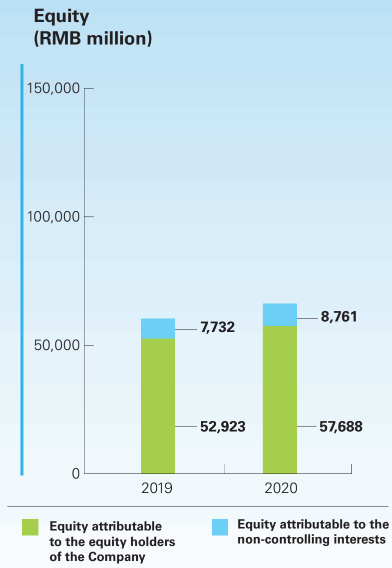
(2) an increase of RMB9,369 million in current liabilities including short-term borrowings.

As at 31 December 2020, equity attributable to equity holders of the Company amounted to RMB57,688 million, representing an increase of RMB4,765 million as compared with RMB52,923 million as at 31 December 2019, which was mainly earnings from business in the period.

Details of assets, liabilities and equity are set out in the diagrams below:



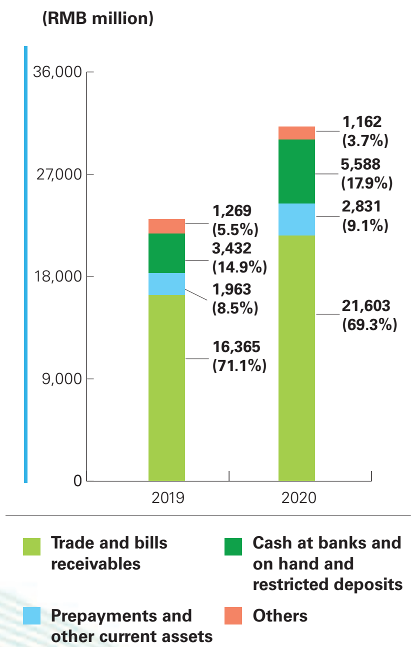




## Capital liquidity

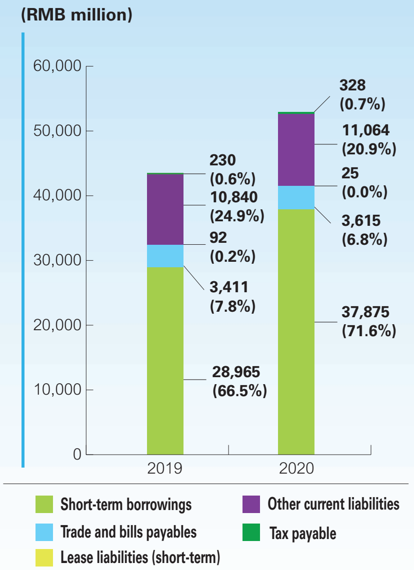
As at 31 December 2020, current assets of the Group amounted to RMB31,184 million, representing an increase of RMB8,155 million as compared with the current assets of RMB23,029 million as at 31 December 2019, which was mainly attributable to the increase in trade and bills receivables.

Current assets by item and proportions are set out in the diagram below:



As at 31 December 2020, current liabilities of the Group amounted to RMB52,907 million, representing an increase of RMB9,369 million as compared with the current liabilities of RMB43,538 million as at 31 December 2019, which was mainly attributable to the increase in short-term borrowings.

Current liabilities by item and proportions are set out in the diagram below:



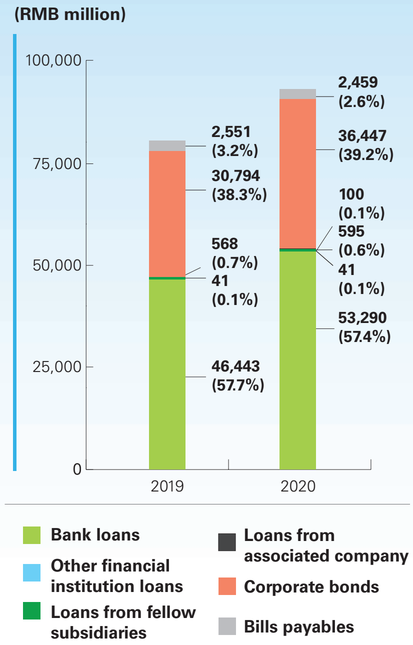

As at 31 December 2020, net current liabilities of the Group amounted to RMB21,723 million, representing an increase of RMB1,214 million as compared with the net current liabilities of RMB20,509 million as at 31 December 2019. The liquidity ratio was 0.59 as at 31 December 2020, representing an increase of 0.06 as compared with the liquidity ratio of 0.53 as at 31 December 2019. The increase was mainly attributable to the greater increase of current assets such as trade receivables than the increase of current liabilities such as short-term borrowings during the year.

Restricted deposits amounted to RMB361 million, which mainly represent monetary funds deposited in the Group's custody account that can only be used for transferring to trust accounts or used for repaying bank loans.

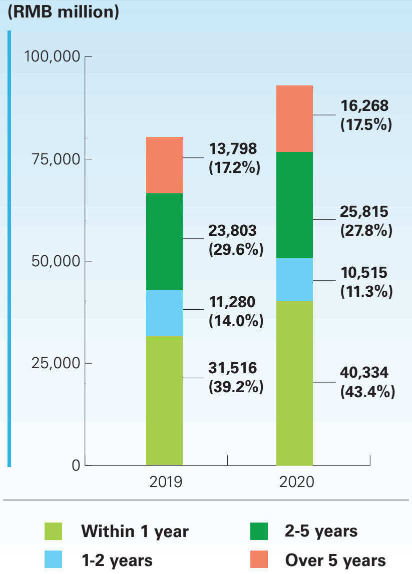
**Borrowings and bills payables**

As at 31 December 2020, the Group's balance of the borrowings and bills payables amounted to RMB92,932 million, representing an increase of RMB12,535 million as compared with the balance of RMB80,397 million as at 31 December 2019. As at 31 December 2020, the Group's outstanding borrowings and bills payables included short-term borrowings and bills payables of RMB40,334 million (including long-term borrowings due within one year of RMB11,634 million and bills payables of RMB2,459 million) and long-term borrowings amounting to RMB52,598 million (including debentures payables of RMB17,222 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB84,758 million, borrowings denominated in U.S. dollars of RMB2,682 million and borrowings denominated in other foreign currencies of RMB3,033 million. As at 31 December 2020, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB1,379 million and corporate bonds with fixed interest rates of RMB17,222 million. As at 31 December 2020, the balance of bills payables issued by the Group amounted to RMB2,459 million.

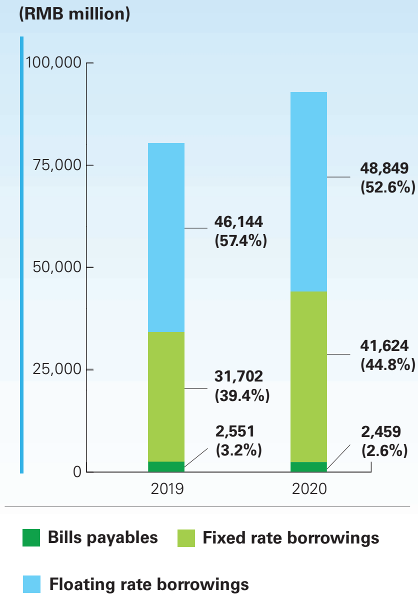
Borrowings and bills payables by category and proportions are set out in the diagram below:



Borrowings and bills payables by term and proportions are set out in the diagram below:



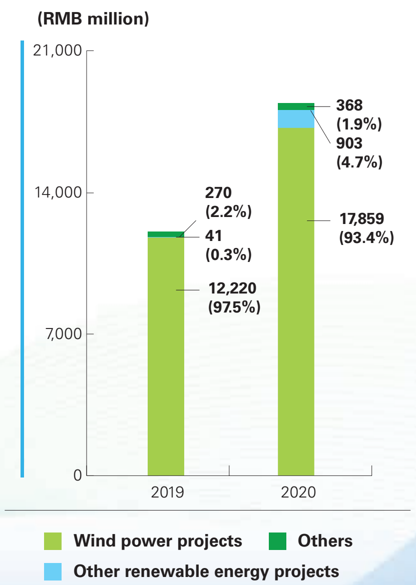

The types of interest rate structure of borrowings and bills payables and their respective proportions are set out in the diagram below:




## Capital expenditures

The capital expenditures of the Group amounted to RMB19,130 million in 2020, representing an increase of 52.7% as compared to RMB12,531 million in 2019, among which, the expenditures for the construction of wind power projects amounted to RMB17,859 million, and the expenditures for the construction of other renewable energy projects amounted to RMB903 million. The sources of funds mainly included self-owned funds, the borrowings from banks and other financial institutions and the proceeds from the issuance of bonds.

Capital expenditures classified by use and proportions are set out in the diagram below:



### Net gearing ratio

As at 31 December 2020, the net gearing ratio of the Group, which is calculated by dividing net debt (the sum of total borrowings and lease liabilities less cash and cash equivalents) by the sum of net debt and total equity, was 56.37%, representing an increase of 0.83 percentage point from 55.54% as at 31 December 2019. This was primarily due to the increase in debts being greater than the increase in total equity during 2020.

### Major investments

The Group made no major investment in 2020.

### Material acquisitions and disposals

The Group made no major acquisitions and disposals in 2020.

### Pledged assets

As at 31 December 2020, general banking facilities, bonds and other borrowings amounting to RMB12,793 million are secured by tariff collection rights and equipment with net carrying amount of RMB2,393 million.

### Contingent liabilities/Guarantees

As at 31 December 2020, the Group provided a guarantee of RMB85 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB18 million to the controlling shareholder of an associate. As at 31 December 2020, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.

## Cash flow analysis

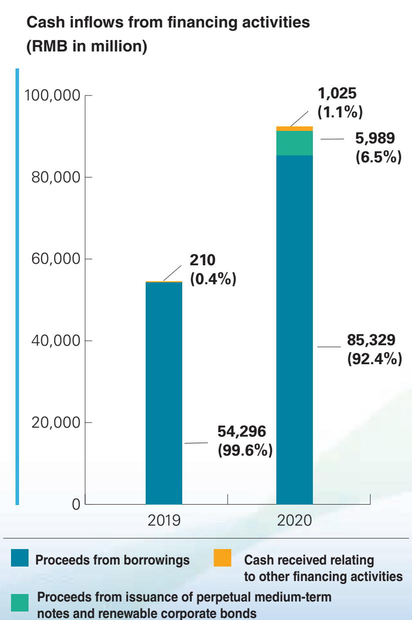
As at 31 December 2020, bank deposits and cash held by the Group amounted to RMB5,226 million, representing an increase of RMB2,318 million as compared to RMB2,908 million as at 31 December 2019, which was mainly attributable to the large volume of projects under construction and the increase of cash holdings by the Group for payment for the project expenditures and repayment of the maturing borrowings. The principal sources of funds of the Group mainly included cash inflows from operating activities and external borrowings. The Group mainly used the funds for capital turnovers and the construction of projects.

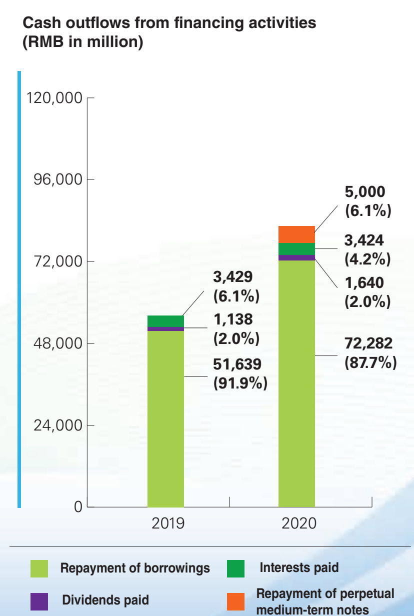
The net cash inflow from the Group's operating activities amounted to RMB12,273 million in 2020, representing a decrease of RMB242 million as compared to RMB12,515 million in 2019, which was mainly attributable to the increase in trade receivables.

The net cash outflow from investing activities of the Group was RMB19,979 million in 2020. The cash outflow from investing activities was mainly used for the construction for wind power projects.

The net cash inflow from financing activities of the Group was RMB9,997 million in 2020. The cash inflow from financing activities was mainly generated from the proceeds from the issuance of corporate bonds and bank loans. The cash outflow from financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Cash inflows from financing activities and cash outflows from financing activities are set out in the diagrams below:



# MANAGEMENT DISCUSSION AND ANALYSIS

## IV. RISK FACTORS AND RISK MANAGEMENT

### 1. Policy risk

In 2020, as the power market-oriented reform continued to advance, the trading scale and scope of new energy market continued to increase, a number of policies such as grid parity of wind power and competitive allocation have been produced and implemented, and the subsidy policies for reasonable utilisation hours of new energy have been introduced, the new energy enterprises faced the risk of electricity price and revenue decline. The Group will keep tracking relevant national policies, judge the effects of policies and take effective measures to safeguard its benefits as a new energy enterprise. In November 2020, the Carbon Peak and Carbon Neutral Target proposed by President Xi Jinping when attending the 12th BRICS Summit provided a powerful support for the development of new energy. During the period of the "Fourteenth Five-Year Plan", China's annual demand on the new installations for renewable energy will further increase, and photovoltaic, wind power, hydropower, nuclear power and other low-carbon energies will substantially replace the high-carbon energies.

### 2. Climatic risk

The major climatic risk confronted by the wind power industry is the annual fluctuation of wind resources, which is represented by the higher power generation in years of high wind speed and the lower power generation in years of low wind speed than that in normal years. On the vast territory of the PRC which covers a wide span of areas, there is a great variation in climate conditions in different regions. To be specific, the regions have different climatic characteristics of the years of high and low wind speeds in the same period. In 2020, the average wind speed of most provinces (autonomous regions and municipalities directly under the central government) in China is close to the normal annual level, and the power generation standards are on the normal condition. In response to different climate conditions in different regions, the Group carried out the nationwide dispersed layout to reduce investment risks. As at the end of 2020, the Group had substantial projects in 32 provinces, autonomous regions and municipalities in China, covering all regions except for Hong Kong, Macau and Taiwan and formulating an increasingly optimized and rational project layout. In the future, we will further balance the project development ratio in the regions subject to the impact of different monsoons.

### 3. Risks relating to power grids

In 2020, China has effectively coped with the impact of the pandemic, thus the situation of nationwide grid curtailment was gradually alleviated. However, the situation of grid structure curtailment and insufficient transmission capacity will still exist in some areas in the future and the situation of grid curtailment will still under great pressure as affected by the new wave of wind power installation and the asynchronous power grid construction. The Group will continue to study the operation characteristics of wind power, make good use of national policies, expand consumption channels, and reduce the risk of grid curtailment. At the same time, we will communicate actively with the competent government authorities and power grid dispatching to strive for favorable policies and power generation spaces. In addition, the state issued a policy in 2018 stipulating that subsidies for grid connection projects of new energy should be stopped and shall be repurchased by power grid enterprises. However, the execution of policies by power grid enterprises is slow, and the introduction of measures on the repurchase has been delayed for a long time, thus new energy enterprises are faced with uncertainty risks in terms of investment recovery time and price of the grid connection projects of new energy. The Group will actively give feedback to the competent authorities of the industry and accelerate the solution of arrearage in grid connection subsidies.

### 4. Risk in interest rate

Changes in macro-economic environment, national economic policies and other factors will cause the change in market interest rate, and the fluctuation of market interest rate will have a certain impact on loans of the Company and the issuance interest rate of relevant bonds. Keeping abreast of market changes, the Group will focus on macro environment, fiscal and monetary policies, specific operations of the central bank, and market risk events, and select a favorable issue window to avoid the risk in interest rate resulting from the acute market volatility; the Group will do well in setting product terms and quotas, and matching long-term and short-term so as to ensure the stabilities of overall interest rate; the Group will keep close cooperation with the financial institutions and acquire the issue information in a timely manner to guarantee that issuance interest rate can be a comparable low issuance interest rate in the degree of marketization.

### 5. Risk in currency exchange rate

The Group's foreign exchange management principles are not involved in any speculative arbitrage, but for the purpose of risk aversion. Foreign exchange risk management runs through the whole lifetime cycle of the Company. In the preliminary investigation and preparation stage of new overseas projects, the Group shall assign Hero Asia Company to intervene, and propose opinions on prevention and control of foreign exchange risk according to relevant data such as new project feasibility report to avoid the potential foreign exchange risk that may appear in the construction period. In the start-up stage of new projects, Hero Asia Company reviews relevant foreign exchange risk items mainly through the capital plans and financial statements reported by overseas subsidiaries. Once the foreign exchange risk exposure caused by currency mismatch and other factors of overseas subsidiaries is found, Hero Asia Company will immediately call upon all overseas financial directors to verify the relevant potential risks. Upon confirmation, Hero Asia Company will report to the Group and gather all financial institutions in Hong Kong to set up a temporary risk control team with overseas companies involved in risks and the Finance Department of the Group to study, judge and put forward relevant hedging plans. After the plans are approved, all parties shall strictly implement them to ensure that foreign exchange risks are under control.

### 6. Risk in fuel prices

The Group has two coal power plants with a consolidated installed capacity of 1,875 MW. The fluctuations in coal price will affect the operating results of the Group's coal power business. At present, the risk is mainly the fluctuation risk of coal price, and is affected by the policies in respect of internal Shenhua, external China Coal and other large state-owned mine companies (this policy is also affected by fluctuations in the international and domestic markets). The Group will further study, analyze and judge the changing trend of domestic coal price, while tracking the price trend of international coal, and make an in-depth comparison of international and domestic markets of the coal cost of the Company to pursue the Group's goal of the lowest coal price.

## V. OUTLOOK IN 2021

### Outlook for Business Environment at Home and Abroad

In September 2020, General Secretary Xi Jinping put forward the “30•60” goal for the first time. In October, the Fifth Plenary Session of the CPC Central Committee further clarified the policy direction of vigorously developing new energy. In December, the General Secretary Xi Jinping put forward the specific requirement that the wind-photovoltaic installed capacity will reach to more than 1.2 billion kW by 2030 at the Climate Ambition Summit. The period of the “Fourteenth Five-Year Plan” will be a key five years for China to implement the new energy security strategy of "Four Revolutions and One Cooperation" in the energy sector and achieve the goal of reaching the peak of carbon emissions by 2030. During this period, new energy will become the main part of incremental energy consumption, and the development of new energy will usher in major opportunities.

The accelerated implementation of technological innovation has solved the key problem of consumption in the development of new energy. On 22 December 2020, the National Energy Work Conference explicitly called for speeding up the construction of a new-generation power system that can adapt to the development of a high proportion of large-scale renewable energy. UHV high proportion transmission of new energy power has become a consensus; the VSC-HVDC for the transmission of new energy power has been put into operation; the thermal power deep peaking can reach to 20% or even lower; the separation of heat and electricity in heating units will no longer determine electricity by heat, which will provide more consumption space for the development of new energy.

The rapidly improving efficiency of wind and photovoltaic power generation will reduce the overall cost of the project more quickly. Over the past decade, the cost of onshore wind power and offshore wind power has fallen by 39% and 29%, respectively. Photovoltaic has fallen by 82%, and the energy storage cost per kilowatt hour has fallen to half of what it was two years ago. The cost per kilowatt hour in “Three North” regions is as low as around RMB0.20/kWh, and the south central and southeast is RMB0.35/kWh or below. All provinces in China have projects that can make profit by parity, and the industry is also actively striving for a breakthrough and pilot of offshore wind power parity.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the new situation, the competition for resources will be more intense. All major energy and power groups have formulated new energy development goals for the "Fourteenth Five-Year Plan" on a relatively high scale, some traditional energy enterprises are also actively transforming the new energy field, and relevant local small enterprises are actively attracting resources and waiting for the highest bid. The corresponding new energy-related land, consumption channels, peak regulation capacity, power receiving-end market and units with the above resources will become very scarce resources.

Currently, the international political situation is complicated and ever-changing, while the market uncertainty is rising, and the situation of the COVID-19 pandemic is grim, thus the progress of the project and the despatch of the personnel are seriously impeded. In the meantime, with the rapid development of new energy technology worldwide and the increasingly fierce competition of the industry, the great changes unseen in the world for a century and the historical opportunities of China's development overlap each other. In 2021, the conclusion of the US presidential election may be the turning point of the changes in world political and economic situation. The Paris Agreement and the long-term goal of carbon neutral have created opportunities for the development of low-carbon industries around the world, and will also bring new impetus to trade, investment and international relations among various countries. There is no doubt that green development has become the consensus of all governments, and the demand for new energy of power in the post-pandemic era will be released. The Group will firmly seize this historical opportunity and make full use of favorable conditions to meet the challenges. The Group will strengthen the layout of key markets, adhere to the main development line of "wind and photovoltaic power simultaneously, multi-energy complementarity", adopt diversified investment mode, and steadily promote the international strategic layout.

## Operation Targets of the Group in 2021

In 2021 and a certain period in the future, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Group will fully implement the new development philosophy, actively devote itself to the new development pattern, earnestly execute CHN Energy's development strategy of "One Goal, Three Types, Five Variations and Seven First-classes"; focus on the overall goal of building an international first-class new energy company with global competitiveness, adhere to the theme of promoting high-quality development, to build value-oriented enterprises as the orientation, to accelerate the digital transformation as the starting point and to strengthen the overall leadership of the Party as the fundamental guarantee, so as to accelerate the construction of a scientific, complete, efficient management system. Further, it will seize opportunities, take real actions, work harder to achieve high-quality development and make new and greater contributions to the Group in building a world-class demonstration enterprise.

In 2021, the Group will endeavor to achieve the following objectives:

1. To enhance the bottom line and red line consciousness and strengthen the safety and environmentally-friendly management and control.

2. To grasp the development opportunity accurately, and further consolidate, optimize and expand main business of new energy.

3. To strengthen production, operation and management, and spare no efforts to improve the quality and efficiency of production and ensure steady growth.

4. To deepen reform continuously, and further elevate the management efficiency.

5. To adhere to innovation-driven strategy, and accelerate efforts to foster new drivers of growth.

6. To give full play to the leading role of the Party, and consolidate strong synergy of initiative and entrepreneurship.

# DIRECTORS' REPORT

The Board of the Company hereby presents to Shareholders the annual report and the audited financial statements for the year ended 31 December 2020 (the "Financial Statements").

## BOARD MEETINGS

During the Reporting Period, six Board meetings were held and a total of 36 resolutions of the Board were approved:

1. The 2020 first meeting of the fourth session of the Board was held on 27 March 2020, at which twenty resolutions were considered and approved.

2. The 2020 second meeting of the fourth session of the Board was held on 27 April 2020, at which two resolutions were considered and approved.

3. The 2020 third meeting of the fourth session of the Board was held on 11 August 2020, at which six resolutions were considered and approved.

4. The 2020 fourth meeting of the fourth session of the Board was held on 27 September 2020, at which one resolution was considered and approved.

5. The 2020 fifth meeting of the fourth session of the Board was held on 27 October 2020, at which four resolutions were considered and approved.

6. The 2020 sixth meeting of the fourth session of the Board was held on 12 November 2020, at which three resolutions were considered and approved.

During the Reporting Period, Directors' attendance at the Board meetings is as follows:

| Name | Position in the Company | Number of Meetings Attended/Held | Attendance Rate |
|---|---|---|---|
| Jia Yanbing | Chairman of the Board and Executive Director | 6/6 | 100% |
| Sun Jinbiao | Executive Director and President | 6/6 | 100% |
| Liu Jinhuan | Non-executive Director | 4/4 | 100% |
| Zhang Xiaoliang | Non-executive Director | 4/4 | 100% |
| Yang Xiangbin | Non-executive Director | 4/4 | 100% |
| Zhang Songyi | Independent Non-executive Director | 6/6 | 100% |
| Meng Yan | Independent Non-executive Director | 6/6 | 100% |
| Han Dechang | Independent Non-executive Director | 6/6 | 100% |
| Luan Baoxing | Non-executive Director | – | – |

*Notes:*

1. Mr. Luan Baoxing resigned as a Non-executive Director of the Company on 28 February 2020.
2. Mr. Zhang Xiaoliang was appointed as a Non-executive Director of the Company on 28 February 2020.
3. Mr. Sun Jinbiao resigned as President of the Company on 14 April 2021.

Save as disclosed above, during the year of 2020, the Chairman of the Board and independent non-executive Directors held separate meetings in respect of the business, finance, corporate governance and other matters of the Company during the Reporting Period. Save as disclosed in the notes, the term of office of each of the aforesaid Directors shall expire at the expiry of the term of the fourth session of the Board.

# DIRECTORS' REPORT

## SHARE CAPITAL

As at 31 December 2020, the total share capital of the Company was RMB8,036,389,000, divided into 8,036,389,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 35 to the Financial Statements.

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

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

## PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

## PRINCIPAL BUSINESS

The Group is principally engaged in the design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies. Details of major subsidiaries and associates and joint venture of the Company are set out in Notes 19 and 20 to the Financial Statements respectively.

## BUSINESS REVIEW

In 2020, the Group followed strictly the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), the Contract Law of the PRC (《中華人民共和國合同法》), the Electricity Law of the PRC (《中華人民共和國電力法》), the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Labour Law of the PRC (《中華人民共和國勞動法》) and other relevant laws and regulations as well as environmental policies in China. The Company strictly promoted the standardization of the system, comprehensively carried out the work of “clean up, abolish, change and establish the legislation”, and formulated the “Working Plan for Building a Compliance Management System (《合規管理體系建設工作方案》)”, which clarified the compliance management system and working mechanism. The Group was not involved in any serious violation of laws or regulations in 2020.

For the analysis of business using key financial indicators, major risks the Company is exposed to, particulars of important events affecting the Company and the future business development of the Company, please refer to the section headed Management Discussion and Analysis. For the discussion on the Company’s environmental policies and their effectiveness, and the relations between the Company and its employees, customers and suppliers, please refer to the section headed Environmental, Social, and Governance Report.

## RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group had no material or major disputes with its suppliers and customers in 2020.

The Group has maintained a satisfactory relationship with the suppliers. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

The Group has carried out power marketing by continuing to improve power quality, further exploring customers' needs, analyzing and processing customers' feedback in a timely manner, and always adhering to the customer-centric concept. It has attracted and retained more customers by providing fast and thoughtful quality services and has been maintaining a good relationship with its customers. At the same time, the Group has reduced its corporate cost through comprehensive management of business processes.

For the relationship between the Company and the employees, the suppliers and the customers, please refer to the Environment, Social, and Governance Report.

## ENVIRONMENT-RELATED PERFORMANCE AND POLICIES

By integrating the concept of Environmental, Social and Corporate Governance responsibility into our corporate strategy and operating practices, the Group has actively implemented the energy-saving and emission-reduction policies on a continuous basis, practically fulfilled its social responsibility as a world-class new energy company with global competitiveness. We adhere to the management philosophy of "Leadership of Party Building, Advantage Development, Talent Thriving Enterprise, Innovation, Safety First, Responsibilities, Efficient Implementation, Lifelong Study, Anti-Corruption Practices and Green Care", and the environmental protection policy of "Environmental Protection, Pollution Prevention, Legal Management and Sustainable Development in Green Power". In the process of developing renewable energy, we exert great efforts in establishing a clean development mechanism, continuously strengthen the environmental protection and fulfill the environmental responsibilities. While striving to shape the Company's image with green and low-carbon characters, we supply clean energy for promotion of beautiful environment and ecological civilization to create shared value for the society and achieve sustainable development with the society.

We strictly comply with the national uniform environmental protection laws, regulations and policies and proactively undertake the environmental protection responsibilities of energy-saving and emission-reduction. In 2020, there was no violation of national environmental laws, regulations and policies. While developing new projects according to the development and changes in market conditions, the Group also paid attention to energy-saving and emission-reduction, striving to maximize green benefits. The Company has complied with the environmental laws and regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and has always fulfilled its environmental responsibility in accordance with the standards of local environmental regulations and industry rules and practices so as to achieve higher environmental performance. For details, please refer to the Environmental, Social and Governance Report as set out on pages 140 to 187 of this annual report.

## MATERIAL LITIGATION

As at 31 December 2020, the Group was not involved in any material litigation or arbitration. As far as the Directors are aware, there is no material litigation or claim of material importance pending or threatened against the Group.

## PERFORMANCE

The audited results of the Company and its subsidiaries for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss on pages 227 to 228. The financial position of the Company and its subsidiaries as at 31 December 2020 is set out in the Consolidated Statement of Financial Position on pages 229 to 230. The cash flows of the Company and its subsidiaries for the year ended 31 December 2020 are set out in the Consolidated Statement of Cash Flows on pages 233 to 235.

A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are set out in the section headed Management Discussion and Analysis on pages 30 to 81 of this annual report.

# DIRECTORS' REPORT

## PROFIT DISTRIBUTION

Pursuant to the regulations of the relevant laws of the People's Republic of China, the laws and regulations of overseas listed places, regulatory requirements and the Articles of Association, the Company has formulated the following profit distribution policies:

I. The Company may distribute profit in the form of (or take two forms at the same time): 1. cash; 2. shares.

II. When the Company distributes the after-tax profits of the relevant accounting year, the profit shall be distributed based on the after-tax profits in the financial statements prepared in accordance with China Accounting Standards for Business Enterprises and the financial statements prepared in accordance with International Financial Reporting Standards, whichever is less.

III. When the Company distributes the after-tax profits of the current year, it shall withdraw 10% of the profits into the Company's statutory accumulation fund. If the accumulated amount of the Company's statutory accumulation fund amounts more than 50% of the Company's registered capital, it may no longer be withdrawn.

If the Company's statutory accumulation fund is not sufficient to offset the losses of the previous year, it shall first use the current year's profit to offset the loss before drawing the statutory accumulation fund in accordance with the provisions of the previous terms.

After the Company withdraw the statutory accumulation fund from after-tax profits, it can also withdraw arbitrary the accumulation fund from after-tax profits after passing a resolution in the general meeting.

After the Company offset the losses and withdraw the accumulation fund, the remaining after-tax profits shall be distributed to the Shareholders in proportion to their shareholdings.

If the general meeting violates the provisions of the previous terms and distributes profits to Shareholders before the Company offsets losses and withdraws statutory accumulation fund, the Shareholders must return the profits distributed in violation of the regulations to the Company.

The Company shares held by the Company are not involved in the distribution of profits.

IV. The Company pays dividends and other payments to holders of domestic shares, which are denominated and declared in RMB, and are paid in RMB within three months after the date of the declaration of dividends; The Company pays dividends and other payments to holders of foreign shares, which are denominated and declared in RMB, and are paid in foreign currency within three months after the date of the declaration of dividends. The exchange rate is calculated based on the average closing price of the relevant foreign currency against the Renminbi announced by the People's Bank of China five working days before the date of the declaration of dividends or other distributions, the foreign currency paid to the holders of foreign shares by the Company should be handled in accordance with the regulations of relevant foreign exchange management in China. The distribution of Company dividends is implemented by the Board authorized by the general meeting through ordinary resolutions.

V. Pursuant to the regulations of the prevailing Enterprise Income Tax Law of the PRC and its implementation rules, the Company will withhold and pay income tax on behalf of these Shareholders when distributing the profit in accordance with relevant regulations.

VI. The Company's profit distribution policy aims at maximizing the value of the Company and the interests of Shareholders, in order to continuously and stably provide reasonable return on investment to Shareholders of the Company. The Company's Board will comprehensively consider the company's operating conditions, financial performance, cash flow conditions, investment demands and future development plans, decide whether to recommend the distribution of dividends and determine the amount of dividends. The Company intends to distribute dividends to Shareholders after each accounting year, and may also pay interim dividends or distribute special dividends at appropriate times.

# DIRECTORS' REPORT

The Board recommends the distribution of a final dividend of RMB0.1176 per share (tax inclusive) in cash for the year ended 31 December 2020 to Shareholders whose names appear on the Company's register of members as at Monday, 7 June 2021. The above-mentioned dividend will be subject to Shareholders' approval at the Annual General Meeting of the Company to be held on Friday, 28 May 2021, and is expected to be paid on Monday, 26 July 2021. Details of the dividend payment will be announced after holding of the Annual General Meeting.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force on 1 January 2008 and other relevant rules, where the Company distributes the proposed 2020 final dividend to non-resident enterprise Shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold and pay enterprise income tax at the rate of 10%. Any H shares registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited (香港中央結算(代理人)有限公司), other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise Shareholders, and consequently will be subject to the withholding of the enterprise income tax. According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual H-share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the individual H-share Shareholders should take the initiative to submit statements to the Company to enjoy the agreed treatment, and keep relevant data for future reference. If the information provided is complete, the Company will withhold it in accordance with regulations of the PRC tax laws and agreements. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on Hong Kong Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (《港股通H股股票現金紅利派發協議》) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system.

The cash dividends for the investors of H shares of Southbound Trading will be paid in Renminbi whilst that paid to holders of Domestic shares and holders of H shares will be in Renminbi and in Hong Kong dollar respectively. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in properties, plants and equipment of the Company and its subsidiaries during the year are set out in Note 15 to the Financial Statements.

## RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 35(a) to the Financial Statements, among which, details of reserves distributable to the Shareholders are set out in Note 35(e) to the Financial Statements.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2020 are set out in Note 28 to the Financial Statements.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth some information concerning the Directors, supervisors and senior management of the Company as at the Latest Practicable Date.

| Name | Position in the Company | Date of appointment/ re-election/resignation |
|---|---|---|
| **Directors** | | |
| Jia Yanbing | Chairman of the Board | Appointed on 24 September 2019 |
| | Executive Director | Appointed on 28 February 2019 |
| Sun Jinbiao | Executive Director | Appointed on 15 November 2019 |
| Liu Jinhuan | Non-executive Director | Re-elected on 6 July 2018 |
| Zhang Xiaoliang | Non-executive Director | Appointed on 28 February 2020 |
| Yang Xiangbin | Non-executive Director | Re-elected on 6 July 2018 |
| Zhang Songyi | Independent Non-executive Director | Re-elected on 6 July 2018 |
| Meng Yan | Independent Non-executive Director | Re-elected on 6 July 2018 |
| Han Dechang | Independent Non-executive Director | Re-elected on 6 July 2018 |

| Name | Position in the Company | Date of appointment/ re-election/resignation |
|---|---|---|
| **Resigned Director** | | |
| Luan Baoxing | Non-executive Director | Resigned on 28 February 2020 |
| **Supervisors** | | |
| Yu Yongping | Chairman of the Supervisory Board Supervisor | Appointed on 30 December 2019 Re-elected on 6 July 2018 |
| Hao Jingru | Supervisor | Appointed on 28 February 2020 |
| Wu Jinmei | Employee Supervisor | Appointed on 19 March 2021 |
| **Resigned Supervisor** | | |
| Chen Bin | Chairman of the Supervisory Board<br>Supervisor | Resigned on 30 December 2019<br>Resigned on 28 February 2020 |
| Ding Yinglong | Employee Supervisor | Resigned on 19 March 2021 |
| **Senior Management** | | |
| Tang Jian | President | Appointed on 14 April 2021 |
| Zhang Binquan | Vice President | Re-elected on 6 July 2018 |
| Chang Shihong | Chief Accountant | Re-elected on 6 July 2018 |
| Jin Ji | Vice President | Re-elected on 6 July 2018 |
| Gong Yufei | Vice President | Appointed on 27 October 2020 |
| **Resigned Senior Management** | | |
| Jia Nansong | Vice President, Board Secretary | Resigned on 30 November 2020 |
| Sun Jinbiao | President | Resigned on 14 April 2021 |

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that all of the independent non-executive Directors are independent of the Company.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 125 to 139 of this annual report.

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts include: (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) subject to termination in accordance to the terms of respective contracts.

Each of the supervisors has entered into a contract in respect of compliance of relevant laws and regulations, Articles of Association and provisions on arbitration with the Company.

Save as disclosed above, none of the Directors or supervisors has entered into a service contract with the Company which could not be terminated without payment of compensation (other than statutory compensation) paid by the Company within one year.

## REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Company’s Directors, supervisors and senior management are set out in Notes 10 and 11 to the Financial Statements.

The remuneration of the senior management (other than directors) by remuneration band for the year ended 31 December 2020 is set out below:

| **Remuneration band** *(RMB)* | **Number of persons for 2020** | Number of persons for 2019 |
|---|---|---|
| <600,000 | **2** | – |
| 600,000–1,000,000 | **–** | – |
| >1,000,000 | **4** | 4 |
| Total | **6** | 4 |

## DIRECTOR INSURANCES

The Company has bought effective insurances for the Directors.

## INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance relating to the Group’s business and still valid during the year or at the end of the year, in which the Company or its subsidiaries were a party, directly or indirectly involved in its formulation process, and in which a Director, supervisor or an entity connected with a Director or supervisor had a material interest subsisted.

# DIRECTORS' REPORT

## INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year of 2020 and as at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

| Name of Director | Position in the Company | Other interests |
|---|---|---|
| Mr. Liu Jinhuan | Non-executive Director | Assistant to President of CHN Energy |
| Mr. Zhang Xiaoliang | Non-executive Director | Chairman of CHN Energy Shandong Power Co., Ltd. (國家能源集團山東電力有限公司) |
| Mr. Yang Xiangbin | Non-executive Director | Director of Capital Operation Department of CHN Energy |
| Ms. Hao Jingru | Supervisor | Deputy head of Finance Department of CHN Energy |

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be registered in the register indicated in the section, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2020, so far as known to the Directors, the following persons (other than the Directors, chief executives or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

| **Name of Shareholder** | **Class of Share** | **Capacity** | **Number of Shares/ Underlying Shares Held** *(Share)* | **Percentage in the Relevant Class of Share Capital** *(Note 1)* *(%)* | **Percentage in the Total Share Capital** *(Note 1)* *(%)* |
|---|---|---|---|---|---|
| CHN Energy | Domestic shares | Beneficial owner and interest of corporation controlled by substantial Shareholders | 4,696,360,000 *(Note 2)* (Long position) | 100 | 58.44 |
| Wellington Management Group LLP | H shares | Investment manager | 431,223,960 *(Note 3)* (Long position) | 12.91 | 5.37 |
| Wellington Management Group LLP | H shares | Investment manager | 4,292 *(Note 4)* (Short position) | 0.00 | 0.00 |
| BlackRock, Inc. | H shares | Interest of corporation controlled by substantial Shareholders | 230,665,601 *(Note 5)* (Long position) | 6.91 | 2.87 |
| BlackRock, Inc. | H shares | Interest of corporation controlled by substantial Shareholders | 266,000 *(Note 6)* (Short position) | 0.01 | 0.00 |
| JPMorgan Chase & Co. | H shares | Interest of corporation controlled by substantial Shareholders, investment manager, person having a security interest in shares and approved lending agent | 196,817,985 *(Note 7)* (Long position) | 5.89 | 2.45 |

| Name of Shareholder | Class of Share | Capacity | Number of Shares/ Underlying Shares Held *(Share)* | Percentage in the Relevant Class of Share Capital *(Note 1)* *(%)* | Percentage in the Total Share Capital *(Note 1)* *(%)* |
|---|---|---|---|---|---|
| JPMorgan Chase & Co. | H shares | Interest of corporation controlled by substantial Shareholders | 33,325,269 *(Note 8)* (Short position) | 0.99 | 0.41 |
| JPMorgan Chase & Co. | H shares | Approved lending agent | 131,250,280 (Shares in a lending pool) | 3.92 | 1.63 |
| The Bank of New York Mellon Corporation | H shares | Interest of corporation controlled by substantial Shareholders | 232,485,471 *(Note 9)* (Long position) | 6.96 | 2.89 |
| The Bank of New York Mellon Corporation | H shares | Approved lending agent | 229,587,431 (Shares in a lending pool) | 6.87 | 2.86 |
| Citigroup Inc. | H shares | Person having a security interest in shares, interests of corporation controlled by substantial Shareholders and approved lending agent | 294,493,629 *(Note 10)* (Long position) | 8.81 | 3.66 |
| Citigroup Inc | H shares | Interest of corporation controlled by substantial Shareholders | 8,595,004 *(Note 11)* (Long position) | 0.25 | 0.11 |
| Citigroup Inc | H shares | Approved lending agent | 274,274,369 (Shares in a lending pool) | 8.21 | 3.41 |
| Brown Brothers Harriman & Co. | H shares | Agent | 200,447,711 (Long position) | 6.00 | 2.49 |
| Brown Brothers Harriman & Co. | H shares | Agent | 200,447,711 (Shares in a lending pool) | 6.00 | 2.49 |
| GIC Private Limited | H shares | Investment manager | 169,093,000 (Long position) | 5.06 | 2.10 |

*Notes:*

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 31 December 2020.

2. Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by CHN Energy while the remaining 93,927,200 shares were held by CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), a subsidiary of CHN Energy. Accordingly, CHN Energy was deemed as the owner of the equity interests held by CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司).

3. Among these 431,223,960 H shares, 422,920,714 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 8,303,246 H shares were held by Wellington Management International Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

4. Among these 4,292 H shares, 1,567 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 2,725 H shares were held by Wellington Management International Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. Among these 230,665,601 H shares, 1,078,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 4,168,336 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 35,544,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 54,464,000 H shares were held by BlackRock Fund Advisors, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 9,784,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 12,727,378 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 376,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,283,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,258,241 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 335,000 H shares were held by BlackRock (Netherlands) B. V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 53,000 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 95,000 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 16,786,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 52,044,000 H shares were held by BLACKROCK (Luxembourg) S. A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,184,663 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary

of BlackRock, Inc., 11,339,190 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 117,000 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

6. Among these 266,000 H shares, 226,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 40,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

7. Among these 196,817,985 H shares, 1 H share was held by J.P. Morgan Structured Products B.V., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 182,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 131,250,280 H shares were held by JPMORGAN CHASE BANK, N.A. – LONDON BRANCH, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 5,404 H shares were held by J.P. Morgan AG, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 65,380,300 H shares were held by J.P. MORGAN SECURITIES PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

8. Among these 33,325,269 H shares, 1 H share was held by J.P. Morgan Structured Products B.V., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 33,325,268 H shares were held by J.P. MORGAN SECURITIES PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

9. These 232,485,471 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Accordingly, The Bank of New York Mellon Corporation was deemed as the owner of the H shares equity interests held by its aforesaid subsidiary.

10. Among these 294,493,629 H shares, 274,274,369 H shares were held by Citibank, N.A., an indirect wholly-owned subsidiary of Citigroup Inc., 20,219,260 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

11. These 8,595,004 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiary.

## ISSUE OF DEBENTURES

The debentures issued by the Company in 2020 are set out as below:

| Issue date | Type of debentures | Financing amount | Reasons for the issue |
|---|---|---|---|
| 15 January 2020 | Green Asset-backed Special Scheme of the Renewable Energy Tariff Surcharges | RMB713 million | Replenishment of liquid funds |
| 6 March 2020 | Ultra short-term debentures (pandemic prevention and control bonds) | RMB500 million | Used for replenishing the working capital and repaying the entrusted loan of the Group of the project companies including Hubei Longyuan New Energy Co., Ltd. and Longyuan Baokang Wind Power Generation Co., Ltd. |
| 23 March 2020 | Ultra short-term debentures | RMB1,000 million | Replenishment of working capital |
| 17 April 2020 | Ultra short-term debentures (pandemic prevention and control bonds) | RMB1,000 million | Repayment of mature debts of the Company, replenishment of working capital and repayment of interest-bearing debts of relevant subsidiaries |
| 27 April 2020 | Mid-term notes | RMB2,000 million | Replenishment of working capital, repayment of due loans |
| 20 May 2020 | Ultra short-term debentures | RMB1,000 million | Repayment of the principal of 20 Longyuan Power SCP002 Bonds |
| 29 May 2020 | Ultra short-term debentures | RMB1,000 million | Replacement of due loans |
| 24 June 2020 | Ultra short-term debentures | RMB1,000 million | Replenishment of working capital |
| 17 July 2020 | Ultra short-term debentures | RMB1,000 million | Repayment of mature debt financing instruments of the Company |

| Issue date | Type of debentures | Financing amount | Reasons for the issue |
|---|---|---|---|
| 24 July 2020 | Ultra short-term debentures | RMB1,000 million | Repayment of mature debt financing instruments of the Company |
| 28 August 2020 | Ultra short-term debentures | RMB1,000 million | Replenishment of working capital |
| 28 August 2020 | Green renewable corporate bonds | RMB2,000 million | Replenishment of liquid funds |
| 16 September 2020 | Second tranche of medium-term notes | RMB1,000 million | Replenishment of working capital, replenishment of liquid funds |
| 21 September 2020 | Ultra short-term debentures | RMB1,000 million | Replenishment of working capital |
| 19 October 2020 | Ultra short-term debentures | RMB1,000 million | Replenishment of working capital |
| 27 October 2020 | Green renewable corporate bonds | RMB2,000 million | Replenishment of liquid funds |
| 17 November 2020 | Ultra short-term debentures | RMB2,000 million | Replenishment of working capital |
| 18 November 2020 | Corporate bonds | USD300 million | Repayment of interest-bearing loans |
| 27 November 2020 | Ultra short-term debentures | RMB3,000 million | Repayment of interest-bearing liabilities |
| 27 November 2020 | Ultra short-term debentures | RMB500 million | Repayment of mature debt |
| 11 December 2020 | Ultra short-term debentures | RMB2,000 million | Repayment of interest-bearing liabilities |
| 14 December 2020 | Ultra short-term debentures | RMB2,000 million | Repayment of interest-bearing liabilities |
| 15 December 2020 | Green renewable corporate bonds | RMB1,000 million | Replenishment of liquid funds |
| 22 December 2020 | Ultra short-term debentures | RMB3,000 million | Repayment of interest-bearing liabilities |
| 28 December 2020 | Ultra short-term debentures | RMB2,000 million | Repayment of interest-bearing liabilities |

## MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during 2020.

## SUBSEQUENT EVENTS

Reference is made to the announcement of the Company dated 15 January 2021, unless otherwise defined, capitalized terms used in this section shall have the same meanings as those defined in the announcement. The Board of the Company considered and approved, among other things, the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment (the "Transaction"), respectively for the possible absorption and merger of Pingzhuang Energy through Share Swap and the material assets disposal and purchase of assets through cash payment on 15 January 2021. The merger, when fully implemented, will involve, among other things, the issuance of a total of 341,922,662 A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy on the Registration Date of Implementation of the Merger, in exchange for the A Shares of Pingzhuang Energy held by shareholders (the "Merger").

The Issue Price of the A Shares of the Company is RMB11.42 per share. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of). The Company will apply for listing and trading of its original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the Shenzhen Stock Exchange.

Meanwhile, Pingzhuang Energy will transfer the Assets to be Disposed of to Inner Mongolia Power (a wholly-owned subsidiary of CHN Energy) or its subsidiaries at a price as agreed by all parties, the consideration of which shall be paid by Inner Mongolia Power or its subsidiaries to the Surviving Company in cash. The Company will purchase the Assets to be Purchased from the Other Subsidiaries of CHN Energy, and the consideration of which shall be paid by the Surviving Company in cash. The Merger, the Assets Disposal and the Purchase through Cash are inter-conditional on each other, failing any of which, the other two matters will not be implemented. For details, please refer to the announcement disclosed by the Company on the website of the Hong Kong Stock Exchange and the website of the Company dated 15 January 2021.

In the Transaction, the final transaction price of the Assets to be Disposed of and the Assets to be Purchased will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by assets valuation agencies with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned assets regulatory authorities. As of the date of this announcement, the audit and valuation on the Assets to be Disposed of and the Assets to be Purchased have not yet been completed. The Transaction has yet to perform the internal decision-making procedures of the parties involved in the Transaction, and has yet to obtain the approval of the relevant regulatory authorities. The Company will make further disclosure in due course.

The Transaction is in line with the national new energy development strategy, which is conducive to consolidate and enhance the Company's leading position in the industry and international competitiveness, and is conducive to broaden financing channels, enhance competitive advantages of the Company and realize resource integration.

**The Transaction may or may not proceed or becomes unconditional or effective. There is no assurance that all the effectiveness conditions contained in the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment can be satisfied. Investors and potential investors should exercise caution when dealing or contemplating dealing in the shares of the Company.**

## CONNECTED TRANSACTIONS

Details of substantial connected transactions occurred during the Reporting Period of the Company are set out in the Connected Transactions section of this report.

## DONATIONS

In 2020, the Group donated RMB15,921,000 in total. The Company made a donation of RMB15,720,000 for the poverty alleviation of Youyu county.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the purchase from the Group's five largest suppliers in aggregate contributed 37% of the Group's total purchase for the year, among which, the total purchase from the largest supplier contributed 16% of the Group's total purchase for the year.

For the year ended 31 December 2020, the sales to the Group's five largest customers in aggregate contributed 46% of the Group's total sales for the year, among which, the sales to the largest customer contributed 23% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors or their associates or the Shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

## DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group in 2020 are respectively set out in Note 35(e) and Consolidated Statement of Changes in Equity to the Financial Statements.

## REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company in 2020 are set out in Note 11 to the Financial Statements.

## MATERIAL CONTRACTS

Save as disclosed in the section headed Connected Transactions on pages 109 to 124 of this annual report and under the title of "Subsequent Events after the Reporting Period" of this annual report on pages 403 to 404 of this annual report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contracts between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2020.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the end of 2020, none of the Directors or supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

## ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2020, no arrangement for share pre-emptive right and share option was made by the Company.

## EQUITY-LINKED AGREEMENTS

In 2020, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing new shares.

## PERMITTED INDEMNITY PROVISION

In 2020, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the subsidiaries of the Company (if made by the Company). The Company has liability insurance coverage for certain relevant lawsuits for the Directors, supervisors and senior management.

## ACCOUNTING POLICIES

Other than the new standards which took effect on 1 January 2020, the principal accounting policies adopted in the preparation of the Company's 2020 audited consolidated financial statements are consistent with the principal accounting policies for the preparation of the 2019 audited consolidated financial statements, details of which are set out in Notes 2 and 3 to the Financial Statements.

## RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 32 to the Financial Statements.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a high standard of corporate governance practices and established and operated the corporate governance mechanism in strict compliance with the principles set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules and complied with all Code provisions during the Reporting Period. Please refer to the Corporate Governance Report as set out on pages 188 to 215 of this annual report for details.

# DIRECTORS' REPORT

## PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at the Latest Practicable Date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

## AUDIT COMMITTEE

The 2020 annual results of the Group and the Financial Statements for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards have been reviewed by the Audit Committee of the Company.

## AUDITORS

Ernst & Young and Baker Tilly China Certified Public Accountants LLP were appointed as auditors for the financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises for the year ended 31 December 2020, respectively. The accompanying Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young. The Company has appointed Ernst & Young as its auditor since 20 June 2017 and appointed Baker Tilly China Certified Public Accountants LLP as its auditor since 21 December 2018.

By order of the Board
**China Longyuan Power Group Corporation Limited***
*Chairman of the Board*
**Jia Yanbing**

Beijing, 30 March 2021

* *For identification purpose only*

# CONNECTED TRANSACTIONS

Particulars of the major related party transactions of the Group for the year ended 31 December 2020 are set out in Note 39 to the Financial Statements.

Some of the aforementioned related party transactions also constitute connected transactions as prescribed under Chapter 14A of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. The aforementioned connected transactions have complied with the requirements under Chapter 14A of the Listing Rules.

The connected transactions disclosed below constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, and are thus subject to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcements disclosed on the website of the Hong Kong Stock Exchange and the website of the Company.

## NON-EXEMPT ONE-OFF CONNECTED TRANSACTIONS

1. **Formation of a joint venture (namely Nantong Tianshenggang Smart Energy Co., Ltd.) by Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Company with Beijing Guodian Longyuan Environmental Engineering Co., Ltd. and Jin Tong Ling Technology Group Co., Ltd.**

   On 13 August 2020, Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Company, entered into an investment agreement with Beijing Guodian Longyuan Environmental Engineering Co., Ltd. and Jin Tong Ling Technology Group Co., Ltd. for the formation of a joint venture (namely Nantong Tianshenggang Smart Energy Co., Ltd.). As at the time of the transaction, CHN Energy, being the controlling Shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A. 07 of the Listing Rules. Beijing Guodian Longyuan Environmental Engineering Co., Ltd. is a wholly-owned subsidiary of Guodian Technology & Environment Group Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01296), which is in turn a subsidiary of CHN Energy. Beijing Guodian Longyuan Environmental Engineering Co., Ltd. is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the formation of the joint venture constitutes a connected transaction of the Company.

# CONNECTED TRANSACTIONS

Pursuant to the contribution agreement, Nantong Tianshenggang Power Generation Co., Ltd., a subsidiary of the Company, will contribute RMB51 million in cash to the joint venture, accounting for 51% of the total registered capital of the joint venture. Beijing Guodian Longyuan Environmental Engineering Co., Ltd. will contribute RMB26 million, holding 26% of equity interests in the joint venture. Jin Tong Ling Technology Group Co., Ltd. will contribute RMB23 million, holding 23% of equity interests in the joint venture. The amount of the first payment of the capital contribution is RMB30 million, which will be made within two months after the approval by the shareholders of the joint venture at a general meeting following the incorporation of the joint venture. The amount of the second payment of the capital contribution is RMB30 million, which will be made before 30 December 2023. The amount of the third payment of the capital contribution is RMB40 million, which will be made before 30 December 2025. The above three payments shall be made by the three parties according to their respective contribution percentage. The amount and specific time for the second and third payment of the capital contribution shall be determined according to the investment progress of the investment project and be implemented after the unanimous approval by the shareholders of the joint venture as a whole. The joint venture will be principally engaged in gas and liquid separation and manufacturing of purification equipment; gas and liquid separation and sale of purification equipment; heat production and supply; energy management contract; solar power generation technology services; solid waste treatment; water pollution control and treatment; energy management services; project management services; technical services, technology development, technical consultation, technical exchange, technology transfer, technology promotion, etc. (subject to the final review by and registration with the administration department for industry and commerce). For details of the investment agreement in relation to the formation of the joint venture, please refer to the announcement of the Company dated 13 August 2020. The formation of the joint venture will make full use of the superior resources of the partners to further expand the external market, accelerate the deployment of Nantong Tianshenggang Power Generation Co., Ltd. in the fields of distributed energy, hydrogen energy, energy and information, environmental engineering, water environmental governance and solid waste treatment, and promote the development of Nantong Tianshenggang Power Generation Co., Ltd. from the traditional coal power industry to comprehensive smart new energy industry.

**2. Formation of a joint venture (namely CHN Energy Golmud Longyuan Photovoltaic Power Co., Ltd.) with CHN Energy**

On 27 September 2020, the Company entered into an investment agreement with CHN Energy, the controlling Shareholder of the Company, for the formation of a joint venture (namely CHN Energy Golmud Longyuan Photovoltaic Power Co., Ltd.). As at the time of the transaction, CHN Energy, being the controlling Shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the formation of the joint venture constitutes a connected transaction of the Company.

Pursuant to the contribution agreement, the Company will contribute RMB58.50 million in cash to the joint venture, accounting for 50% of the total registered capital of the joint venture. CHN Energy will contribute RMB58.50 million, holding 50% of equity interests in the joint venture. On the establishment of the joint venture, both parties shall synchronously pay the contributions according to their respective proportion. The amount of the first payment of the capital contribution by the investors is RMB5 million, and the remaining amount of the registered capital shall be paid gradually in accordance with the work progress and construction schedule requirements of the project. The joint venture will be principally engaged in the development, construction and management of photovoltaic projects and related businesses (subject to the final review by and registration with the administration department for industry and commerce). For details of the investment agreement in relation to the formation of the joint venture, please refer to the announcement of the Company dated 27 September 2020. The establishment of the joint venture can fully mobilize and utilize resource advantages and management superiorities of CHN Energy in the region of Qinghai Province, and give play to the Company's professional strengths and technology advantages in the field of new energy development, achieving the powerful cooperation and the co-development, construction and operation of 100MW photovoltaic project and other electricity power projects in Haixi Prefecture, Qinghai.

3. **Formation of a joint venture (namely CHN Energy Fengcheng Photovoltaic Power Co., Ltd.) with CHN Energy Jiangxi Electric Power Co., Ltd.**

On 27 October 2020, the Company entered into an investment agreement with CHN Energy Jiangxi Electric Power Co., Ltd., a wholly-owned subsidiary of CHN Energy (the controlling Shareholder of the Company), for the formation of a joint venture (namely CHN Energy Fengcheng Photovoltaic Power Co., Ltd.). As at the time of the transaction, CHN Energy, being the controlling Shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy Jiangxi Electric Power Co., Ltd. is a wholly-owned subsidiary of CHN Energy. CHN Energy Jiangxi Electric Power Co., Ltd. is therefore a connected person of the Company under Chapter 14A of the Listing Rules and the formation of the joint venture constitutes a connected transaction of the Company.

Pursuant to the contribution agreement, the Company will contribute RMB50 million in cash to the joint venture, accounting for 50% of the total registered capital of the joint venture. CHN Energy Jiangxi Electric Power Co., Ltd. will contribute RMB50 million, holding 50% of equity interests in the joint venture. In respect of the registered capital of the joint venture, the investors shall pay their respective subscribed capital contributions in full within the time limit specified in the investment agreement. The amount of the first payment of the capital contribution by the investors is 2% of registered capital (equivalent to RMB2 million), and the investors each pay RMB1 million according to their respective contribution proportion at the incorporation of the joint venture. The remaining contribution amount shall be paid in full by the investors in proportion within the specified period according to the following principles: (1) the requirements of Company Law of the People's Republic of China and relevant laws and regulations; (2) the requirements of the local industry and commerce authority; (3) the requirements of the workload and construction progress of the project. The joint venture will be principally engaged in the development, investment, construction and management of photovoltaic resources (subject to the final review by and registration with the administration department for industry and commerce). For details of the investment agreement in relation to the formation of the joint venture, please refer to the announcement of the Company dated 27 October 2020. The establishment of the joint venture can fully mobilize and utilize resource advantages and management superiorities of CHN Energy Jiangxi Electric Power Co., Ltd. in the region of Jiangxi Province, and give play to the Company's professional strengths and technology advantages in the field of new energy development, achieving the powerful cooperation and the co-development, construction and operation of photovoltaic power generation project.

4. **Formation of a joint venture (namely CHN Energy Longyuan (Qian'an) New Energy Development Co., Ltd.) with Guodian Jilin Longhua Thermoelectricity Co., Ltd.**

On 12 November 2020, the Company entered into an investment agreement with Guodian Jilin Longhua Thermoelectricity Co., Ltd. for the formation of a joint venture (namely CHN Energy Longyuan (Qian'an) New Energy Development Co., Ltd.). As at the time of the transaction, CHN Energy, being the controlling Shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Guodian Jilin Longhua Thermoelectricity Co., Ltd. is a subsidiary of CHN Energy Northeast Electric Power Co., Ltd., which is in turn a wholly-owned subsidiary of CHN Energy. Therefore, Guodian Jilin Longhua Thermoelectricity Co., Ltd. also constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the formation of the joint venture constitutes a connected transaction of the Company.

Pursuant to the contribution agreement, the Company will contribute RMB25.50 million in cash to the joint venture, accounting for 51% of the total registered capital of the joint venture. Guodian Jilin Longhua Thermoelectricity Co., Ltd. will contribute RMB24.50 million, holding 49% of equity interests in the joint venture. Upon the establishment of the joint venture, both parties shall synchronously pay contributions according to their respective proportion. The amount of the first payment of the capital contribution by the investors is RMB5 million, which will be made by the investors according to their respective proportion. The remaining amount of the registered capital shall be paid in full by the investors according to their respective proportion within the time limit stipulated in the articles of association in accordance with the requirements of relevant laws and regulations and the requirements of the administrative department for industry and commerce, as well as the work progress and construction progress requirements of the project. The business which the joint venture is permitted to engage in will mainly include power generation, power transmission, and power supply; its general business will include solar power technology services, wind power technology services, and research and development of new energy technology (subject to the final review by and registration with the administration department for industry and commerce). For details of the investment agreement in relation to the formation of the joint venture, please refer to the announcement of the Company dated 12 November 2020. The establishment of the joint venture can mobilize and utilize resource advantages and management superiorities of Guodian Jilin Longhua Thermoelectricity Co., Ltd. in the region of Jilin Province, and give full play to the Company's professional strengths and technology advantages in the field of wind power development, achieving the powerful cooperation and joint investment and development, construction and operation of the project of Qian'an Wenzi 49.5MW wind farm and other projects of wind power generation.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain non-exempt continuing connected transactions during the year.

In respect of the type 1 to type 2 non-exempt continuing connected transactions as set out below, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from complying with the announcement and independent Shareholders' approval requirements. For type 1 and type 2 non-exempt continuing connected transactions as set out below, the annual caps for each year from 2018 to 2020 have been approved at the first extraordinary general meeting in 2017 held on 15 December 2017. For type 3 non-exempt continuing connected transaction as set out below, it shall be subject to the reporting and announcement requirements under Rule 14A.35 of the Listing Rules, but exempt from independent Shareholders' approval requirements under Rule 14A.36 to Rule 14A.39 of the Listing Rules, and the annual caps of Financial Services Agreement with Guodian Finance from 2019 to 2021 were considered and approved by the Board on 30 October 2018, and expired on 28 October 2020. The annual caps of New Financial Services Agreement with China Energy Finance Co., Ltd.(“China Energy Finance”) from 28 October 2020 to 27 October 2021 were considered and approved by the Board of the Company on 27 October 2020.

# CONNECTED TRANSACTIONS

The table below sets out the annual caps and actual transaction amounts of such connected transactions for 2020:

| Connected Transactions | Connected Person | Annual Cap for 2020 *(RMB'000)* | Actual Transaction Amount for 2020 *(RMB'000)* |
|---|---|---|---|
| 1. Provision of products and services by the Group | The former Guodian Group[1] | 1,115,000 | 32,227 |
| 2. Provision of products and services to the Group | The former Guodian Group[1] | 8,244,360 | 4,037,585 |
| 3. Provision of financial services to the Group | Guodian Finance | Loan Services: 5,000,000 of the grant integrated credit facilities<br>Deposit Services: no more than 1,990,000 of the daily deposit balance (including any interest accrued thereon) | Loan Services: Nil of the balance of borrowings<br>Deposit Services: 1,988,000 of the maximum daily deposit balance (including any interest accrued thereon) |
| | China Energy Finance[2] | Deposit Services: no more than 1,871,000 of the daily deposit balance (including any interest accrued thereon) | Deposit Services: 1,741,000 of the maximum daily deposit balance (including any interest accrued thereon) |

1 Reference is made to the announcement of the Company dated 28 August 2018. Pursuant to the Consolidation Agreement between China Energy Investment Corporation Limited and China Guodian Corporation Ltd., the controlling Shareholder of the Company was changed to CHN Energy. For details, please refer to the definition of "CHN Energy" in the section headed GLOSSARY OF TERMS.

2 Reference is made to the announcement of the Company dated 27 October 2020. According to the requirements under the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions, after the former Guodian Group and the former Shenhua Group Corporation Limited ("Shenhua Group") reorganised into CHN Energy, only one finance company shall be retained by CHN Energy. Therefore, Guodian Finance, the finance company subordinated to the former Guodian Group, shall cancel its registration, and CHN Energy made capital contribution to and acquired control of Shenhua Finance Co., Ltd. ("Shenhua Finance"), the finance company subordinated to the former Shenhua Group, and renamed Shenhua Finance as China Energy Finance to provide service to the whole group. Therefore, the Company entered into the New Financial Services Agreement with China Energy Finance on 27 October 2020, pursuant to which, China Energy Finance agreed to provide the Group with loan services, deposit services and other financial services subject to the terms and conditions provided therein. The New Financial Services Agreement has a term of 1 year commencing from 28 October 2020 and expiring on 27 October 2021. Upon the negotiation and determination between the Company and Guodian Finance, the existing Financial Services Agreement entered into on 30 October 2018 and its annual caps expired from 28 October 2020.

# CONNECTED TRANSACTIONS

## 1. Provision of products and services by the Group

The Company entered into the New Guodian Master Agreement with the former Guodian Group on 9 November 2017. Pursuant to the agreement, the Group shall provide the former Guodian Group with products and services, mainly including wind power design and consulting services, wind power technical services, spare parts of wind power equipment and wind power vocational training.

The principal terms and conditions of the agreement are set out as follows:

- the Group shall provide the former Guodian Group with products and services, mainly including wind power design and consulting services, wind power technical services, spare parts of wind power equipment and wind power vocational training;
- The terms for provision of products and services offered by the Group to the former Guodian Group are no better than those offered by an independent third party, or the terms for provision of products and services offered by the former Guodian Group to the Group are no less favourable than those offered by an independent third party;
- The settlement terms shall be determined separately and in line with market practice applicable to each specific transaction. The detailed settlement terms will be set out in separate agreements; and
- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of products and/or services to be provided and terms and conditions of providing such products and/or services according to the principles laid down in the New Guodian Master Agreement.

The New Guodian Master Agreement has a term of three years commencing on 1 January 2018 and expiring on 31 December 2020, and is renewable subject to the agreement of the parties and the compliance with the Listing Rules.

The former Guodian Group was then a controlling Shareholder of the Company. Therefore, the former Guodian Group and its subsidiaries are connected persons of the Company under the Listing Rules.

During the Reporting Period, the annual cap of this continuing connected transaction for 2020 was RMB1,115,000,000 and the actual transaction amount was RMB32,227,000.

**2. Provision of products and services to the Group**

The Company entered into the New Guodian Master Agreement with the former Guodian Group on 9 November 2017. Pursuant to the agreement, the former Guodian Group shall provide the Group with products and services mainly including wind power generating units, turbine towers, cables, transformers and coals. For details of the major terms and conditions of the agreement, please refer to the relevant disclosure of the non-exempt continuing connected transaction set out in subsection 1 above.

Both of the historical and future transactions between the Company and the former Guodian Group are conductive to the operation and development of the Company's businesses. The long-term collaboration can save the adaptive cost for the Company. The Company purchases the products and services from the former Guodian Group and/or its associates in the ordinary and usual course of business. We have been using the products and services supplied by the former Guodian Group and/or its associates for several years and the former Guodian Group has provided us with stable supply for a long time. As such, the former Guodian Group and its associates can fully understand the requirements of our businesses and operation. Maintaining our stable and high quality supply of products and services is critical to our current and future production and operation.

The former Guodian Group was then a controlling Shareholder of the Company. Therefore, the former Guodian Group and its subsidiaries are connected persons of the Company under the Listing Rules.

During the Reporting Period, the annual cap of this continuing connected transaction for 2020 was RMB8,244,360,000 and the actual transaction amount was RMB4,037,585,000.

### 3. Provision of financial services to the Group

**For Guodian Finance:**

The Company entered into the Financial Service Agreement with Guodian Finance on 30 October 2018, pursuant to which, the services provided by Guodian Finance to the Group include credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds, bill acceptance and discount services, deposit services, finance lease, investment and banking consultation services, financial consultation and training services and other services.

The principal terms and conditions of the agreement are set out as follows:

- Guodian Finance shall ensure the stable operation of fund management system to safeguard the fund, and to monitor the credit risk so as to satisfy the payments needs of the Group;

- In respect of the provision of loan services under the Financial Service Agreement, Guodian Finance will grant integrated credit facilities of RMB5 billion to the Group. The credit shall be utilised as working capital loans, syndicated loan, bill acceptance and discount, factoring and letter of guarantee, finance lease, etc. The interest rates for loan services shall be no lower than 10% below the benchmark interest rate and the loans shall be guaranteed by means of credit guarantee;

- In respect of the provision of the deposit services under the Financial Service Agreement, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be RMB1. 99 billion for each of the three years ending 31 December 2019, 31 December 2020 and 31 December 2021;

- The term of the Financial Service Agreement shall be three years, i.e. from 1 January 2019 to 31 December 2021;

- Guodian Finance has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles: (1) the interest rate for deposits of the same type for the same term as published by the People's Bank of China from time to time; and (2) the interest rates for deposits of the same type for the same term offered to the Group by other major independent commercial banks.

In view of the long-term collaboration between the Group and Guodian Finance, the Group is expected to benefit from Guodian Finance's familiarity with the industry and operations of the Group. Through years of collaboration, Guodian Finance is well-acquainted with the capital structure, business operations, fundraising needs, cash flow pattern, cash management and the entire financial management system of the Group, allowing Guodian Finance to provide more suitable, effective and flexible services to the Group than independent financial institutions. In the meantime, the commercial terms (including the rates) offered by Guodian Finance in respect of such transaction are no less favourable than those offered by domestic commercial banks for provision of similar services to the Group. The Group can earn interests out of the deposit transactions. As the Group has already deposited the remaining cash with a number of other independent financial institutions, the Company considers that the arrangement of deposits with Guodian Finance helps diversify the Group's deposits risk.

As CHN Energy directly and indirectly holds approximately 58.44% of the issued share capital of the Company, it is a controlling Shareholder as defined under the Listing Rules and thus a connected person of the Company. Guodian Finance is a subsidiary and, by virtue of this, an associate of CHN Energy, and is therefore a connected person of the Company. Accordingly, the Financial Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

During the Reporting Period, the cap of the daily deposit balance (including any interest accrued thereon) for deposit services under this continuing connected transaction for 2020 was RMB1,990,000,000 and the actual maximum daily deposit balance was RMB1,988,045,000; the annual cap for the integrated credit facilities of loan services for the year 2020 was RMB5 billion.

**For China Energy Finance:**

According to the requirements under the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions, after the former Guodian Group and the former Shenhua Group reorganised into CHN Energy, only one finance company shall be retained by CHN Energy. Therefore, Guodian Finance, the finance company subordinated to the former Guodian Group, shall cancel its registration, and CHN Energy made capital contribution to and acquired control of Shenhua Finance, the finance company subordinated to the former Shenhua Group, and renamed Shenhua Finance as China Energy Finance to provide service to the whole group.

Therefore, the Company entered into the New Financial Services Agreement with China Energy Finance on 27 October 2020, pursuant to which, China Energy Finance agreed to provide the Group with loan services, deposit services and other financial services subject to the terms and conditions provided therein. The New Financial Services Agreement has a term of 1 year commencing from 28 October 2020 and expiring on 27 October 2021. With the consent of all parties thereto, it is automatically renewable for a term of 1 year upon its expiry. Upon the negotiation and determination between the Company and Guodian Finance, the existing Financial Services Agreement entered into on 30 October 2018 and its annual caps expired from 28 October 2020.

The principal terms and conditions of the agreement are set out as follows:

- Pursuant to the New Financial Services Agreement, the services to be provided by China Energy Finance to the Group include the provision of comprehensive credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds, entrusted loans and entrusted investment services, bill acceptance and discount services, deposit services, finance lease, financial and financing advisory services, credit attestation and related consultancy and agency services, underwriting services, financial consultation services and other services.

- China Energy Finance shall ensure the stable operation of fund management system to safeguard the fund, and to monitor the asset-liabilities risk so as to satisfy the payment needs of the Group.

- In respect of the provision of the loan services under the New Financial Services Agreement, the aggregated daily balance of the direct loans, bill acceptance and discount, letter of guarantee and accounts receivable factoring, and financial guarantee provided by China Energy Finance shall not exceed RMB5 billion.

- In respect of the provision of the deposit services under the New Financial Services Agreement, the daily deposit balance (including any interest accrued thereon) for the Group's deposits with China Energy Finance shall not exceed RMB1.871 billion for the period from 28 October 2020 to 27 October 2021.

- The term of the New Financial Services Agreement shall be one year, commencing from 28 October 2020 and expiring on 27 October 2021. With the consent of both parties thereto, it is automatically renewable for a term of 1 year upon its expiry.

The deposit placed with China Energy Finance facilitates the settlement within the subsidiaries of the Group and between the subsidiaries of CHN Energy, and shortens the time required for transfer and turnover of funds. China Energy Finance will enable the Company to lower the cost of funds by improving the efficiency of the internal settlement and help realise optimisation of cost and operational efficiency. In addition, deposits placed with China Energy Finance would be conducive to realising centralized fund management of subsidiaries of the Group and can satisfy the flexible needs of funds of the Group. China Energy Finance offers the Group relatively good commercial terms as compared with the domestic commercial banks. Compared with typical commercial banks in the PRC, China Energy Finance could provide the Group with stronger support and more flexible loan conditions. The collaboration between the Group and China Energy Finance may reduce finance costs, ensure the security of the capital chain and help monitor risks for the Group. China Energy Finance is familiar with the capital structure, business operation, capital needs and cash flow pattern of each subsidiary of the Group, enabling it to better forecast the capital needs of the Group. Therefore, China Energy Finance can provide flexible, convenient and low-cost services to the Group at any time.

As CHN Energy directly and indirectly holds approximately 58.44% of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. China Energy Finance is a subsidiary and, by virtue of this, an associate of CHN Energy, and is therefore the connected person of the Company. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

During the Reporting Period, the cap of the daily deposit balance (including any interest accrued thereon) for deposit services under this continuing connected transaction for 2020 was RMB1,871,000,000 and the actual maximum daily deposit balance was RMB1,741,224,000.

# CONNECTED TRANSACTIONS

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

1. in the usual course of business of the Group;

2. on normal commercial terms or, if there are no sufficient comparable transactions to determine whether the transaction terms are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and

3. in accordance with relevant terms of the transaction agreements, and the transaction terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

## CONFIRMATION OF AUDITORS

The Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" in Hong Kong Standard on Assurance Engagements 3000 and with reference to "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" Practice Note 740 issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

# CONNECTED TRANSACTIONS

Based on its work, the Company's auditor provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(2) for the continuing connected transactions entered into by the Company, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of each of the continuing connected transactions disclosed above, nothing has come to the auditor's attention that causes the auditor to believe that the amount of such continuing connected transactions have exceeded the aggregate annual caps set by the Company.

## EXECUTIVE DIRECTORS

**Mr. Jia Yanbing**, aged 53, is an executive Director and the Chairman of the Board of the Company. He graduated from Northeast China Institute of Electric Power, holding a bachelor's degree in Engineering, and from Nankai University, holding a master's degree in Business Administration. He is a senior engineer. Mr. Jia Yanbing acted as an executive Director of the Company since February 2019, and acted as an executive Director and the Chairman of the Board of the Company since September 2019. Mr. Jia Yanbing had consecutively served as deputy general manager and general manager of Hebei No.1 Electric Power Construction Company (河北省電力建設第一工程公司); deputy head and head of the Engineering Construction Department (工程建設部) of China Guodian Corporation; the team leader of the Party Committee Inspection Team of China Energy Investment Corporation Limited; and an executive Director and the President of Company.

**Mr. Sun Jinbiao**, aged 49, is an executive Director of the Company. He graduated from Beijing College of Economics (北京經濟學院) with a bachelor degree in economics and from The Open University of Hong Kong with a master's degree in business administration. He is a senior economist. Mr. Sun Jinbiao acted as an executive Director of the Company since November 2019. He successively served as deputy head and head of the Labor Insurance Division of the Human Resources Department, and deputy director of the Human Resources Department of China Guodian Corporation (中國國電集團公司); a member of the municipal standing committee and deputy mayor (titular position) of Huaibei City, Anhui Province; secretary and deputy director of the Organization and Personnel Department (Human Resources Department) of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司); and the President of the Company.

## NON-EXECUTIVE DIRECTORS

**Mr. Liu Jinhuan**, aged 59, is a non-executive Director of the Company. He graduated from Wuhan Technical Institute with a master's degree of Engineering in geotechnical engineering from the civil engineering and construction school and is a professorate senior engineer. Mr. Liu Jinhuan served as a non-executive Director of the Company since May 2018. He had served as the deputy general manager, general manager and the chairman of the board of directors of Gezhouba Group No. 1 Engineering Co., Ltd. (葛洲壩集團第一工程有限公司), the deputy executive superintendent of the Gezhouba Group Three Gorges Headquarter (葛洲壩集團三峽指揮部), the deputy general manager of Gezhouba Stock Company Limited (葛洲壩股份有限公司) and the general manager of Hubei Xiangjing Expressway Company Limited (湖北襄荊高速公路有限公司) concurrently, as well as the superintendent (general manager) of the Three Gorges Headquarter (construction contracting company) of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團公司), the deputy general manager of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團公司), the general manager and chairman of the board of directors of Guodian Dadu River Hydropower Development Co., Ltd. (國電大渡河流域水電開發有限公司), and an assistant to president and head of Plan & Development Department and an assistant to president and head of Strategic Planning Department of China Guodian Corporation, successively. Mr. Liu currently acts as an assistant to president of China Energy Investment Corporation Limited.

**Mr. Zhang Xiaoliang**, aged 50, a non-executive Director of the Company, graduated from Sichuan Union University with a master's degree in engineering. He is a senior political engineer. Mr. Zhang Xiaoliang acted as a non-executive Director of the Company since February 2020. He successively served as the deputy head and head of the Rights Protection Work Division of the Department of Communities and Youth's Rights Protection under the Central Committee of the Communist Youth League of China (團中央社區和維護青少年權益部); the head of the Research Department of the Research Office of the National Academy of Governance (國家行政學院); the deputy director of the General Office, the director of the Information Center, the director of the Board of Directors Office (Reform Office), the director of the Board of Directors Office (Party Group Office, Reform Office) of China Guodian Corporation (中國國電集團公司); the director of the Party Group Office (Board of Directors Office), and the director of General Management Department of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司). Mr. Zhang currently serves as the chairman of the board of directors of Shandong Power Co., Ltd. of CHN Energy (國家能源集團山東電力有限公司).

**Mr. Yang Xiangbin**, aged 55, a non-executive Director of the Company, holds an MBA degree from the Open University of Hong Kong and is a senior accountant and a certified public accountant. Mr. Yang Xiangbin acted as a non-executive Director of the Company since August 2016. He had served as head of the Budget Office of the Finance Department of Heilongjiang Power Company Limited; deputy head and head of the Budget Office of the Finance and Ownership Department, deputy head of the Finance and Ownership Department and deputy head of the Financial Management Department of China Guodian Corporation; secretary of the Party committee, director and deputy general manager of Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), vice chairman of Inner Mongolia Pingzhuang Energy CO., LTD (內蒙古平莊能源股份有限公司) (SZSE: 000780), head of the Capital and Asset Management Department of China Guodian Corporation, and a supervisor of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司) (HKSE: 1296) successively. Mr. Yang currently serves as the head of the Capital Operation Department of China Energy Investment Corporation Limited.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Zhang Songyi**, aged 65, is an independent non-executive Director of the Company. He holds a Juris Doctor degree from Yale University. Mr. Zhang Songyi acted as an independent non-executive Director of the Company since July 2009. Mr. Zhang Songyi practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993. He was the vice president, executive director, managing director, and head of joint department of Morgan Stanley Asia Limited, a director of Athenex, Inc. (NASDAQ: ATNX) and a non-executive director of Jimu Group Limited (積木集團有限公司) (formerly known as "Ever Smart International Holdings Limited" (“永駿國際控股有限公司”), renamed on 12 February 2018) (HKSE: 8187). Mr. Zhang is currently an independent non-executive director of China Renewable Energy Investment Limited (中國再生能源投資有限公司) (HKSE: 0987), a director of Sina Corporation (NASDAQ: SINA) and the chairman of Mandra Capital.

# BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Meng Yan**, aged 65, is an independent non-executive Director of the Company. He holds a doctorate degree in Economics (Accounting) from the Research Institute for Fiscal Science of the Ministry of Finance and the qualification of PRC Certified Public Accountant. Mr. Meng Yan acted as an independent non-executive Director of the Company since July 2009. Mr. Meng Yan received the special government allowance from the State Council in 1997. Mr. Meng used to act as the dean of the School of Accountancy of Central University of Finance and Economics, an expert consultant for accounting standards, an expert consultant for management accounting and an expert for enterprise performance evaluation at the Ministry of Finance, and an independent director of each of Wanhua Chemical Group Co., Ltd. (萬華化學集團股份有限公司) (SSE: 600309) and COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) (SZSE: 000031), and an independent non-executive director of Jolimark Holdings Limited (映美控股有限公司) (HKSE: 2028). Currently, Mr. Meng Yan serves as a professor and a tutor of doctorate candidates in the School of Accountancy of Central University of Finance and Economics, an independent director of Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司) (SSE: 600386), independent director of Beijing Capital Co., Ltd. (北京首創股份有限公司) (SSE: 600008), an independent non-executive director of China Isotope & Radiation Corporation (中國同輻股份有限公司) (HKSE:1763), an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) (HKSE: 598) and an independent director of Qi An Xin Technology Group Inc. (奇安信科技集團股份有限公司) (SSE:688561).

**Mr. Han Dechang**, aged 66, is an independent non-executive Director of the Company. He is a tutor of doctoral candidates and has a doctorate degree in Economics. Mr. Han Dechang acted as an independent non-executive Director of the Company since May 2014. Mr. Han Dechang was admitted to the Faculty of Economics of Nankai University majoring in politics and economics in 1979 and became a teacher of the Faculty after his graduation with a bachelor's degree in 1983. During that time, he obtained his master and doctorate degrees in Economics. Mr. Han Dechang served as a lecturer in 1988 and then was promoted as an associated professor in 1992. In 1997, he was promoted as a professor and re-designated from the School of Economics to Business School taking the position of dean of the department of marketing in the same year due to restructuring of discipline. Then, he served as the deputy dean of the Business School and director of EMBA centre. Mr. Han Dechang currently serves as a member of the academic degree committee and titles assessment and employment committee of Nankai University. Mr. Han Dechang also works as the vice chairman of the Tianjin Marketing Association, an executive director of the China Marketing Association and the vice chairman of the Chinese Universities Pricing and Teaching Association.

## SUPERVISORS

**Mr. Yu Yongping**, aged 60, is the chairman of the Supervisory Board of the Company. He graduated from Liaoning Institute of Finance and Economics majoring in infrastructure finance and credit with a bachelor's degree in Economics. He is a senior accountant. Mr. Yu acted as a supervisor of the first session of the Supervisory Board of the Company from July 2009 to July 2012, a supervisor of the second session of the Supervisory Board of the Company from July 2012 to August 2015, a supervisor of the third session of the Supervisory Board of the Company from July 2015, a supervisor of the fourth session of the Supervisory Board of the Company from July 2018, and a chairman of the fourth session of the Supervisory Board of the Company from December 2019 Mr. Yu had served as accountant of Finance Division of Machinery Manufacturing Construction Bureau of the Ministry of Water Resources and Electric Power. He had also served in the Emigration and Development Bureau of the State Council Three Gorges Project Construction Committee as deputy head and head of Finance Division of Financial Planning Department, deputy head of Planning Department, deputy head of Resettlement Department, and assistant ombudsman of General Office. He held positions as the head of Market Development Division of Marketing Department of China Guodian Corporation, secretary of the Party Committee and vice president of Guodian Finance Co, Ltd., vice president and chief accountant of Guodian Northeast Electric Power Co., Ltd. (國電東北電力有限公司), deputy head of Finance and Ownership Department and head of Audit Department of China Guodian Corporation, the chief auditor of China Guodian Corporation and the chief auditor of China Energy Investment Corporation Limited.

**Ms. Hao Jingru**, aged 54, is a supervisor of the Company. Ms. Hao graduated from Party School of the Central Committee of CPC with a master's degree in engineering. She is a senior accountant. She has served as a supervisor of the fourth session of the Supervisory Board of the Company from February 2020. She successively served as the deputy financial manager of Shenhua Shendong Coal Group Co., Ltd. (神華神東煤炭集團有限責任公司); person in charge of budget and business performance of the Finance Department, director of the Budget and Business Performance Division of the Finance Department, and deputy general manager of the Finance Department of Shenhua Group Corporation Limited (神華集團有限責任公司); deputy general manager of the Finance Department of Shenhua Group Corporation Limited; deputy general manager of the Financial Department of China Shenhua Energy Company Limited (中國神華能源股份有限公司); financial controller and deputy general manager of China Shenhua Coal-to-liquid and Chemical Company Limited (中國神華煤製油化工公司); and associate director of the Finance and Property Department of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司). Ms. Hao currently serves as the associate director of the Finance Department of China Energy Investment Corporation Limited.

**Ms. Wu Jinmei**, aged 52, is an employee supervisor of the Company. Ms. Wu graduated from the Correspondence College of Party School of the Central Committee of CPC (中央黨校函授學院) with a master's degree in economic administration and is a professor-level senior political engineer. Ms. Wu Jinmei has served as an employee representative supervisor of the fourth session of the Supervisory Board of the Company from March 2021. Ms. Wu successively served as the secretary of the Youth League Committee of Xinjiang Electric Power Company (新疆電力公司); the deputy secretary of the Party Committee, deputy general manager and chairman of the Labour Union of Xinjiang Wind Power Generation Company (新疆風力發電公司) (Wind Power Plant (風力發電廠), Tianfeng Power Generation Joint Stock Company (天風發電股份有限公司), Dabancheng Wind Power Generation Co., Ltd. (達阪城風力發電有限責任公司)); the deputy head of the Party Office, deputy head of the Political Work Department (in charge of work), head of the Political Work Department, deputy chairman of the Labour Union Committee and head of the Political Work Department, deputy chairman of the Labour Union Committee and head of the Corporate Culture Department of China Longyuan Electric Power Group Corporation (龍源電力集團公司); the deputy chairman of the Labour Union Committee and head of the Corporate Culture Department, deputy chairman of the Labour Union Committee and head of the Promotion Department of the Party Committee (Political Work Department), head of the Organization Department of the Party Committee (Human Resources Department) of the Company. Ms. Wu is currently the head of the Organization and Personnel Department (Human Resources Department) of the Company.

## SENIOR MANAGEMENT

**Mr. Tang Jian**, aged 50, is the president of the Company. He graduated from China University of Mining and Technology with a bachelor degree in engineering. He is a senior engineer. Mr. Tang Jian worked at Yangzhou No. 2 Power Plant (揚州第二發電廠) and Guodian Changzhou Power Generating Co., Ltd. (國電常州發電有限公司). He successively served as a member of the Party Committee and the vice general manager of Guodian Bengbu Power Generation Co., Ltd. (國電蚌埠發電有限公司); the deputy head and head of the Coal-fired Power Office of the Engineering Construction Department, and head of the General Office of China Guodian Corporation (中國國電集團公司); a deputy general manager and a member of the Party Committee of Guodian Technology & Environment Group Corporation Limited and the general manager and the deputy secretary of the Party Committee of Beijing Guodian Longyuan Environmental Engineering Co., Ltd. (北京國電龍源環保工程公司); a deputy general manager and a member of the Party Committee of Guodian Technology & Environment Group Corporation Limited and the chairman of the board of directors and the secretary of the Party Committee of Guodian Longyuan Environmental Engineering Co., Ltd. (國電龍源環保工程有限公司); and a member of the Party Committee and vice president of the Company.

**Mr. Zhang Binquan**, aged 57, is a vice president of the Company. He graduated from Harbin Institute of Technology and Yanshan University with a master's degree in Public Administration. He is a senior engineer. Mr. Zhang joined the Group in 2014. He has served successively as project manager of the import department of China Great Wall Industry Corporation (中國長城工業公司), project manager of CITIC International Cooperation Co., Ltd. (中信國際合作公司), general manager assistant and deputy general manager of Guodian Longyuan Power Technology & Engineering Co., Ltd. (國電龍源電力技術工程公司), manager of planning department and manager of operation and development department of Guodian Technology & Environment Group Company (國電科環集團公司), general manager of Guodian Ningxia Solar Co., Ltd. (國電寧夏太陽能有限公司) and deputy general manager of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團有限公司)(HKSE:1296), and concurrently served as the general manager of Guodian United Power Technology Co., Ltd. (國電聯合動力有限公司) in the period.

**Mr. Chang Shihong**, aged 46, is the chief accountant of the Company. Mr. Chang graduated from Dongbei University of Finance & Economics with a master's degree in Accounting. He is a senior accountant. Mr. Chang joined the Group in 2009. Mr. Chang had successively worked as a member of the Party Committee and the chief accountant of Guodian Datong No. 2 Power Plant, deputy head (in charge) of Finance Division of Finance and Ownership Department of China Guodian Corporation, deputy head (in charge) of Accounting Division of Finance Management Department of China Guodian Corporation, director of Finance and Property Right Management Department of China Longyuan Electric Power Group Corporation, and director of Finance and Property Right Management Department and deputy chief accountant of the Company.

**Mr. Jin Ji**, aged 52, is the vice president and chairman of labour union of the Company. Mr. Jin graduated from the Graduate School of Party School of the Central Committee of C.P.C. majoring in Economic Management, and is a senior economist. Mr. Jin joined the Group in 1994. He used to work in Tianshenggang Power Plant and Tianshenggang Power Generating Co., Ltd. (天生港發電有限公司). He had successively served as the vice general manager, general manager and secretary of the Party committee of Jiangsu Longyuan Wind Power Generation Co., Ltd.

**Mr. Gong Yufei**, aged 49, is a vice president of the Company. He graduated from Shandong Institute of Mining and Technology (山東礦業學院) with a bachelor degree in engineering and from Shandong University with a master's degree in business administration. Mr. Gong Yufei worked at Shandong International Trust and Investment Corporation (山東省國際信託投資公司). He successively served as a deputy general manager of Jinan Guohua Properties Company (濟南國華置業公司), the general manager and chairman of the board of directors of Shandong Guohua ERA Investment and Development Co., Ltd (山東國華時代投資發展公司), the general manager and chairman of the board of directors of Shandong Branch of Guohua Investment Company (國華投資公司山東分公司), the director of the Cost Consulting Center of Guohua Investment Company, the general manager of the Project Construction Department of Guohua Investment Company and the deputy general manager of CHN Energy Properties Company.

## JOINT COMPANY SECRETARIES

**Mr. Jia Nansong**, aged 58, is one of the joint company secretaries of the Company. He graduated from North China Electric Power University with a bachelor's degree in Engineering and is a senior engineer. He joined the Group in 1994. Mr. Jia held positions in the Electric Power Planning and Design Institute and the Information Centre of the Ministry of Electric Power. He had also successively served as the deputy manager of Technical Development Department, the manager of the Market Exploitation and Technical Development Department, the manager of the Project Development Department and the manager of the Technical Development Department of China Longyuan Electric Power Group Corporation as well as the standing vice president of Longyuan West Heat. He was also the manager of the Human Resource Department and the Auditing Supervision Department, the deputy chief economist and the assistant to president as well as the director of the Office of President of China Longyuan Electric Power Group Corporation, and a Vice President, the Board secretary and one of the joint company secretaries of the Company.

**Ms. Chan Sau Ling**, was appointed as one of the joint Company secretaries on 26 October 2017. She is a director of the Corporate Services Division of Tricor Services Limited (卓佳專業商務有限公司) ("Tricor"). Ms. Chan is a chartered secretary and a fellow of both The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Chan has extensive experience in the corporate service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. *(Note: The Company has engaged Tricor as external service provider and appointed Ms. Chan Sau Ling as the Company's joint company secretary.)*

# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

By integrating the concept of Environmental, Social and Corporate Governance responsibility into our corporate strategy and operating practices, the Group has actively implemented the energy-saving and emission-reduction policies on a continuous basis, practically fulfilled its social responsibility as a world-class new energy company with global competitiveness. We adhere to the management philosophy of “Leadership of Party building, advantage Development, Talent thriving enterprise, Innovation, Safety first, Responsibilities, efficient Implementation, lifelong Study, Anti-corruption practices and Green Care”, and the environmental protection policy of “environmental Protection, pollution Prevention, legal Management and sustainable Development in green power”. In the process of developing renewable energy, we exert great efforts in establishing a mechanism of the clean development, continuously strengthen the environmental protection and fulfill the environmental responsibilities. While striving to shape the Company’s image with green and low-carbon characters, we supply clean energy for promotion of beautiful environment and ecological civilization to create shared value for the society and achieve sustainable development with the society.

# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

## CONTENTS

# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

## I. REPORT INTRODUCTION

This Environmental, Social and Corporate Governance (ESG) report emphasizes on the disclosure of information in relation to environment and social responsibility of the Company, and ensures compliance with the requirements under the ESG Reporting Guidelines (環境社會及管治報告指引) of The Stock Exchange of Hong Kong Limited and each stakeholder of Longyuan Power. The report will be published in Chinese and English that covers the period from 1 January to 31 December 2020.

This report is a document incorporated into the annual report of Longyuan Power which is available for inspection at www.clypg.com.cn. Particulars concerning corporate governance are set forth in the annual report for 2020 financial year from page 188 to page 215.

### 1.1 Scope of the Report

Unless otherwise specified, all cases and data in the report are originated from China Longyuan Power Group Corporation Limited and its subsidiaries (collectively referred to as the "Group") as well as their associates.

### 1.2 Assurance on Reliability of the Report

The Company assures that this report does not contain any false or misleading information. In case of any opinions or suggestions on the report, you are welcome to email or call us so as to help us make continuous improvements.

### 1.3 Stakeholders' Engagement and Important Issues

The Group regularly assessed important issues through its own risk management system, and sorted out, classified and subdivided them one by one to the implementation level. These issues will be further clarified, resolved and improved under the Company's control.

The Group met with each stakeholder on a regular basis, listened to feedback and resolved different issues, and then conducted targeted analysis in order to respond to the expectations of each stakeholder.

| Main Stakeholders | Goals and Concerns | Main Communication Channels |
|---|---|---|
| Government and regulatory authorities | • Operational compliance and tax compliance<br>• Safe production and stable supply<br>• Implementation of energy-saving and emission-reduction tasks<br>• Targeted poverty alleviation<br>• Providing employment | • Information disclosure<br>• Official correspondence<br>• Conference and forum<br>• Visiting reception |
| Shareholders and investors | • State-owned assets preservation and appreciation<br>• Sustainable business development<br>• Financial performance | • Financial reports<br>• Announcements and drafts<br>• Meetings such as general meeting and Board meeting |
| Staff | • Rights and interests protection<br>• Career development<br>• Self-actualization<br>• Salary and welfare<br>• Corporate culture | • Employee representatives of Supervisory Board<br>• Labour unions at various levels<br>• Staff representatives assembly<br>• Training |

| Main Stakeholders | Goals and Concerns | Main Communication Channels |
|---|---|---|
| Suppliers and contractors | • Open, equitable and fair procurement<br>• Good faith<br>• Goodwill and ethics | • Public tender<br>• Price enquiry and comparison for procurement |
| Customers and partners | • Keeping promises for mutual benefit and win-win<br>• Responsibility for products<br>• Service quality | • Regular communication<br>• Negotiations and agreements<br>• Official correspondence |
| Public and communities | • Social public welfare<br>• Protection of ecological environment in communities<br>• Community construction<br>• Common development | • Targeted poverty<br>• Soil and water conservation<br>• Cooperation and joint construction<br>• Public service activities |

Important issues are set out below:

- Health and safety
- Talent policy
- Soil and water conservation
- Corporate governance
- Emission index
- Water conservation
- Supplier's environmental performance
- Waste recycling
- Energy consumption
- Climate change
- Labour standards
- Diversity and equal opportunities

## II. WORLD-CLASS NEW ENERGY COMPANY WITH GLOBAL COMPETITIVENESS

By upholding the principle of "development for the top priority", the Group makes overall plans for and coordinates resources and environmental protection in the course of development, and regulates and controls the relationship between development speed and project quality as well as scale expansion and economic benefits in line with compliance regulations. Over the years, we have established an image of a credible, enterprising and harmonious new energy company, based on which we have kept on with our goal of building a world-class new energy company with global competitiveness.

As a leader in the new energy field of the PRC, the Group has always attached great importance to shouldering corporate social responsibility and deemed it as an important component for its fulfillment of the mission of "developing clean energy and building a Beautiful China" and realisation of the strategic goal of "building an international first-class new energy company with global competitiveness". Furthermore, we have also proactively explored the concept of corporate social responsibility and the practice thereof, and are committed to the mutual promotion of enterprise's discharge of responsibility and operation. Aiming at sustainable development and maximizing comprehensive value, we adopted the way of all staff participation and all-rounded integration, and implemented the concept of corporate social responsibility in terms of enterprise decisions, systems and procedures, business operation, daily administration and enterprise culture through the transparent and ethical enterprise behaviors. We continuously promoted the fulfilment of corporate social responsibility and enhanced the comprehensive value creativity, operation transparency and brand influence in an all-rounded way, thus establishing the image of a credible, enterprising and harmonious new energy enterprise.

### 2.1 Green and Clean Energy

The Group is a new energy-oriented integrated power generating group with a large scale, owning more than 300 wind farms, 12 photovoltaic power plants and 2 coal-fired power plants, as well as biomass, tidal and geothermal power and other generation projects throughout the country. The new energy power generation of the Group is an environment-friendly business that protects the environment without consumption of resources including fossil fuels and water or discharge of waste or greenhouse gases, pollutants or hazardous wastes except specialised lubricating oils. It has no material adverse impact on the environment and natural resources.

## 2.2 Energy-saving and Emission-reduction

We strictly comply with the national uniform environmental protection laws, regulations and policies and proactively undertake the environmental protection responsibilities of energy-saving and emission-reduction. In 2020, there was no violation of national environmental laws, regulations and policies. While developing new projects according to the development and changes in market conditions, the Group also paid attention to energy-saving and emission-reduction, striving to maximize green benefits. Meanwhile, the Group took energy-saving technical measures against its only 2 coal-fired power plants by advancing technological innovation. In 2020, the Group strictly complied with the national standards on emission of air pollutants, namely GB 13223-2011 Emission Standard of Air Pollutants for Thermal Power Plants (火電廠大氣污染物排放標準), and realised up-to-standard emission.

In 2020, the Group is principally engaged in green power generation. Wind power and renewable energy power generation reached 44,032,144 MWh, which equated to the reduction of $CO_2$ discharge in the amount of 43,799,643 tonnes, roughly as much as the $CO_2$ discharge volume of 14.36 million gasoline-powered vehicles in one year.

### Coal-fired power plants

The emission of two coal-fired power plants under the Group is as follows:

| Details of Emission Items | | Data in 2020 Total quantity *(Tonne)* | Density *(g/kWh)* | Increase or Decrease Compared to 2019 Total quantity *(Tonne)* |
|---|---|---|---|---|
| Pollutant | $CO_2$ | 8,986,538 | 995 | -468,901 |
| | $SO_2$ | 615 | 0.068 | -106 |
| | Oxynitrides | 1,416 | 0.157 | -238 |
| | Dust | 48 | 0.005 | -11 |
| Energy Consumption | Water Consumption *(Tonne)* * | 11,954,585 | 1,323 | 15,896 |
| | Oil Consumption *(Tonne)* | 614 | 0.068 | -96 |
| | Standard coal Consumption *(Tonne)* | 3,184,263 | 352 | -208,638 |

* This is the total consumption of water by the two coal-fired power plants in 2020, i.e. the sum of domestic water consumption and production water consumption. One error occurred in the statistics for 2019 (for one of the power plants, only partial domestic water consumption was counted in, missing a small amount of domestic water consumption and production water consumption), however, the error has been corrected in this table.

In 2020, both coal-fired power plants operated with ultra-low emissions. We have been saving energy and reducing consumption through effective operation of environmental facilities, intensified management and optimised operation, etc. Compared with 2019, the coal-fired power plants reduced SO2 emissions by 106 tonnes, Oxynitrides by 238 tonnes and dust by 11 tonnes, and the total CO2 emission of coal-fired power plants in 2020 reached 8,986,538 tonnes, as much as the CO2 emission volume of 2.95 million regular gasoline-powered vehicles in one year, representing a decrease of 4.96% as compared to 2019.

In 2020, the comprehensive utilisation ratio of ash in the coal-fired power plants of the Group was 100% and the ash was used for road construction and cement concrete manufacturing, etc. As a power generation conglomerate, energy consumption of the Group mainly includes the service power utilisation in the process of power generation apart from the coal consumption of the coal-fired power plants and a modicum of fuel consumption of the renewable energy enterprises. We have strictly observed the state laws and regulations and exerted stringent control over the consumption of service power. We have been saving energy and reducing consumption through intensified management and optimised operation.

In 2020, the oil consumption of the two coal-fired power plants decreased 96 tonnes, or 13.52%.

**Wind power enterprises**

Green wind power generation is the principal business of the Group. In 2020, the comprehensive service power utilisation ratio for the entire Group was 3.86%, representing a decrease of 0.06 percentage point compared to 2019.

In accordance with the relevant provisions of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Group has determined that the main hazardous waste is waste gearbox lubricating oil. The Group has entrusted a third-party professional organization holding hazardous waste operation permit (the approved operation scope shall include waste disposal as required) to dispose of the waste after registering with and obtaining approval from the environmental protection bureau in the place where the wind farm is located in accordance with the state regulations. In 2020, the Group generated a total of approximately 421,800 litres of waste lubricating oil, all of which have been disposed of.

**Biomass enterprises**

In 2020, Guodian Youyi Biomass Power Co., Ltd. (國電友誼生物質發電有限公司), a subsidiary of the Group, carried out repair work on its generating units and the exhaust gas emission ratio (one of pollutant emission indicators) for the year met the requirements of the place on environmental protection and no ecological and environmental incidents occurred.

In 2020, Donghai Longyuan Biomass Power Plant (東海龍源生物質發電有限公司), a subsidiary of the Group, did not prepare production scheduling. In accordance with the Notice on the Issue of the "Win the Blue Sky Defence War" Work Plan of Lianyungang City for 2018 (Lian Da Qi Ban [2018] No.7 of Lianyungang City), (連雲港市連大氣辦[2018]7號《關於印發連雲港市「打贏藍天保衛戰」二零一八年工作計劃的通知》), the biomass power generation enterprises in the city are required to complete the transition to ultra-low emission by the end of 2019 with reference to the ultra-low emission standards for coal-fired power plants. As a result of the Notice and the National Day celebration activities in 2019, Donghai Biomass ceased production in August 2019. In 2020, the parameters of the generating units of Donghai Biomass have been enhanced, to improve the generating efficiency of the units and address the emission issues.

In October 2020, the Ministry of Finance issued the Opinions on Promoting the Healthy Development of Non-hydro Renewable Power Generation (Caijian [2020] No. 426) (《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》(財建[2020]426號)), clarifying the subsidy standard for biomass power generation projects, i.e., the subsidy for biomass power generation projects from the Central Government will cease at the earlier of 82,500 utilization hours or 15 years of operation. In accordance with the policy, the Company has conducted a re-calculation for the operation condition after the implementation of the technological reform plan and estimated that the production and operation of the two enterprises will incur substantial losses from 2023 to 2025, and the loss will increase by years, thus, the external conditions which support the establishment of the current technological reform project have changed. In October 2020, the Group suspended the technological reform of the generating units of Donghai Biomass. Next step, the Group will study and formulate plans for the transformation and development of the Group, such as the expansion of heat supply, replacing small units with larger ones and the disposal of solid waste.

**Headquarter building of the Group**

In 2020, the headquarter building of the Group consumed a total of 3,582,900 kWh of electricity, representing an increase of 72,300 kWh or 2.06% as compared to the same period last year, which was mainly due to the increase in equipment as a result of the digital information technology transformation. The fuel consumption of the Group's vehicles was 12,200 litres, representing a decrease of 5,000 litres or 28.92% as compared to the same period last year, which was due to the decrease in the number of business travel activities as a result of the pandemic.

## 2.3 Water Resources

The consumption of water resources of the Group mainly consists of the water needed in the cooling process and the water steam used to drive the turbine during the process coal-fired power generation. In 2020, both coal-fired power plants set the annual water controlling targets at the beginning of the year to reduce the discharge of waste water; and the unit water replenishment rate is less than 1%; water consumption of power generation (deducting heating factors)≤0.35kg/kWh, etc. Achievement has been made by taking a series of effective measures such as improving the utilization rate of industrial cooling water, reuse of the first-class reverse osmosis concentrated water, closed circulation of slag water, and replacement of industrial water pipes. In 2020, 98% of industrial cooling water was reused, the oil tank spray cooling transformation was completed, and the industrial water pipes in the factory was replaced, closed circulation of slag cooling water was realized, thus the operation and maintenance of domestic water pipe network system was strengthened, and the leakage loss was effectively reduced.

The water resources of the two coal-fired power plants are both from the Yangtze River. In 2020, the total annual water consumption of Tianshenggang Power Plant was 4,280,500 tonnes, among which the production water consumption was 3,654,800 tonnes. The total annual water consumption of Jiangyin Sulong Power Plant was 7,674,100 tonnes, among which the production water consumption was 7,045,500 million tonnes. In 2020, the total water consumption of the two coal-fired power plants increased 15,900 tonnes as compared with that of 2019, representing an increase of 0.13%, due to the reduction in periodic water production caused by the expiration of the life of ion exchange resin in water making equipment, the increase of regeneration frequency, and the increase in water consumption of boiler superheater and reheater pickling in the power plant.

In 2020, the total water consumption of the headquarters building of the Group was 21,700 tonnes, an increase of 400 tonnes or 1.95% as compared with the same period last year. The increase in water consumption was caused by the pandemic.

In 2021, the Group will continue to take effective response measures, conduct strict management, and maintain the realization of annual water control targets.

### 2.4 Climate Change

We are fully aware that the carbon dioxide generated by the burning fossil fuels for power generation by coal-fired power plants may cause extreme climate or natural disasters such as global warming and sea level rising, which must be effectively controlled. With global warming becoming increasingly prominent, reducing greenhouse gas emissions and low-carbon development will be the inevitable trend of global development.

While focusing on the development of new energy, the Group attached great importance to the carbon emission management of the only two coal-fired power plants, and clarified a special management department at the Group level and set up a professional carbon asset company for expertise services. In recent years, the Group has been unremittingly conducting research on the emission law of coal-fired power plants through carbon audit, carbon trading and scientific and technological research, committed to energy-saving transformation to reduce the greenhouse gas emissions, and actively responded to global climate change.

### 2.5 Harmonious Environment

Lucid waters and lush mountains are invaluable assets. The Group has been pursuing the concepts of green development and committed to the development of clean energy. It actively implements national policies on energy saving and emission reduction. While developing green energy, it put great efforts in the establishment of the clean development mechanism. In addition, it consistently strengthened environmental protection, earnestly performed responsibilities in respect of environmental protection, set clear management rules on environmental protection, enhanced environmental control and took various measures for consolidating environmental protection in project construction and operation.

2.5.1 The subordinate units attached importance to water and soil conservation and the vegetation restoration




2.5.2 Fujian Longyuan carried out green tree planting activity

2.5.3 Hunan Longyuan carried out green tree planting activity

2.5.4 Hunan Longyuan carried out fire rescue in mountain village

2.5.5 Zhejiang Longyuan carried out coastal cleanup activity

Biodiversity protection. Before the construction of the wind power plant, the Group shall conduct research on the local biodiversity of the project, issue an environmental impact report and attach importance to the research on the condition and impact of the plants and animals' biodiversity in the areas where the wind turbine is located. For example, the Group researched the influence of wind turbine on the migration of birds and ensured sufficient space between wind turbines to allow safe passage of birds. In addition, warning colors were used to minimize the probability of hit of birds against blades. In the construction and operation of offshore wind farms, we attached great importance to the protection of marine and fishery resources and promoted the breeding and growth of fish resources by way of freeing fries regularly. And we studied the influence of wind turbine noise on marine and land animals and monitored for a long time. Meanwhile, we kept a close eye on the changes in biological resources in the reservoir areas in which tidal power plants are located to ensure normal growth of relevant creatures.

Jiangsu Offshore Longyuan made full use of the fishing off season and conducted a total of 5 breeding and releasing activities in the wind farm sea areas, and successively released 2.2 million large yellow croakers, 1.5 million cynoglossus semilaevis, 1 million takifugu flavidus, 66,667 large yellow croaker marked fish, 66,667 cynoglossus semilaevis marked fish, and 90 million fish fries of jellyfish into the Yellow Sea.

2.5.6 Jiangsu Offshore breeding and releasing


## 2.6 Low-Carbon Action

The Group has been actively promoting low carbon living and its philosophy by nurturing and propelling voluntary reduction in domestic society, giving support to enterprises which are willing to cut back on carbon emission voluntarily or refraining from personal emission of carbon, so as to expedite the development of low-carbon living. The Group advocated the concept of "Green Office", carried out paperless office and paperless conference to create a good atmosphere of green office. In addition, the Group guided the staff to live a low-carbon life, save resources and protect the environment. It has actively organized the headquarters and grassroots units to carry out "Clean Plate Campaign" and low-carbon walking activities.

In January 2020, the NDRC and the Ministry of Ecology and Environment jointly promulgated the Opinions on Further Strengthening Treatment of Plastic Pollution (Fa Gai Huan Zi [2020] No. 80) (《關於進一步加強塑膠污染治理的意見》(發改環資[2020]80號)), which clarified to take the lead in some regions and some areas to prohibit and restrict the production, sales and use of some plastic products during the year. The Group actively practiced the call and strictly implemented the regulation that the Company's canteen shall not provide disposable bags and disposable tableware initiatively. During the pandemic, the Group called for no gathering and limited the number of staffs in the confined space. Thus, in order to reduce the use of disposable tableware when staffs cannot eat in the canteen, the union provided stainless steel insulated lunch box for each staff. While reducing the use of plastics, according to the regulations of Beijing Municipal Government, the Group set up a garbage sorting area in the freight elevator space of each floor, so as to actively cultivate the awareness of saving and low carbon of all staff.

2.6.1 The photo of the "Clean Plate Campaign Starts from Me" activity of Anhui Longyuan

2.6.2 Gansu Longyuan organized the theme activity of "Have You Clean your plate today"

2.6.3 Jilin Longyuan carried out the activity of "Practice Strict Economy and Clean Your Plate"

2.6.4 Interviewed by a journalist on the launch of Clean Plate Campaign by Mengxi Longyuan

2.6.5 Volunteers from the Mengxi Longyuan went into the restaurant to advocate the civilized dining habit of ordering on demand and having a clean plate at each meal

2.6.6 Fujian Longyuan carried out the activity of brisk walking

2.6.7 Jiangsu Longyuan launched "I grow up with Jiangsu Longyuan" brisk walking activity with more than 60 people participated in it

# III. TALENT THRIVING ENTERPRISE

## 3.1 Introduction

Human resources are at the core of all resources for an enterprise. Excellent talents are precious wealth of the Group and the fundamental power for our continued high-speed development. The Group gives priority to professional ethics and occupational skills when hiring employees. Concurrence with our enterprise culture and being passionate on the job are basic requirements.

## 3.2 Employment Norms

The Group strictly abides by the Labour Contract Law (勞動合同法) in its labour and employment policies and has formulated the Administrative Measures for Employment (勞動用工管理辦法) based on the Labour Contract Law. The Group adopts campus recruitment for fresh graduates and social open recruitment to create a diversified employment environment with equal opportunities and carries out checks and verifications over the applicants in the recruiting process in close compliance with the Provisional Measures on Recruitment, Allocation and Management of Employees (員工招聘及調配管理暫行辦法) and the Administrative Measures for Employment (勞動用工管理辦法) issued by CHN Energy. The Group has never had any child labour exploitation and forced labour ever since its incorporation.

### 3.3 Staff of the Group

As at 31 December 2020, the Group had a total of 7,964 staff, of which 6,762, or 84.91%, were male, while 1,202, or 15.09%, were female. The staff structure is as follows:

**Table 1: Analysis of the Group's staff by business segments**

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| No. | Business segments | Number of staff in 2020 | Percentage | Number of staff in 2019 | Percentage |
| 1 | Overall management | 143 | 1.80% | 153 | 1.95% |
| 2 | Wind power business | 5,328 | 66.90% | 5,169 | 65.98% |
| 3 | Coal power business | 1,829 | 22.96% | 1,889 | 24.11% |
| 4 | Technical and related services business | 379 | 4.76% | 354 | 4.52% |
| 5 | Other renewable energy | 285 | 3.58% | 269 | 3.44% |
| Total | | 7,964 | | 7,834 | |

**Table 2: Analysis of the Group's staff by academic qualifications**

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| No. | Academic qualifications | Number of staff in 2020 | Percentage | Number of staff in 2019 | Percentage |
| 1 | Postgraduate and above | 521 | 6.54% | 496 | 6.33% |
| 2 | Undergraduate | 4,727 | 59.36% | 4,496 | 57.39% |
| 3 | College diploma | 1,734 | 21.77% | 1,786 | 22.80% |
| 4 | Technical secondary school and below | 982 | 12.33% | 1,056 | 13.48% |
| Total | | 7,964 | | 7,834 | |

### Table 3: Analysis of the Group's staff by age

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| No. | Age | Number of staff in 2020 | Percentage | Number of staff in 2019 | Percentage |
| 1 | 56 years old and above | 249 | 3.13% | 253 | 3.23% |
| 2 | 46–55 years old | 1,351 | 16.96% | 1,312 | 16.75% |
| 3 | 36–45 years old | 1,287 | 16.16% | 1,236 | 15.78% |
| 4 | 35 years old and below | 5,077 | 63.75% | 5,033 | 64.24% |
| Total | | 7,964 | | 7,834 | |

### Table 4: Analysis of the Company's staff by academic qualifications

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| No. | Academic qualifications | Number of staff in 2020 | Percentage | Number of staff in 2019 | Percentage |
| 1 | Postgraduate and above | 66 | 46.15% | 65 | 45.77% |
| 2 | Undergraduate | 69 | 48.25% | 70 | 49.30% |
| 3 | College diploma | 5 | 3.50% | 5 | 3.52% |
| 4 | Technical secondary school and below | 3 | 2.10% | 2 | 1.41% |
| Total | | 143 | | 142 | |

**Table 5: Analysis of the Company's staff by age**

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| No. | Age | Number of staff in 2020 | Percentage | Number of staff in 2019 | Percentage |
| 1 | 56 years old and above | 8 | 5.59% | 12 | 8.45% |
| 2 | 46–55 years old | 42 | 29.37% | 32 | 22.53% |
| 3 | 36–45 years old | 49 | 34.27% | 47 | 33.10% |
| 4 | 35 years old and below | 44 | 30.77% | 51 | 35.92% |
| Total | | 143 | | 142 | |

## 3.4 Diversity and Equal Opportunities

The Group has been committing to creating a diversified and equal employment environment with full respect for individual differences, including nationality, gender, cultural background and religious beliefs. In 2020, the number of female employees was at approximately 15%. Women accounted for approximately 25% of the Group's middle-level and above management personnel, and they played an important role in the Group's business. In addition, the Company had 14 foreign employees. We believe that enterprises and employees will develop together and achieve a win-win result in this diversified cultural atmosphere.

## 3.5 Staff Motivation

In order to cater to its development needs, the Group, on the basis of its existing position-based accountability system, has further perfected an effective mechanism for staff performance appraisal and management, revised the management measures on the total remuneration and annual salary of leaders, and formed the basic system of "recruiting more staff without increasing the salary, and downsizing staff without decreasing the salary". The Group has also significantly raised the annual salary standards for the performance indicators of relevant businesses, and further stimulated the entrepreneurial vitality of the cadre team. Standardisation of the establishment for the organisation of the enterprise and the allocation of personnel to positions were promoted by adhering to the headcount standard in evaluating headcount. By maintaining a clear division of the Group's objectives for the year, identification of the performance targets of different positions, formulation of performance assessment standards, appraisal of staff performance in an objective and accurate manner, stimulation of the potential and enthusiasm of the employees, the Group has made clear its approach of stressing on both motivations and regulations.

The critical illness insurance set up by the Group for its staff is an important component of the medical insurance system of the PRC and an important measure for the Group to implement the scientific outlook on development and thoroughly execute the "people-benefit project". To reduce the cost of medical services of staff suffering from outbreak of critical illness and eliminate their worries, we have referred to the Guidelines on Establishment of "Sunshine Huimin Welfare Plan (陽光惠民福利保障計劃)" of the Group, and set up the "Sunshine Huimin Welfare Plan", the types of insurance covering critical diseases, term life insurance, accident insurance, traffic accidental injuries and so forth. Meanwhile, the Group also organized its enterprises to take out insurance policies. In 2020, 20 cases of insurance claims were settled for the Company and quenched the thirst of our employees and their family members, thus safeguarding the health of employees of the Company.

In 2020, the Group granted 10 enterprises the first-class incentive fund and 20 enterprises the second-class incentive fund in recognition of units and personnel who made outstanding achievements in project development, engineering construction, safe production, economic operation, marketing, management innovation, capital management and capital operation, technological research, development and advancement and major awards.

As at the end of 2020, the Group recorded 89 cases of staff turnover and the turnover rate (staff turnover rate = number of outgoing staff/(headcount as at the beginning of the Reporting Period + the number of new recruits in the year)) was 1.1%. Particulars of the staff turnover proportion are set out below:

### Table 6: Information of the Group's staff turnover

| No. | Company name | Staff turnover | Age: 35 years old and below | 36–45 years old | 46–55 years old | 56 years old and above |
|---|---|---|---|---|---|---|
| | China Longyuan Power Group Corporation Limited (collectively) | 89 | 68 | 7 | 13 | 1 |
| 1 | Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司) | 1 | 1 | | | |
| 2 | Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司) | 15 | 1 | 3 | 10 | 1 |
| 3 | Xinjiang Longyuan Wind Power Generation Co., Ltd. (新疆龍源風力發電有限公司) | 10 | 10 | | | |
| 4 | Inner Mongolia Longyuan Mengdong New Energy Co., Ltd. (內蒙古龍源蒙東新能源有限公司) | 1 | 1 | | | |
| 5 | Hebei Longyuan Wind Power Generation Co., Ltd. (河北龍源風力發電有限公司) | 4 | 4 | | | |
| 6 | Guodian Youyi Biomass Power Co., Ltd. (國電友誼生物質發電有限公司) | 2 | 1 | | 1 | |
| 7 | Gansu Longyuan Wind Power Generation Co., Ltd. (甘肅龍源風力發電有限公司) | 7 | 7 | | | |
| 8 | Jiangsu Longyuan Wind Power Generation Co., Ltd. (江蘇龍源風力發電有限公司) | 1 | | | 1 | |
| 9 | Inner Mongolia Longyuan New Energy Development Co., Ltd. (內蒙古龍源新能源發展有限公司) | 1 | 1 | | | |
| 10 | Liaoning Longyuan New Energy Development Co., Ltd. (遼寧龍源新能源發展有限公司) | 4 | 3 | 1 | | |
| 11 | Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd. (江蘇海上龍源風力發電有限公司) | 3 | 3 | | | |

| No. | Company name | Staff turnover | Age: 35 years old and below | Age: 36–45 years old | Age: 46–55 years old | Age: 56 years old and above |
|---|---|---|---|---|---|---|
| 12 | Shanxi Longyuan Wind Power Generation Co., Ltd. (山西龍源風力發電有限公司) | 1 | 1 | | | |
| 13 | Yunnan Longyuan Wind Power Generation Co., Ltd. (雲南龍源風力發電有限公司) | 1 | 1 | | | |
| 14 | Fujian Longyuan Wind Power Generation Co., Ltd. (福建龍源風力發電有限責任公司) | 2 | 2 | | | |
| 15 | Anhui Longyuan Wind Power Generation Co., Ltd. (安徽龍源風力發電有限公司) | 5 | 5 | | | |
| 16 | Longyuan Ningxia Wind Power Generation Co., Ltd. (龍源寧夏風力發電有限公司) | 1 | 1 | | | |
| 17 | Longyuan Guizhou Wind Power Generation Co., Ltd. (龍源貴州風力發電有限公司) | 4 | 4 | | | |
| 18 | Jilin Longyuan Wind Power Generation Co., Ltd. (吉林龍源風力發電有限公司) | 1 | 1 | | | |
| 19 | Longyuan Shaanxi Wind Power Generation Co., Ltd. (龍源陝西風力發電有限公司) | 1 | 1 | | | |
| 20 | Shandong Longyuan Wind Power Generation Co., Ltd. (山東龍源風力發電有限公司) | 4 | 4 | | | |
| 21 | Hainan Longyuan Wind Power Generation Co., Ltd. (海南龍源風力發電有限公司) | 2 | 2 | | | |
| 22 | Guangxi Longyuan Wind Power Generation Co., Ltd. (廣西龍源風力發電有限公司) | 2 | 1 | | 1 | |
| 23 | Longyuan Power Group (Shanghai) Wind Power Co., Ltd. (龍源電力集團(上海)風力發電有限公司) | 2 | 2 | | | |
| 24 | Hunan Longyuan Wind Power Generation Co., Ltd. (湖南龍源風力發電有限公司) | 1 | 1 | | | |
| 25 | Henan Longyuan New Energy Development Co., Ltd. (河南龍源新能源發展有限公司) | 1 | 1 | | | |
| 26 | Longyuan Tibet New Energy Co., Ltd. (龍源西藏新能源有限公司) | 1 | 1 | | | |
| 27 | Zhongneng Power-Tech Development Co., Ltd. (中能電力科技開發有限公司) | 3 | 3 | | | |

| | | | Age | | | |
|---|---|---|---|---|---|---|
| No. | Company name | Staff turnover | 35 years old and below | 36–45 years old | 46–55 years old | 56 years old and above |
| 28 | Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd. (龍源(北京)風電工程設計諮詢有限公司) | 4 | 1 | 3 | | |
| 29 | Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司) | 4 | 4 | | | |

## 3.6 Staff Development

The Group paid special attention to personnel training and development, put more efforts to train young cadres through constant innovation of selection and appointment mechanism, continuously optimised leadership structure of enterprises and kept innovation capabilities of the Company. The Group implemented “dual-track” management mechanism for administrative positions and technical operation positions, which has broadened the career prospects of the staff. In order to meet the requirements of talent transformation and due to the business development needs of production post or management post, a staff post transformation and development channel has been established. Before job transfer to administrative management posts, production personnel must pass the exams in terms of analysis and decision capability, communication and coordination capability, emergency response capability, etc.; should administrative management personnel be transferred to production posts, they must pass professional technical exams to obtain the certificate for production posts. Meanwhile, a leadership development channel has also been built, and training measures such as enriching curriculum system, innovating teaching methods, etc. were taken to serve the construction of corporate leadership to improve managers’ corporate culture and judgment on work value, communication and management skills and other leadership skills.

In 2019, the Group further consummated the vocational development systems covering the capable personnel teams in the aspects of "administration, technology and skill" and promoted the construction of "Chief System (首席制)". In 2020, the Group renewed and additionally appointed 285 chief talents at all levels, including 2 Group-level chief talents and 283 grassroots enterprise-level chief talents. So far, the Group had a total of 374 chief talents at all levels, including 16 group-level chief talents (12 persons from technology sequence and 4 from skill sequence) and 36 grassroots enterprise-level chief operation inspectors (19 persons from technology sequence and 17 from skill sequence). The establishment of the chief talents team effectively boosted the progress and success of outstanding in-service employees and gave full play to the guiding and driving effects of excellent capable persons. Besides, fruitful achievements were obtained in educational trainings, tackling major technological problems, research studies and other aspects, having creating the benign atmosphere of gathering, attracting, fostering and utilising capable persons.

### 3.7 Staff Training

In 2020, the Group advanced the construction of "Big training" system with all its strength according to the "Thirteenth Five-year" Plan for Education and Training (《教育培訓「十三五」規劃》) and Measures for Management of Safety Production Training (《安全生產培訓管理辦法》) formulated by the Group. It continuously consolidated the foundation, explored and innovated, and further improved the overall standard of training. According to impact of the pandemic, the Group adjusted the training implementation plan in a timely manner, expanded the training methods and initiated the "online learning" mode. The theoretical training of key training projects such as "Craftsmanship Training Camp", "Grassroots Comprehensive Management Ability Promotion Class" and "Employees with Certificates" have all been transferred to online training, ensuring the successful completion of the training tasks throughout the year. The Group continued to promote the system construction of the training base, and completed the construction work of the training base of Yunnan Longyuan this year. The base site is equipped with theory study room, teaching facilities, teaching aids, student dormitory, etc., which can meet the requirements of wind turbine simulation training teaching, and can provide training convenience for companies in Guizhou, Guangxi, Guangdong and other surrounding regions. Thus, the layout of the Group's training bases throughout the Country is more complete. On the basis of fully summing up the experience of the previous key training courses, the Group deeply implemented the third phase training of "Leadership (Craftsmanship) Training Camp", selecting 65 outstanding operation and maintenance practitioners to successfully complete the eight-month training for the "Craftsmanship Training Camp" through the combination of online, offline and on-site training model, 34 outstanding plant directors (vice plant directors) to participate in the training of "Leadership Training Camp". The Group continued to organize the expert team led by chief talents of the Group to conduct "Famous Teachers' Lecture" technical skills training in wind farms of six units in eastern Inner Mongolia, Hebei, western Inner Mongolia, Shanxi, Gansu and Fujian, and the training results have been recognized by all parties.

In 2020, the Group trained a total of 110,549 person-times for 7,001 participants.

| Item | Number of staff as at the end of the period | Number of staff trained | Training percentage (%) | Accumulative number of days for attending training | Training expenses (RMB'000) | Number of training Person-times | Organisation of training | Cadre elective study | Training method: Online training | Training method: Overseas training | Training method: Other training |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Managerial and skilled staff | 2,255 | 2,255 | 100% | 22,160 | 819.56 | 17,279 | 6,282 | 2 | 9,188 | 1 | 1,806 |
| 2. Production staff | 5,666 | 4,710 | 83.13% | 79,928 | 3,055.08 | 92,633 | 48,883 | 2 | 22,166 | 13 | 21,569 |
| 3. Other staff | 43 | 36 | 83.72% | 852 | 28.06 | 637 | 302 | 0 | 186 | 0 | 149 |
| Total | 7,964 | 7,001 | 87.91% | 102,940 | 3,902.7 | 110,549 | 55,467 | 4 | 31,540 | 14 | 23,524 |

### 3.8 Staff Remuneration

The staff remuneration of the Group comprises of post-performance salary, special bonus and various subsidies. The Group adopts the selection mechanism composed of competition for a post and dynamic adjustment, promotes and demotes, rewards and punishes the cadres depending on their performance, so as to stimulate the vitality of staff team; adopts efficiency improvement and value creation as key indicators to measure the staff's working ability, increases rewards without capping to cadres and staff members who work diligently and make outstanding contribution, so as to increase their enthusiasm towards work; provides subsidies for staff who work in remote regions where supplies are scarce, technical support staff, expatriates who are despatched to work in Qinghai and Tibet, so as to encourage employees to work hard and take root in the front-line areas in the light of the influence on the work and life of employees.

## IV. SAFETY FIRST

### 4.1 Systematic and Standardized Management

In 2020, the Group carried out the implementation of the "tri-fold" standards covering operational quality, environment awareness and occupational health and safety, as an important means to promote the implementation of relevant laws, regulations, and policy standards. The Group issued "tri-fold" standards management manual, and initiated the trial operation of the system at the Company's headquarter and in three subsidiaries at provincial level which served as pilot units. Based on the rules and regulations, under the guidance of the three standards, the Group adopted the whole process PDCA approach, and achieved the goal of "complete system, clear plan, good operation, reasonable evaluation, and continuous improvement". The Company has strengthened its influence and reputation in the domestic and foreign markets during the course of deepening and promoting reform and building itself into world-class energy enterprise.

In order to further improve the standardization of the Company's systems, in addition to the "tri-fold" standards implementation and internal control compliance requirements, the Safety and Environmental Protection Supervision Department and the Production and Operation Department formulated, revised and improved 48 management systems, including the Implementation Measures for Safety Risk Analysis and Control (《安全風險分析控制實施辦法》), the Occupational Disease Prevention Measures (《職業病防治管理辦法》) and others in accordance with CHN Energy's newly issued professional rules and regulations for safety, environmental protection and production and operation, to fill management gaps, clarify management links, and standardize the responsibility system, security system, supervision system. By invoking an information platform, the Group realized the processed system, form-like process, information-based form.

## 4.2 Cyber Security Management

In 2020, the Group carried out cyber security-related work in strict accordance with the Cyber Security Law of the People's Republic of China and the requirements of the relevant cyber security policies promulgated by the NDRC, the MIIT and the NEA. Under the framework of the overall network security management of the NEA, the Group adhered to the principle of "active utilization, scientific development, management according to law and ensuring security" and promoted the construction of network infrastructure and improved the ability to safeguard network security.

In accordance with national and industry standards, the Group adopted technical means and management measures to improve the integrated mechanism of “monitoring and detect, notification and early warning, and emergency response” for the handling of cyber security incidents, to enhance its defense and protection capabilities and the security management level, and ensure network security and the stable operation of all equipment. The Group actively and effectively responded to network security incidents, prevented illegal and criminal activities on the network, and ensured the integrity, confidentiality and availability of the data on the network. In addition, the Group encouraged network technology innovation and application, adhered to the practice of holding internal network security training, and strived to establish and improve a network security guarantee system.

### 4.3 Health and Safety Management

In 2020, the Group strengthened occupational health management and implemented the occupational health supervision responsibilities. The Group established the Occupational Disease Prevention and Control Committee, and clearly required relevant assessment indicators be included in the safety and environmental responsibility letter; established an occupational health and safety management system that meets the requirements of the GB/T 28001 standards, and achieved a good occupation health and safety performance by identifying, evaluating and controlling occupational health and safety risks to ensure the sustainable and healthy development of the Company; adhered the principle of "occupational health and safety are equally important", strengthened the construction of the occupational health system, formulated the Company's occupational disease prevention and control work plan and implementation plan, and supervised the implementation of test for the occupational-disease-inductive factors and employee physical check-up at all units under the Company, to prevent, control and eradicate occupational diseases, and effectively improve the health and well-being of employees. From 2018 to this year, no staff of the Group died in accidents, resulting in loss of 0 working day.

In an effort to ensure the safety and health of the employees in the process of production, reduce the occurrence of occupational diseases and achieve effective management of occupational health, the Group arranges pre-employment physical examinations, including normal physical examination and occupational disease examination, and subsequent unified annual physical examination for staff. Furthermore, the Group regularly distributes labour protection appliances to ensure protection measures for employees before they start to work. A safety supervision department has been established in each project company to strengthen on-site supervision, guidance and regulation of operations. In addition, the Group holds safety knowledge contests involving all employees, and provides training in rotation for safety officers with a view to enhance safety awareness and safety technical levels of staff.

# V. RESPONSIBILITIES

## 5.1 Supply Chain Management

For the domestic projects subject to tender according to the relevant laws and regulations under the Tender and Bidding Law of the People's Republic of China (中華人民共和國招投標法), the Group shall determine the suppliers by way of public tender. For projects of which no tender is required by laws, the suppliers shall be determined in a competitive manner on the "CHN Energy E Procurement" platform according to the procurement management system established by the Company; For overseas projects, invitation tender, price enquiry and other methods shall be adopted in accordance with the practices in the country where the projects are located and the actual situation of the projects. So far, all suppliers in cooperation with the Group have been selected in compliance with the abovementioned supplier engagement conventions.

In 2020, the Group attracted strong suppliers to participate in the competition by adopting promoting centralized bundling, entering into of long-term agreements and other procurement methods, so as to ensure good brand quality from the source of procurement while reasonably saving cost by standardizing procurement standards and other means. All procurement projects subject to tender or not were conducted on the specified online platform which would record important matters and the process traces at each stage of the procurement activity automatically, and such projects were subject to external audit and supervisory inspection.

Suppliers are required to have relevant certifications of environmental management system and occupational safety and health management system. At the same time, bidders for major construction bid sections were required to focus on the environmental protection and safety measures, and included this content in the selection system, so as to promote the use of more environmental protection products and services. In addition, in the course of the implementation of contracts, an on-site supervision or manufacturing supervision management system was maintained for the construction and the major equipment bid sections. The Group's major suppliers have joined the "China RE100" and committed to the widespread use of renewable energy in the future. In the production parks of some suppliers, production and office energy are provided through distributed clean energy and smart micro-grids, which effectively increase the proportion of clean energy and improve the energy utilization efficiency.

The Group selects its suppliers in a completely competitive manner without a fixed list of suppliers. As such, there is no statistical data of suppliers by region. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

### 5.2 Compliance Management

In 2020, the Group followed strictly the Company Law of the PRC (中華人民共和國公司法), the Securities Law of the PRC (中華人民共和國證券法), the Contract Law of the PRC (中華人民共和國合同法), the Law of the People's Republic of China on the State-Owned Assets of Enterprises (中華人民共和國企業國有資產法), the Electricity Law of the PRC (中華人民共和國電力法), the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Forest Law of the People's Republic of China (中華人民共和國森林法), the Labour Law of the PRC (中華人民共和國勞動法) and other relevant laws and regulations as well as environmental policies in China. The Group was not involved in any serious violation of laws or regulations in 2020.

During the year, the overseas subsidiaries of the Company have been carrying out relevant work in strict accordance with the laws and regulations of the country where they are located. Especially in view of the stringent environmental protection requirements, a special team was set up to check and follow up, earnestly implement various measures, and fully implement the primary responsibility.

## VI. ANTI-CORRUPTION PRACTICE

In strict compliance with the national laws and regulations including the Constitution of the Communist Party of China (中國共產黨黨章), the Regulation of the Communist Party of China on Disciplinary Actions (中國共產黨紀律處理條例) and the Rules on Supervision and Disciplinary Work of the Disciplinary Inspection Organs of the Communist Party of China (中國共產黨紀律檢查機關監督執紀工作規則), and regulations including the Measures for Handling Violations of Discipline of the China Energy Investment Corporation Limited (Trial) (國家能源投資集團有限責任公司職工違規違紀處理辦法(試行)), the Interim Measures for Strengthening Supervision by the Discipline Inspection and Supervision Team of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司紀檢監察組加強監督工作暫行辦法) and the Implementation Measures for Interview by the Discipline Inspection and Supervision Team of China Energy Investment Corporation Limited (Trial) (國家能源投資集團有限責任公司紀檢監察組約談實施辦法(試行)), the Group requires its employees to abstain from misconducts such as offering or accepting bribery and corruption in any circumstance and to strictly comply with honesty and self-discipline standards.

The Group has an office of the discipline inspection commission, which, under the leadership of the Discipline Inspection Group of CHN Energy, the Party Committee and Discipline Inspection Committee of the Group, is responsible for internal supervision, prevention of corruption, acceptance of whistle-blowing, investigation and handling of rule-breaking or law-breaking cases. For petition and whistle-blowing matters and clues, the office of the discipline inspection commission will make dispositions investigation and verification in strict compliance with the relevant laws and regulations of the state as well as the Measures for Management and Handling of Petition and Whistle-blowing Matters and Clues of Longyuan Power (龍源電力紀檢信訪舉報和問題線索管理處置辦法). As for staff suspected of violation or criminal offense, the Commission for Disciplinary Inspection of the Group will be reported to the Discipline Inspection Group of CHN Energy, and assist the Discipline Inspection Group of CHN Energy to hand over such matters to the judicial authority.

In 2020, the Group prepared and distributed the Key Points for 2020 Discipline Inspection (2020年紀檢工作要點) and Task Breakdown Sheet (工作任務分解表), and revised and improved 13 discipline inspection systems. The Group organized the members of the leading group and the principal persons in charge of various departments to participate in the warning education conference held by CHN Energy to enhance their integrity awareness and fortify their ideological defense lines. In view of the possible integrity risk points in key business areas, the Group formulated prevention and control measures and further improved the List of Supervision Matters for Integrity Risk Points in Key Business Areas (重點業務領域廉潔風險點監督事項清單). Carried out special inspections, strengthened style supervision, and ensure the practical and efficient operation of enterprises.

## VII. HARMONIOUS COMMUNITY

We do everything for people's livelihood and conduct small good deeds frequently to achieve a win-win situation through cooperation. Adhering to the guideline of "corporate development concurrent with repaying the society", the Group proactively built warm care, discharged its obligations in respect of serving the local economy, participating in public welfare and charitable undertakings, engaging in volunteer service activities, etc. It also fulfilled its responsibility as a corporate citizen and participated in public welfare businesses, striving to make more contributions to social harmony and development.

### 7.1 Participating in the Joint Prevention and Control of the Pandemic

In 2020, the Group actively participated in the joint prevention and control of COVID-19 pandemic, organized all units to donate pandemic prevention materials and supplies to local areas, and participated in community anti-pandemic services. It focused on production and operation work, established a special leading group to initiate the first-level response, formulated contingency emergency plans, implemented various preventive work, and realized "zero diagnosis" for all staff. During the pandemic, the Group made full use of informatization and intelligent means, carried out telecommuting extensively and dynamically adjusted duty arrangements to effectively ensure the orderly progress of all work.

7.1.1 Jilin Longyuan actively participated in the service for the pandemic in the local railway station


7.1.2 Liaoning Longyuan expressed condolences to the staff at the checkpoint for the pandemic

7.1.3 Guangdong Longyuan actively participated in pandemic prevention and control, and was awarded the honor of "Pioneer of Pandemic Prevention" by the community residents committee of Zhapo County

7.1.4 Tibet Longyuan distributed masks to villagers

7.1.5 Longyuan South Africa donated funds and pandemic prevention and control supplies during the pandemic outbreak period

## 7.2 Building warm care

The Group actively carried out activities of sending warm care, visited and condoned 3,572 people including employees in difficulties, families of seriously ill employees, model workers, and front-line employees who stick to their posts during the festival, and distributed solatium of RMB4,093,300. During the pandemic, a solatium of RMB875,000 was distributed to the employees in Hubei pandemic areas, front-line employees, overseas employees, employees in need and 122 family members of employees who participated in the prevention and control of the pandemic. The mutual fund for employees was implemented, the electronic files for employees in need were established, and the fund was distributed to 65 employees in need with a total amount of RMB1,185,000.

In 2020, the Group organized study and recuperation activity for advanced model workers of 2020 and frontline workers from backcountry in model worker recuperation base of Sanya, with 60 model worker representatives from 27 subordinate units participating in the activity. The recuperation activity for model workers arranged discussion and exchange, health lecture, red education and outward bound so that model workers could enhance their communication, exercise and have cheerful moods in rich activities, which further enhanced their spirit of dedication and innovation, and encouraged model workers to set examples with higher standards and stricter requirements.

Longyuan South Africa purchased a professional medical service bus by investing about ZAR4 million, and began implementing free medical service project for the elderly, women, children and other groups in communities since January 2020. It also planned to invest ZAR5 million per annum to support the normal operation of the medical service bus so as to provide free medical service for 25,000 locals including students, the poor and other special groups to improve their health.

7.2.1 Dafengshan wind farm of Heilongjiang Longyuan carried out condolence activity of "Spring Festival Warmth" to distribute Spring Festival souvenirs to the staff on duty of the wind farm


7.2.2 The 5th wind farm in Qiuqu of Ningxia Longyuan carried out Spring Festival activity of "Sending Warmth" to distribute Spring Festival souvenirs to the wind farm

7.2.3 Jiangxi Longyuan carried out Spring Festival condolence activity of "Warmth to the Frontline"

7.2.4 the Group organized recuperation activity for model workers

7.2.5 Longyuan South Africa provided a professional medical service bus

### 7.3 Serving the Local Economy

In the process of project development, construction and operation, the Group has established a mechanism for regular communication and exchange with local representatives and endeavours to consolidate the close connection with relevant local governments to maintain effective communication channels with local competent departments. In addition, The Group proactively adopts reasonable suggestions from local governments, enterprises and residents, improves local infrastructures, and shares corporate welfare facilities with community members. All these measures have promoted local new energy construction and sound development of the local economy.

7.3.1 The Group continued to help Youyu County to make up for the shortcomings and actively consolidated the results of poverty eradication, and was honored the "Organizational Innovation Award" for poverty eradication in Shanxi Province in the evaluation and commendation activity under Poverty Eradication Award of Shanxi Province in 2020


7.3.2 Longyuan South Africa refurbished the local stadium and was highly praised by the local government and the soccer club

7.3.3 Hainan Longyuan released posters on the laws and regulations governing the safe use of electricity and the protection of electricity facilities, and answered questions from the masses

## 7.4 Participating in Public Welfare and Charitable Undertakings

Proactively participating in public welfare and charitable undertakings, the Group continuously advances the "Longyuan's Green Care Action" plan with continued efforts. It earned trust and respect with its integrity, dedication, kindheartedness and harmony and strived to foster harmonious relationship between corporate and social development, creating a positive image of a responsible corporation. In 2020, the Group repaid the society in various channels such as respecting the old, caring for the young, subsidies for education and to the handicapped, and assistance to the poor.

7.4.1 The Group carried out promotion meeting for products from Youyu

7.4.2 Ningxia Longyuan helped primary school students to assemble test miniatures

7.4.3 The photo of Shandong Longyuan's visit to the elderly in the nursing home

7.4.4 Qinghai Longyuan went into the homes of poor villagers to promote its policies

7.4.5 Volunteer activity with partner assistance of Hebei Longyuan

7.4.6 Guizhou Longyuan carried out caring activity for primary school students

7.4.7 Hebei Longyuan carried out volunteer service activity of “Welcome July 1 and Send Warm Care for Children in Distress and Left-behind Children''

7.4.8 Liaoning Longyuan expressed condolences to the elderly in nursing homes


7.4.9 Mengxi Longyuan visited and expressed condolences to the veterans who resisted U.S. aggression and aided Korea

## 7.5 Launching of Recreational and Sports Activities

The Group proactively implemented the outline of "Health China 2030 (健康中國2030)" Plan to promote national fitness and further the Green Care Action. It overcame the adverse impact of the pandemic and actively carried out various recreational and sports activities: a number of staff recreational and sports associations in the headquarters of the Group regularly carried out activities and organized traditional Chinese medicine physiotherapy and health lectures for paying attention to the physical and mental health of the staff; all grassroots units actively carried out basketball games, table tennis games and fun sports meetings.

7.5.1 Site of activity “You are my eyes” organized by Anhui Longyuan

7.5.2 20 young employees of Gansu Longyuan participated in the "Chinese Valentine's Day" theme youth dating activity

7.5.3 Tianjin Longyuan carried out youth fellowship activity

7.5.4 Jiangsu Offshore Longyuan launched a friendly football match


7.5.5 Heilongjiang Longyuan carried out employee development training to build a corporate culture atmosphere of unity and forge ahead

7.5.6 Mengdong Longyuan carried out staff basketball competition

7.5.7 Mengxi Longyuan launched the 2020 "Keeping the Target and Striving for the Pioneer, Welcoming the National Day and Celebrating the Motherland" staff sports meeting

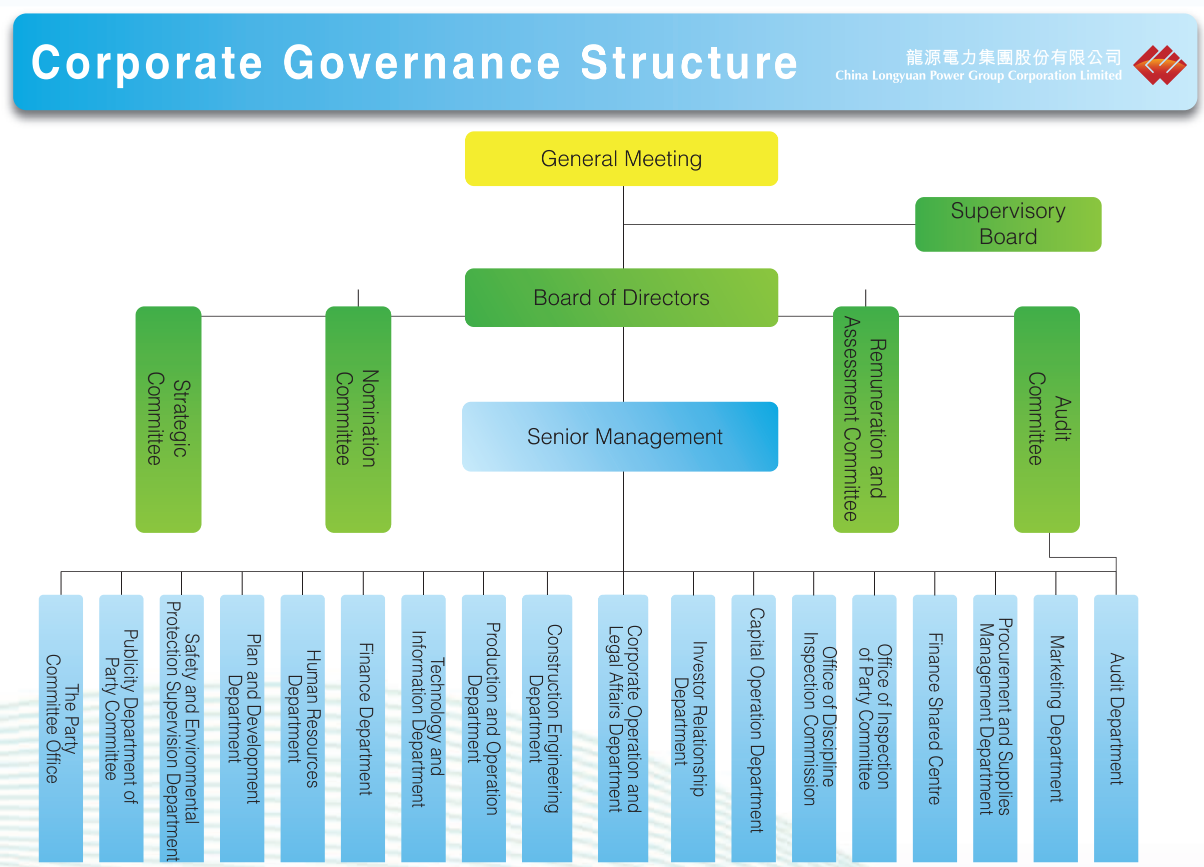
7.5.8 Shanxi Longyuan carried out table tennis competition

# CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2020.

The Company has complied with the Code provisions as set out in the Corporate Governance Code and the Corporate Governance Report in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange, as well as most of the recommended best practices therein. For the recommended best practices, the Company strives to implement them to the largest extent based on the Company's actual management conditions. Meanwhile, the Board also monitors and reviews the existing corporate governance on a regular basis with the aim of constantly advocating and carrying out a sound standard of corporate governance. The Board of the Company is responsible for performing the corporate governance duties set out in the terms of reference in the Code Provision D.3.1 of the Corporate Governance Code.

The corporate governance structure of the Company is set out as follows:



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties of the Company, which are specifically as follows: (1) formulating and reviewing the Company's policies and practices on corporate governance; (2) reviewing and monitoring the training and continuous professional development of Directors and senior management; (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (4) formulating, reviewing and monitoring the code of conduct of employees and Directors; and (5) reviewing the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report contained in annual report.

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2020, save for the deviation from the code provision E.1.2 disclosed in paragraph 5 below. the Company has complied with all the Code provisions and, where appropriate, adopted certain recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Corporate governance practices adopted by the Company are summarised below:

### 1. The Board

The Board exercises its powers and functions in accordance with the provisions as set out in the Articles of Association. The Board follows the principle of acting in the best interest of the Company and its Shareholders, reports its works at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

#### 1.1 Composition of the Board

As at 31 December 2020, the Board consisted of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 125 to 131 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the listing of the Company, the Board has been in compliance with the requirement under Rule 3.10(1) of the Listing Rules requiring the appointment of at least three independent non-executive Directors. It has also complied with the subsequent new requirement of Rule 3.10A of the Listing Rules which requires that independent non-executive Directors shall represent at least one third of the Board. The Company is also in compliance with Rule 3.10(2) of the Listing Rules regarding the qualifications requirement of at least one of the independent non-executive Directors. In addition, the Company has received annual confirmations from independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore believes that all independent non-executive Directors are independent as required under the Listing Rules.

Upholding its belief that the increasing diversity at the Board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, the Company formulated the Board Diversity Policy in October 2013. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can brought to the Board. All nominees proposed by the Board shall comply with the principle of appointment based on merits and fully take into account objective conditions and benefits of diversity of the Board while considering candidates. The nomination committee will report the composition of the Board at a diversity level in the annual report each year, supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. The nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for approval.

As at the Latest Practicable Date, the current composition of the Board is set out as follows:

| Name | Position held at the Company | Date of appointment/re-election |
|---|---|---|
| Jia Yanbing | Chairman of the Board | 24 September 2019 |
| | Executive Director | 28 February 2019 |
| Sun Jinbiao | Executive Director | 15 November 2019 |
| Liu Jinhuan | Non-executive Director | 6 July 2018 |
| Zhang Xiaoliang | Non-executive Director | 28 February 2020 |
| Yang Xiangbin | Non-executive Director | 6 July 2018 |
| Zhang Songyi | Independent non-executive Director | 6 July 2018 |
| Meng Yan | Independent non-executive Director | 6 July 2018 |
| Han Dechang | Independent non-executive Director | 6 July 2018 |

### 1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four meetings each year, to be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular Board meeting. The notice shall state relevant data such as the time, venue, agenda and the subject matters to be discussed, etc.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association, the quorum for a Board meeting is at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

The details regarding Board meetings convened in the Reporting Period and the attendance of Directors at such meetings are set out in the Directors' Report in this annual report.

The Board of Directors confirm that corporate governance shall be collective responsibility of the Directors, and the corporate governance functions include the following:

1. Formulating and reviewing the Issuer's policies and practices on corporate governance and making recommendations to the Board;

2. Reviewing and monitoring the training and continuous professional development of the Directors and senior management;

3. Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. Formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

5. Reviewing the Issuer's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

### 1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management are expressly stipulated in the Articles of Association, which aims to provide adequate check and balance mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business and investment plans, deciding on the establishment of the Company's internal management structure, formulating the Company's basic administration rules, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Led by the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

### 1.4 Chairman and President

The roles of the Chairman of the Board and President (i.e. the chief executive pursuant to the relevant Listing Rules) of the Company are separate and held by different persons to ensure their respective independence of responsibilities, accountability and the balance of power and authority between them. During the Reporting Period, Mr. Jia Yanbing acts as the Chairman of the Board and Mr. Sun Jinbiao acts as the President. The Board considered and approved the Rules of Procedures of the Board Meeting and the Terms of Reference of the Senior Management of the Company, which clearly defined the division of duties between the Chairman and the President.

Mr. Jia Yanbing, the Chairman of the Board, leads the Board to determine the overall development plan of the Company, ensure the effective operation of the Board, performs the due obligation and discuss all important and appropriate matters timely; ensures the Company formulate sound corporate governance practices and procedures; and ensures the acts of the Board conform to the best interests of the Company and its Shareholders as a whole. Mr. Sun Jinbiao, the President, is primarily responsible for the daily operation management of the Company, including organizing the implementation of the resolutions of the Board and making daily decisions etc.

### 1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the Shareholders' meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

### 1.6 Directors' Remuneration

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board, subject to approval at general meeting, with reference to Directors' experience, work performance, positions and market conditions.

## 2. Board Committees

There are four Board committees, namely the Audit Committee, remuneration and assessment committee, nomination committee and strategic committee.

### 2.1 Audit Committee

The Audit Committee consists of three Directors: Mr. Yang Xiangbin (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Meng Yan serves as the chairman of the Audit Committee.

The audit of risk management system of the Company is included in the Terms of Reference of the Audit Committee.

The primary responsibilities of the Audit Committee are to supervise and review the annual and interim reports and results announcements; supervise the Company's risk management and internal control systems, and supervise and evaluate the effectiveness of the Company's internal inspection and audit function and audit process; review the annual internal audit plan, material risks and the ability of the Company to cope with risks; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectivity of external auditors and effectiveness of audit process; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company; review interim and annual financial statements before submission to the Board; review and oversee the financial reporting system, risk management and internal control procedures of the Company and the effectiveness of the procedures in complying with relevant regulations under the Listing Rules; review material faults or defects (if any) and the impact that has and may incur thereby; evaluate the effectiveness of the internal control and risk management system; ensure coordination between the internal and external auditors and ensure that the internal audit function is operating with adequate resources in the Company and the relevant staff have sufficient capabilities and experience and are provided with regular training programs or similar arrangement. In 2020, the Audit Committee and the Board had no disagreements with the selection, appointment, resignation or dismissal of the external auditors.

During the Reporting Period, the Audit Committee held four meetings, details of which are as follows:

- On 27 March 2020, the 2020 first meeting of the Audit Committee of the fourth session of the Board was held, at which three proposals were considered and approved.

- On 27 April 2020, the 2020 second meeting of the Audit Committee of the fourth session of the Board was held, at which one proposal was considered and approved.

- On 11 August 2020, the 2020 third meeting of the Audit Committee of the fourth session of the Board was held, at which three proposals were considered and approved.

- On 27 October 2020, the 2020 fourth meeting of the Audit Committee of the fourth session of the Board was held, at which one proposal was considered and approved.

- All incumbent members of the Audit Committee at the above meetings, being Mr. Meng Yan, Mr. Yang Xiangbin and Mr. Zhang Songyi, attended the above meetings, with the attendance rate of 100%.

During the Reporting Period, the Audit Committee has reviewed the annual results of the Group for 2019, unaudited consolidated results for the three months ended 31 March 2020, interim results for 2020 and unaudited consolidated results for the nine months ended 30 September 2020 and assisted the Board in reviewing the effectiveness and assessment of the risk management and internal control systems. For detailed information about the Company's review of risk management and internal control systems, please refer to "Risk Management and Internal Control" section of this report.

### 2.2 Remuneration and Assessment Committee

The remuneration and assessment committee consists of three Directors: Mr. Liu Jinhuan (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Zhang Songyi is the chairman of the remuneration and assessment committee.

The Company has adopted the approach that the remuneration and assessment committee makes recommendations to the Board for determining the remuneration packages of executive Directors and senior management.

The primary responsibilities of the remuneration and assessment committee are (including but not limited to) to make recommendations to the Board with respect to the establishment of policies, schemes or proposals for Directors' and senior management's overall remuneration; review, approve and oversee the overall remuneration proposals for Directors and senior management; formulate the evaluation standards on Directors and senior management and assess the said standards; ensure that neither the Director nor any of his or her associates may determine his or her own remuneration; assess the performance of executive Directors; approve the terms of service contracts of executive Directors, etc.

During the Reporting Period, the remuneration and assessment committee held one meeting, details of which are as follows:

- On 27 March 2020, the 2020 first meeting of the remuneration and assessment committee of the fourth session of the Board was held, at which two proposals were considered and approved.

All members of the remuneration and assessment committee, being Mr. Liu Jinhuan, Mr. Zhang Songyi and Mr. Han Dechang attended the said meetings, with the attendance rate of 100%.

During the Reporting Period, the remuneration and assessment committee reviewed the implementation of the remuneration of the Directors, supervisors and senior management in 2019, and the remuneration plan of the Directors, supervisors and senior management in 2020.

### 2.3 Nomination Committee

The nomination committee consists of three Directors: Mr. Jia Yanbing (executive Director), Mr. Meng Yan (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Jia Yanbing is the chairman of the nomination committee.

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board, formulate the procedures and standards for nominating candidates for Directors and senior management, conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and comment and review the independence of independent non-executive Directors.

In accordance with the Board Diversity Policy issued by the Company in October 2013, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board. The nomination committee shall supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. Meanwhile, the nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board. The nomination committee considered that during the Reporting Period, the composition of the members of the Board was in accordance with the requirements of the Board Diversity Policy.

In order to implement the Board's diversity policy, the following measurable objectives have been achieved:

1. the Board has independent non-executive Directors representing more than one-third of the Board;

2. at least one of the independent non-executive Directors has professional qualifications in line with the regulatory requirements.

During the Reporting Period, the nomination committee held two meetings, details of which are as follows:

- On 27 March 2020, the 2020 first meeting of the nomination committee of the fourth session of the Board was held, at which one proposal was considered and approved.

- On 27 October 2020, the 2020 second meeting of the nomination committee of the fourth session of the Board was held, at which one proposal was considered and approved.

During the Reporting Period, the nomination committee conducted the following nomination procedures for Director candidates pursuant to the Rules of Procedures of the Nomination Committee of the Board of China Longyuan Power Group Corporation Limited. The nomination committee carried researches on the list of Director candidates in accordance with laws, regulations, normative documents, regulatory requirements and the Articles of Association and submitted the recommendation opinion to the Board to determine whether to submit for election at the general meeting. The nomination committee and the Board fully took consideration of the Board diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and service tenure) and the benefits therefrom; they focused on the educational background of the candidates and their professional experience, in particular, the management research experience in financial and insurance industries and paid special attention to the independence of the candidates for independent non-executive Directors. During the Reporting Period, the Shareholders elected Mr. Zhang Xiaoliang as the non-executive Director at the 2020 first extraordinary general meeting.

All members of the nomination committee, being Mr. Jia Yanbing, Mr. Meng Yan and Mr. Han Dechang, attended the said meeting, with the attendance rate of 100%.

### 2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Liu Jinhuan (non-executive Director), Mr. Jia Yanbing (executive Director), Mr. Zhang Xiaoliang (non-executive Director) and Mr. Sun Jinbiao (executive Director). Mr. Jia Yanbing is the chairman of the strategic committee.

The primary responsibilities of the strategic committee are to formulate the Company's overall development plans and investment decision-making procedures; review the Company's long-term development strategies; review the Company's strategic planning and implementation reports; and review significant capital expenditure, investment and financing projects that require approval of the Board.

During the Reporting Period, the strategic committee held one meeting, details of which are as follows:

- On 27 March 2020, the 2020 first meeting of the strategic committee of the fourth session of the Board was held, at which two proposals were considered and approved.

All incumbent members of the strategic committee at the above meeting, being Mr. Jia Yanbing, Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Sun Jinbiao, attended the meeting, with the attendance rate of 100%.

## 3. Directors' Responsibility for the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group for the year ended 31 December 2020.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, inside information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may have a severe impact on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities against the Directors.

The statement of the Company's auditor about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

## 4. Compliance with the Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct governing dealings by its Directors and supervisors in the securities of the Company. Having made specific enquiry of the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Reporting Period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

## 5. Compliance with the Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2020, saved as disclosed below, the Company complied with all the Code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

In respect of code provision E.1.2 of the Corporate Governance Code, the chairman and members of the Audit Committee and remuneration and assessment committee of the Board of the Company, were unable to attend the 2019 annual general meeting of the Company held on 29 May 2020 due to work reasons.

## 6. Training of Directors and Company Secretaries

All Directors participated in continuous professional development training in 2020 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. During the Reporting Period, details of all Directors' training are set out as below:

| **Name** | **Position held at the Company** | **Length of training received in 2020** *(hours)* | **Areas covered in the training** |
|---|---|---|---|
| Jia Yanbing | Chairman of the Board and Executive Director | 362 | corporate governance, corporate management, relevant regulations, strategic management, corporate development, financial management, capital operating, etc. |
| Sun Jinbiao | Executive Director, President [Note] | 345 | corporate governance, relevant regulations, scientific and technological research and development, corporate reform, industry development, relevant businesses of the Company, etc. |

*Note:* Mr. Sun Jinbiao resigned as President of the Company on 14 April 2021.

# CORPORATE GOVERNANCE REPORT

| Name | Position held at the Company | Length of training received in 2020 *(hours)* | Areas covered in the training |
|---|---|---|---|
| Liu Jinhuan | Non-executive Director | 327 | corporate governance, macro economy, strategy planning, corporate reform, marketing, etc. |
| Zhang Xiaoliang | Non-executive Director | 312 | corporate governance, industry research, market analysis, corporate development, energy research, finance, economics, etc. |
| Yang Xiangbin | Non-executive Director | 328 | corporate governance and relevant regulations, industry research, financial management, financial research, auditing and internal control, etc. |
| Zhang Songyi | Independent non-executive Director | 372 | corporate governance, training to independent directors of listed companies, financial research, scientific and technological research and development, corporate culture, etc. |
| Meng Yan | Independent non-executive Director | 388 | corporate governance and relevant regulations, management innovation, audit, energy, corporate internal control, etc. |
| Han Dechang | Independent non-executive Director | 380 | corporate governance, assets restructuring, finance, economics, marketing, human resources, etc. |

In 2020, Mr. Jia Nansong and Ms. Chan Sau Ling, being the joint company secretaries of the Company, received no less than 15 hours of relevant professional training respectively, as required under Rule 3.29 of the Listing Rules.

## 7. Risk Management and Internal Control

In 2020, the Company established a dynamic risk monitoring mechanism, strengthened compliance governance, optimized risk management, and improved internal control design, so as to ensure integrated and efficient operation of internal control, risk and compliance. Focusing on business strategies and management and control models, a risk framework was established by classification and hierarchy, a three-level systematic process was organized, key points in risks, internal control and compliance were benchmarked on an item by item basis; embedded systems and integrated processes were promoted, establishment of a quantitative early warning model was promoted, real-time dynamic monitoring was achieved, and regular evaluation, adjustment and optimization were conducted, leading to improved efficiency, increased benefits and ensured quality.

During the year, the Company established the 2020 Risk Classification Table (《2020年度風險分類表》) in accordance with the internal and external risks related to the business scope. From the aspects of strategy, market, operation, finance, law, compliance, etc., 17 secondary-level and 140 third-level risks were analyzed and identified. Among them, the external risks mainly included macroeconomic risks, pandemic risks, industry policy risks, market competition, electricity price risks, etc.; the internal risks mainly included investment, engineering projects, safety and environmental protection, cash flow, etc.

Based on the original internal control system and rules and regulations, the Company has formulated the Measures on Comprehensive Risk Management (《全面風險管理辦法》), the Measures on Internal Control Management (《內控管理辦法》) and the Manual on Integrated Management of Internal Control, Risk and Compliance (《「內控、風險、合規」三位一體整合管理手冊》), which further clarified the functional orientations and roles of the Board, management and executives in risk assessment and internal control management, and consolidated the organization and operation mode of the three lines of defense in joint prevention and governance: "management of business and risks", intensifying the risk management responsibility of the business department and its subordinate units as the first line of defense; compliance assurance responsibility, strengthening the working groups for risk management, internal control and compliance as the second line of defense; responsibility for centralized management of risk management elements, solidifying the assessment responsibility of the audit supervision as the third line of defense.

The Board, as the highest decision-making body with respect to risk management and control, is responsible for assessing and determining of the type, nature and extent of risks that it is willing to accept in achieving strategic objectives; determining of the Company's risk appetite and tolerance; requiring the management to establish risk management and internal control systems that can operate continuously and effectively to protect Shareholders' investment returns and safety of the Company's assets; regularly reviewing the risk management reports, internal control system construction plans and internal control evaluation and supervision reports to ensure that the management's design, implementation and supervision of the risk management and internal control systems are effective. Supervision and accountability of the management lies with the Board.

The Company's management implements and continuously monitors the risk management and internal control systems. It implements the risk management and internal control policies formulated by the Board; designs, operates and monitors the effective risk management and internal control systems while identifying and assessing risks; establishes daily monitoring and dynamic early warning, and uses information systems to carry out risk identification, internal control management and evaluation. By way of quarterly follow-up and annual evaluation, it ensures an effective operation and continuous improvement of the system.

The Company formulated the management manual on Internal Control Assessment (《內控評價》), clarified the work procedures for identification, determination and rectification of internal control defects, and formulated the Determination Criteria of Internal Control Defects (《內部控制缺陷認定標準》). For defects found, the responsible department is required to specify the person in charge of rectification and formulate a rectification plan. The audit department monitors and tracks the progress of defect rectification on a monthly and quarterly basis, urges the assessed unit to organize and solve the problems arising from the rectification process, tracks submission of internal control defect rectification reports by each department under rectification, and regularly reports the progress of defect rectification to the management.

In 2020, the Group has specifically implemented the following measures: 1) regularly carried out risk identification and assessment based on changes in the internal and external environment; 2) set up appropriate testing procedures and self-assessment mechanisms for the identified risks; 3) continued to track the risk response plan on a monthly and quarterly basis, and implemented timely rectification of internal control defects; 4) independently supervised and inspected the risk management of more than one-third of the subordinate units, such as the implementation of key controls; 5) continued to conduct tests at more critical control points by utilizing information technology, big data modelling and analysis and other technical means, to determine the effectiveness of their operation; 6) established a key risk early warning indicator system to quantify monitoring in major risk areas.

The main features of the risk management and internal control systems of the Company are centralized and unified, comprehensive coverage, authoritative and efficient; the administrative work is under the responsibility of the general manager and the business work is reported to the Audit Committee, with the two aspects running in parallel.

The Board is responsible for the risk management and internal control systems and has a duty to review the effectiveness of those systems. The above systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and the Board can only reasonably but not absolutely assure that the above systems protect against material misstatement or loss.

- Procedures for reviewing the effectiveness of risk management and internal control systems: the Company reviews various risk management and internal controls, issues reports on the problems identified, makes recommendations for rectification and management proposals, and formulates and implements rectification plans for deficiencies.

During the Reporting Period, the Company conducted a review and evaluation of the operation effectiveness of the overall risk management and internal control systems, and the Board was of the view that the current control system of the Company was effective and complete.

## 8. Internal Audit Function

The audit department of the Group is responsible for group-wide audit. Each subordinate unit sets up an internal audit institution in accordance with relevant laws, regulations and regulations of the Company and ensures the personnel needed for the performance of duties of internal audit institutions. The internal audit institution conducts internal audit work under the direct leadership of the Party committee and the Board (or the principal), and is responsible for and reports to them. The legal representative or the principal is in charge of the internal audit work. Auditors are required to have professional knowledge and ability appropriate to the internal audit work which they engage in. Head of audit institutions is required to have a bachelor degree or above in finance and related majors, advanced professional technical qualifications or relevant practice qualifications such as certified public accountants, and more than eight years' work experience of related posts. The Group supports and guarantees that auditors improve the occupational competence through continuing education and other ways, establishes and improves the work shift and cultivation, selection and appointment mechanism of auditing personnel, tries to build the internal audit platform into the cradle of training of enterprise management talent.

## 9. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbours set out in the Securities and Futures Ordinance;

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Hong Kong Stock Exchange in 2008 respectively; and

- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior management of the Company is identified and authorized to act as the Company's spokesperson and responds to enquiries in allocated areas of issues.

## 10. Auditors and Their Remuneration

Ernst & Young and Baker Tilly China Certified Public Accountants LLP were appointed as auditors for the Company's financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises for the year ended 31 December 2020, respectively.

For the year ended 31 December 2020, the fees payable to Ernst & Young and Baker Tilly China Certified Public Accountants LLP for annual audit services were RMB9,530,000 and RMB7,500,000 respectively and the fees for interim review and other services were RMB6,300,000 and RMB3,757,000, respectively. The statements of the reporting responsibility of Ernst & Young, the Group's external auditor, in respect of the financial statements are set out on pages 224 to 226 of this annual report.

## 11. Shareholders' Meetings

During the Reporting Period, the Company held four Shareholders' meetings in total.

On 28 February 2020, the first extraordinary general meeting of the Company in 2020 was held. Mr. Sun Jinbiao (executive Director) was present at the extraordinary general meeting; and Mr. Jia Yanbing (executive Director), Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Yang Xiangbin (non-executive Directors) and Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang (independent non-executive Directors) were absent from the said general meeting due to work reasons.

On 29 May 2020, the 2019 annual general meeting, the first domestic Shareholders class meeting in 2020 and the first H Shareholders class meeting in 2020 of the Company were held. Mr. Jia Yanbing and Mr. Sun Jinbiao (executive Directors) were present at the annual general meeting; and Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Yang Xiangbin (non-executive Directors) and Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang (independent non-executive Directors) were absent from the said annual general meeting due to work reasons.

On 18 September 2020, the second extraordinary general meeting of the Company in 2020 was held. Mr. Jia Yanbing and Mr. Sun Jinbiao (executive Directors) and Mr. Han Dechang (independent non-executive Director) were present at the extraordinary general meeting; and Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Yang Xiangbin (non-executive Directors) and Mr. Zhang Songyi and Mr. Meng Yan (independent non-executive Directors) were absent from the said general meeting due to work reasons.

On 30 December 2020, the third extraordinary general meeting of the Company in 2020 was held. Mr. Jia Yanbing and Mr. Sun Jinbiao (executive Directors) and Mr. Liu Jinhuan (non-executive Director) were present at the extraordinary general meeting; and Mr. Zhang Xiaoliang and Mr. Yang Xiangbin (non-executive Directors) and Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang (independent non-executive Directors) were absent from the said general meeting due to work reasons.

The Company will arrange the Board and relevant committee members to attend and answer questions from Shareholders at the forthcoming 2020 annual general meeting of the Company.

During the Reporting Period, details of the attendance of the Shareholders' meetings by the Directors are as follows:

| Name | Position in the Company | Number of Meetings Attended/Held | Attendance Rate |
|---|---|---|---|
| Jia Yanbing | Chairman and Executive Director | 3/4 | 75% |
| Sun Jinbiao | Executive Director and President | 4/4 | 100% |
| Liu Jinhuan | Non-executive Director | 1/4 | 25% |
| Zhang Xiaoliang | Non-executive Director | 0/4 | 0% |
| Yang Xiangbin | Non-executive Director | 0/4 | 0% |
| Zhang Songyi | Independent non-executive Director | 0/4 | 0% |
| Meng Yan | Independent non-executive Director | 0/4 | 0% |
| Han Dechang | Independent non-executive Director | 1/4 | 25% |
| Luan Baoxing | Non-executive Director | – | – |

*Notes:*

1. Mr. Luan Baoxing resigned as non-executive Director on 28 February 2020.

2. Mr. Zhang Xiaoliang was appointed as non-executive Director on 28 February 2020.

3. Mr. Sun Jinbiao resigned as President of the Company on 14 April 2021.

## 12. Communication Policy with Shareholders

The Company highly values Shareholders' opinions and advice, and proactively organises various investor relations activities to maintain connections with Shareholders and respond to the reasonable requests of Shareholders in a timely manner.

### 12.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. A twenty (20) days' prior written notice for convening an annual general meeting, and a fifteen (15) days' prior written notice for convening an extraordinary general meeting shall be served to notify the Shareholders, whose names appear in the register of members of the Company, of the matters proposed to be considered and the date and venue of the meeting. Where the relevant rules otherwise stipulated by the regulatory authorities and the stock exchange of the place where the Company's Shares are listed, such provisions shall prevail.

Two or more Shareholders who severally or jointly hold more than 10% (including 10%) of the issued and voting shares of the Company may request the Board, in writing, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the request proceed to convene an extraordinary general meeting or a Shareholders' class meeting within two months. The calculation of the abovementioned shareholdings shall be based on the information as at the date on which the written request is submitted.

If the Board fails to issue a notice to convene such a meeting within 30 days from the date of receipt of the above written request, Shareholders severally or jointly holding more than 10% (including 10%) of the issued and voting shares of the Company are entitled to request the Supervisory Board to convene an extraordinary general meeting or a Shareholders' class meeting and such request should be made in written form. The Supervisory Board may itself convene such a meeting within four months of the receipt of the request by the Board. In the case of the failure of the Supervisory Board to convene and preside over such a meeting, Shareholders severally or jointly holding more than 10% (including 10%) of the Company's shares for more than 90 consecutive days shall be entitled to convene the meeting. The procedures of convening such a meeting should follow, as far as possible, those of a Shareholders' meeting convened by the Board.

In the event the Company convenes an annual general meeting, Shareholders holding an aggregate of 3% (including 3%) or more of the Company's shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company should include those motions which fall within the scope of duties and functions of general meetings into the agenda of the meeting. The ad hoc motions proposed by Shareholders shall be subject to the following requirements: (i) the contents shall not contravene any requirements of the laws and regulations and shall fall within the scope of the Company's operations and duties and functions of general meetings; (ii) they shall relate to definite topics and specific matters to resolve; and (iii) they shall be made in writing and submitted/delivered to the Board at least ten days prior to the holding of the general meeting.

### 12.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant information on its website at www.clypg.com.cn, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on pages 411 to 412 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address Shareholders' queries.

## 13. Investor Relations

### 13.1 Investor Relations Activities

*Results Roadshows*

In 2020, the Company published its 2019 annual results and 2020 interim results in March and August, respectively, and organised results roadshows. During the period of annual results conference, 158 analysts and investors attended the teleconference. During the period of annual report roadshow, the management of the Company communicated with 36 new and existing Shareholders in a face-to-face manner through teleconferences. 216 analysts and investors attended the interim results teleconference. During the period of interim report roadshow, the management of the Company communicated with 75 investors through teleconferences.

After the announcement of the first quarterly results and third quarterly results for 2020, the Company organised and held a teleconference with global investors. The two quarterly report teleconferences were attended by 102 and 116 investors and investment bank analysts, respectively.

*Investors' Routine Calls and Visits*

In 2020, the Company arranged meetings by way of one-to-one/group/teleconference meetings and fully and effectively communicated and exchanged opinions with 271 institutional investors and analysts.

*Investment Summits*

In 2020, the Company participated in the investment summits held by 9 investment banks in the form of on-site meetings and online meetings, and held face-to-face conversations with 205 investment institution representatives.

**13.2 Information Disclosure**

The Company formulated the Provisions on Information Disclosure Management (《信息披露事務管理規定》) to ensure a timely and fair disclosure of comprehensive and accurate information to investors. We extensively utilised the website of the Company to release information and ensured that all Shareholders can receive important information of the Company in a timely and fair manner. The financial reports, energy generation and other news and exchange announcements of the Company are available on the website of the Company. In 2020, the Company published 116 pieces of information on the stock exchange.

## 14. Contact Person of Joint Company Secretary

Ms. Chan Sau Ling from Tricor Services Limited, being an external service provider, is acting as the joint company secretary of the Company. Mr. Jia Nansong, a joint company secretary of the Company, is her primary contact person.

## 15. Articles of Association

The Articles of Association of the Company was published on the website of the Company for public access. During the Reporting Period, the amendment to the Articles of Association was considered and approved at the 2019 annual general meeting on 29 May 2020.

## 16. Roles and Responsibilities

Good governance emanates from an effective and accountable Board. The Board, directly and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, reviews the Company's compensation policies and succession planning, and ensures that effective governance and corporate social responsibility policies and sound internal control and risk management systems are in place.

The Chairman of the Board and the President of the Company are held by different persons. The Board and the management fulfill their duties in strict compliance with the requirements under the Articles of Association, the Terms of Reference for the Board of Directors of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司董事會議事規則》) and the Work Rules for President of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司總經理工作細則》) and relevant regulation.

## 17. Authorization of the Board

The Board reserves the decision-making power on all major matters of the Company, including approving and supervising all matters relating to policies, overall strategy, internal control and risk management system, significant transactions (especially transactions involving conflicts of interest), financial information, nomination of Director candidates and other important financial, production and operational matters. The Directors may seek independent and professional opinions when performing their duties, with the expenses being borne by the Company. Meanwhile, the Directors are encouraged to independently consult the senior management of the Company.

The senior management is authorized to take charge of the Company's day-to-day management, administration and operation, and the Board will regularly review the performance of the senior management and the execution of relevant resolutions. The management shall obtain approval from the Board before entering into any major transactions.

## 18. Confirmation on the Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that each of the independent non-executive Directors is independent of the Company.

# SUPERVISORY BOARD'S REPORT

On 6 July 2018, the current session of Supervisory Board was established upon the approval of the extraordinary general meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2020, the Supervisory Board acted in strict compliance with relevant laws, regulations, rules, regulatory documents (such as the Company Law of the PRC), and the Articles of Association, the Terms of Reference of the Supervisory Board of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司監事會議事規則》) and the Listing Rules of the Hong Kong Stock Exchange. In line with the Company's long-run interests and Shareholders' interests, it earnestly performed its duties of supervision as to the acts of Directors and senior management of the Company during the performance of their respective duties of the Company. Major work of the Supervisory Board in the Reporting Period is reported as follows:

## I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

The 2020 first meeting of the fourth session of the Supervisory Board was held on 27 March 2020, at which (1) the Resolution Regarding the 2019 Annual Report and Results Announcement of the Company; and (2) the Resolution Regarding the Work Report of the Supervisory Board of the Company for the year 2019 were considered and approved.

The 2020 second meeting of the fourth session of the Supervisory Board was held on 11 August 2020, at which the Resolution Regarding the 2020 Interim Results Announcement and Interim Report of the Company was considered and approved.

## II. WORK OF THE SUPERVISORY BOARD

The Supervisory Board mainly carried out the following work:

### 1. Inspection of the Legal Compliance of the Company's Operation

During the Reporting Period, members of the Supervisory Board reviewed the proposals which were submitted to the Board for consideration. Through attending such meetings as non-voting participants, the Supervisory Board was able to supervise the major decision-making processes and the performance of duties by the Board members and the senior management members of the Company. The Supervisory Board is of the opinion that the material decision making process of the Company has been in compliance with laws and regulations, that all Directors and senior management members of the Company have faithfully performed their duties with due diligence, earnestly implemented the resolutions of the general meetings, and stuck to lawful operation and prudent decision-making, and that no violation of laws, regulations and the Articles of Association or prejudice to the interests of the Shareholders have been found.

### 2. Inspection of the Company's Financial Condition

During the Reporting Period, the Supervisory Board reviewed the relevant financial information and the auditors' reports of the Company and its subsidiaries. The Supervisory Board is of the opinion that the accounts and audit work of the Company and its subsidiaries are in compliance with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and the Hong Kong Financial Reporting Standards, for which no concerns have been found. Having duly reviewed the 2020 annual financial report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditors with an unqualified opinion, the Supervisory Board is of the opinion that such report gives an accurate, true and fair reflection of the financial condition and operating results of the Company on a consistent basis.

### 3. Inspection of the Company's Connected Transactions

During the Reporting Period, the Supervisory Board reviewed the information related to the Company's connected transactions with the controlling Shareholder of the Company. The Supervisory Board is of the opinion that such connected transactions were conducted in a fair and just way, at reasonable price, without prejudice to the interests of the Company and other Shareholders. The Directors, President and other senior management members of the Company have exercised the rights granted by the Shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Board is not aware of any abuse of authority which impairs the interests of the Shareholders and the legitimate rights of the employees of the Company.

### 4. Inspection of the Company's Information Disclosure

During the Reporting Period, the Supervisory Board reviewed the relevant documents the Company publicly disclosed. The Supervisory Board is of the opinion that the Company has disclosed the relevant information in a legitimate, timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

## III. OPINIONS OF THE SUPERVISORY BOARD ON THE COMPANY'S WORK

The Supervisory Board opines that during the Reporting Period, the Group intensified operation and management and furthered reform and innovation, having thus maintained the healthy and advantageous sustainable developing momentum. The Supervisory Board is satisfied with the achievements of the Company made in the Reporting Period and is confident in the development prospects of the Company. The Supervisory Board will continue to diligently perform its supervisory duties and earnestly safeguard the legitimate interests of the Company and all Shareholders.

*Chairman of the Supervisory Board*
**Yu Yongping**

Beijing, 30 March 2021

# INDEPENDENT AUDITOR'S REPORT

EY

Ernst & Young
22/F, Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話：+852 2846 9888
Fax傳真：+852 2868 4432
ey.com

**To the Shareholders of China Longyuan Power Group Corporation Limited**
*(Incorporated in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the" Group") set out on pages 227 to 404, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of property, plant and equipment*** | |
| As at 31 December 2020, the Group had property, plant and equipment ("PPE") of RMB124,918 million. Management determined that impairment indicators for certain PPE existed. For those PPE with impairment indicators identified, management performed impairment assessment by determining the recoverable amounts of the cash-generating units ("CGUs") to which the PPE belong. As a result of the impairment assessment, impairment losses of RMB942 million were recognised during the year ended 31 December 2020.<br><br>Auditing management's impairment assessment of PPE is complex due to significant estimation and judgement involved in projections of future cash flows, including future sales volumes, future on-grid tariffs, future operating costs and discount rates applied to these forecasted future cash flows. These estimation and judgement may be significantly affected by unexpected future market or economic conditions.<br><br>Related disclosures are included in notes 2(m), 4(a) and 15 to the consolidated financial statements. | We evaluated management's significant assumptions in determining the recoverable amounts of the CGUs to which the PPE belong. We assessed the key assumptions such as future sales volumes, future on-grid tariffs, future operating costs by comparing them with the recent historical results of the related CGUs, the budget and feasibility report, and evidence obtained subsequent to the end of the reporting period. We also tested the accuracy in the calculation of the recoverable amounts.<br><br>In addition, we also involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts.<br><br>We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements. |

## KEY AUDIT MATTERS (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Assessing the expected credited losses ("ECLs") on loans and advances to related parties and third parties*** | |
| As at 31 December 2020, the Group had loans and advances to related parties and third parties of RMB1,354 million, of which RMB1,236 million was included in "Prepayments and other current assets" and RMB118 million was included in "Other assets" of the Group. ECLs on the loans and advances to related parties and third parties were assessed by considering the individual debtors and the groups of debtors with similar credit risk characteristics. As a result of the impairment assessment, impairment losses of RMB62 million were recognised during the year ended 31 December 2020.<br><br>Auditing the ECLs on these receivables is complex because the determination requires significant estimation and judgement, including the ageing of the balances, the credit-worthiness of the debtors, the historical loss experience and the anticipated operation of the counterparties.<br><br>Related disclosures are included in notes 2(p), 4(b), 21 and 24 to the consolidated financial statements. | We assessed the categorisation of loans and advances to related parties and third parties in the ageing report by reconciling the total amounts in the ageing report to the balances of loans and advances to related parties and third parties in the general ledger and by checking a sample of individual items with the relevant underlying documentation; We assessed management's estimation on the expected loss for individual material balances and the expected loss rate of each category group, evaluating the basis and factors used in the estimation; In addition, we checked the bank statements and other relevant underlying documentation for the cash receipts from debtors subsequent to the end of the reporting period.<br><br>We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

30 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 5 | **28,667,181** | 27,540,630 |
| **Other net income** | 6 | **1,286,805** | 843,317 |
| **Operating expenses** | | | |
| Depreciation and amortisation | | **(7,734,587)** | (7,633,307) |
| Coal consumption | | **(1,994,407)** | (2,236,252) |
| Coal sales costs | | **(3,638,924)** | (3,515,485) |
| Service concession construction costs | | **(312,741)** | (117,771) |
| Personnel costs | | **(2,645,476)** | (2,352,085) |
| Material costs | | **(169,441)** | (164,409) |
| Repairs and maintenance | | **(924,215)** | (820,363) |
| Administration expenses | | **(606,906)** | (564,213) |
| Other operating expenses | | **(1,871,245)** | (1,033,836) |
| | | **(19,897,942)** | (18,437,721) |
| **Operating profit** | | **10,056,044** | 9,946,226 |
| Finance income | | **374,148** | 140,100 |
| Finance expenses | | **(3,457,535)** | (3,625,637) |
| **Net finance expenses** | 7 | **(3,083,387)** | (3,485,537) |
| Share of profits less losses of associates and joint ventures | | **(51,080)** | (10,233) |
| **Profit before taxation** | 8 | **6,921,577** | 6,450,456 |
| Income tax | 9 | **(1,236,082)** | (1,130,758) |
| **Profit for the year** | | **5,685,495** | 5,319,698 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|---|
| **Other comprehensive (loss)/income:** | | | |
| Other comprehensive (loss)/income that not to be reclassified to profit or loss in subsequent periods: | | | |
| Changes in fair value of equity investments at fair value through other comprehensive (loss)/income, net of tax | | **(256,374)** | 153,250 |
| Other comprehensive income/(loss) that to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange difference on translation of financial statements of overseas subsidiaries | | **99,395** | (25,629) |
| Exchange difference on net investment in overseas subsidiaries | | **4,198** | 8,360 |
| **Other comprehensive (loss)/income for the year, net of tax** | 12 | **(152,781)** | 135,981 |
| **Total comprehensive income for the year** | | **5,532,714** | 5,455,679 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | | |
| – Shareholders | | **4,726,369** | 4,324,790 |
| – Perpetual medium-term notes and renewable corporate bonds holders | 43 | **298,610** | 242,000 |
| Non-controlling interests | | **660,516** | 752,908 |
| **Profit for the year** | | **5,685,495** | 5,319,698 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | | |
| – Shareholders | | **4,584,213** | 4,471,367 |
| – Perpetual medium-term notes and renewable corporate bonds holders | 43 | **298,610** | 242,000 |
| Non-controlling interests | | **649,891** | 742,312 |
| **Total comprehensive income for the year** | | **5,532,714** | 5,455,679 |
| **Basic and diluted earnings per share** *(RMB cents)* | 13 | **58.81** | 53.82 |

The notes on pages 236 to 404 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **124,917,807** | 114,607,185 |
| Investment properties | | **8,270** | 8,860 |
| Right-of-use assets | 16(a) | **2,860,813** | 3,154,801 |
| Intangible assets | 17 | **7,421,681** | 7,669,653 |
| Goodwill | 18 | **61,490** | 61,490 |
| Investments in associates and joint ventures | 20 | **4,055,962** | 4,328,089 |
| Other assets | 21 | **4,565,565** | 3,786,220 |
| Deferred tax assets | 31(b) | **210,403** | 157,201 |
| **Total non-current assets** | | **144,101,991** | 133,773,499 |
| **Current assets** | | | |
| Inventories | 22 | **806,034** | 819,218 |
| Trade and bills receivables | 23 | **21,603,068** | 16,365,170 |
| Prepayments and other current assets | 24 | **2,831,266** | 1,963,316 |
| Tax recoverable | 31(a) | **52,573** | 200,109 |
| Other financial assets | 25 | **303,377** | 249,523 |
| Restricted deposits | 26 | **361,232** | 523,403 |
| Cash at banks and on hand | 27 | **5,226,331** | 2,908,445 |
| **Total current assets** | | **31,183,881** | 23,029,184 |
| **Current liabilities** | | | |
| Borrowings | 28(b) | **37,875,159** | 28,964,731 |
| Trade and bills payables | 29 | **3,615,205** | 3,411,125 |
| Other current liabilities | 30 | **11,063,828** | 10,840,352 |
| Lease liabilities | 16(b) | **25,423** | 92,126 |
| Tax payable | 31(a) | **327,711** | 229,507 |
| **Total current liabilities** | | **52,907,326** | 43,537,841 |
| **Net current liabilities** | | **(21,723,445)** | (20,508,657) |
| **Total assets less current liabilities** | | **122,378,546** | 113,264,842 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 28(a) | **52,598,055** | 48,881,478 |
| Lease liabilities | 16(b) | **575,458** | 743,833 |
| Deferred income | 33 | **1,207,154** | 1,324,754 |
| Deferred tax liabilities | 31(b) | **173,116** | 263,182 |
| Other non-current liabilities | 34 | **1,375,789** | 1,396,523 |
| **Total non-current liabilities** | | **55,929,572** | 52,609,770 |
| **NET ASSETS** | | **66,448,974** | 60,655,072 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 35(c) | **8,036,389** | 8,036,389 |
| Perpetual medium-term notes and renewable corporate bonds | 43 | **6,045,435** | 4,991,000 |
| Reserves | 35(d) | **43,605,751** | 39,895,253 |
| **Total equity attributable to equity holders of the Company** | | **57,687,575** | 52,922,642 |
| **Non-controlling interests** | | **8,761,399** | 7,732,430 |
| **TOTAL EQUITY** | | **66,448,974** | 60,655,072 |

Approved and authorised for issue by the Board of directors on 30 March 2021.

**Jia Yanbing**
*Chairman*

**Sun Jinbiao**
*Executive Director*

The notes on pages 236 to 404 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | | Attributable to the equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Share capital *RMB'000* | Equity attributable to the holders of perpetual medium-term notes and renewable corporate bonds *RMB'000* *(Note 43)* | Capital reserve *RMB'000* *(Note 35 (d)(i))* | Statutory surplus reserve *RMB'000* *(Note 35 (d)(ii))* | Exchange reserve *RMB'000* *(Note 35 (d)(iii))* | Fair value reserve *RMB'000* *(Note 35 (d)(iv))* | Retained earnings *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **At 1 January 2020** | | 8,036,389 | 4,991,000 | 14,708,774* | 1,743,507* | (453,566)* | 242,773* | 23,653,765* | 52,922,642 | 7,732,430 | 60,655,072 |
| **Changes in equity:** | | | | | | | | | | | |
| Profit for the year | | – | 298,610 | – | – | – | – | 4,726,369 | 5,024,979 | 660,516 | 5,685,495 |
| Other comprehensive income/(loss) | | – | – | – | – | 111,859 | (254,015) | – | (142,156) | (10,625) | (152,781) |
| Total comprehensive income/(loss) | | – | 298,610 | – | – | 111,859 | (254,015) | 4,726,369 | 4,882,823 | 649,891 | 5,532,714 |
| Capital contributions by non-controlling interests | | – | – | – | – | – | – | – | – | 1,025,700 | 1,025,700 |
| Issuance of perpetual medium-term notes and renewable corporate bonds | | – | 5,988,825 | – | – | – | – | – | 5,988,825 | – | 5,988,825 |
| Redemption of perpetual medium-term notes | | – | (4,991,000) | (9,000) | – | – | – | – | (5,000,000) | – | (5,000,000) |
| Appropriation | | – | – | – | 300,152 | – | – | (300,152) | – | – | – |
| Dividends by subsidiaries to non-controlling equity owners | | – | – | – | – | – | – | – | – | (646,622) | (646,622) |
| Dividends to shareholders of the Company | 35(b) | – | – | – | – | – | – | (864,715) | (864,715) | – | (864,715) |
| Distribution for perpetual medium-term notes and renewable corporate bonds | 43 | – | (242,000) | – | – | – | – | – | (242,000) | – | (242,000) |
| **At 31 December 2020** | | 8,036,389 | 6,045,435 | 14,699,774* | 2,043,659* | (341,707)* | (11,242)* | 27,215,267* | 57,687,575 | 8,761,399 | 66,448,974 |

* These reserve accounts comprise the consolidated reserves of RMB43,605,751,000 (2019: RMB39,895,253,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))*

| | Notes | Attributable to the equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | Share capital *RMB'000* | Equity attributable to the holders of perpetual medium-term notes *RMB'000* *(Note 43)* | Capital reserve *RMB'000* *(Note 35 (d)(i))* | Statutory surplus reserve *RMB'000* *(Note 35 (d)(ii))* | Exchange reserve *RMB'000* *(Note 35 (d)(iii))* | Fair value reserve *RMB'000* *(Note 35 (d)(iv))* | Retained earnings *RMB'000* | Subtotal *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| **At 1 January 2019** | | 8,036,389 | 4,991,000 | 14,708,774* | 1,486,824* | (448,576)* | 91,206* | 20,370,813* | 49,236,430 | 7,329,363 | 56,565,793 |
| **Changes in equity:** | | | | | | | | | | | |
| Profit for the year | | – | 242,000 | – | – | – | – | 4,324,790 | 4,566,790 | 752,908 | 5,319,698 |
| Other comprehensive (loss)/income | | – | – | – | – | (4,990) | 151,567 | – | 146,577 | (10,596) | 135,981 |
| Total comprehensive income/(loss) | | – | 242,000 | – | – | (4,990) | 151,567 | 4,324,790 | 4,713,367 | 742,312 | 5,455,679 |
| Capital contributions by non-controlling interests | | – | – | – | – | – | – | – | – | 209,886 | 209,886 |
| Appropriation | | – | – | – | 256,683 | – | – | (256,683) | – | – | – |
| Dividends by subsidiaries to non-controlling equity owners | | – | – | – | – | – | – | – | – | (549,131) | (549,131) |
| Dividends to shareholders of the Company | 35(b) | – | – | – | – | – | – | (785,155) | (785,155) | – | (785,155) |
| Distribution for other equity instruments | 43 | – | (242,000) | – | – | – | – | – | (242,000) | – | (242,000) |
| **At 31 December 2019** | | 8,036,389 | 4,991,000 | 14,708,774* | 1,743,507* | (453,566)* | 242,773* | 23,653,765* | 52,922,642 | 7,732,430 | 60,655,072 |

The notes on pages 236 to 404 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **6,921,577** | 6,450,456 |
| Adjustments for: | | | |
| Depreciation | | **7,208,737** | 7,113,251 |
| Amortisation | | **525,850** | 520,056 |
| Provision of impairment losses on property, plant and equipment and intangible assets | 8 | **941,916** | 1,508 |
| Profit on disposal of property, plant and equipment and lease prepayments | 6 | **(472,228)** | – |
| Loss on disposal of a subsidiary | | **66,775** | – |
| Interest expenses on financial liabilities | | **2,956,715** | 3,202,870 |
| Interest expenses on lease liabilities | 7 | **17,422** | 34,548 |
| Net foreign exchange (gains)/losses | | **(33,350)** | 3,968 |
| Net unrealised losses on derivative financial instruments | 7 | **115,278** | 46,455 |
| Interest income on financial assets | 7 | **(22,267)** | (77,227) |
| Dividend income | | **(142,799)** | (59,037) |
| Share of profits less losses of associates and joint ventures | | **51,080** | 10,233 |
| Deferred income | | **(117,600)** | (128,047) |
| Changes in fair value of listed equity securities designated at fair value through profit or loss | | **(38,276)** | 13,221 |
| Changes in working capital: | | | |
| Decrease in inventories | | **12,449** | 32,755 |
| Increase in trade and bills receivables | | **(5,239,084)** | (5,823,646) |
| Decrease in prepayments, restricted deposits and other current assets | | **1,463,090** | 694,237 |
| (Decrease)/increase in trade and bills payables and other current liabilities | | **(893,963)** | 1,543,798 |
| **Cash generated from operations** | | **13,321,322** | 13,579,399 |
| Income tax paid | 31 | **(1,048,126)** | (1,064,161) |
| **Net cash generated from operating activities** | | **12,273,196** | 12,515,238 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for acquisition of property, plant and equipment, land use rights and intangible assets | | **(20,214,971)** | (11,787,426) |
| Payments for loans | | **(281,660)** | (128,327) |
| Payments for acquisition of investments in associates and joint ventures, and equity investments | | **(16,780)** | (17,359) |
| Payments for acquisition of subsidiaries, net of cash acquired | | **(370,000)** | (118,810) |
| Proceeds from disposal of property, plant, equipment and intangible assets | | **416,385** | 22,465 |
| Proceeds from disposal of a subsidiary, net of cash disposed of | | **46,290** | – |
| Repayment of loans | | **23,325** | 628,111 |
| Dividends received | | **416,848** | 539,761 |
| Interest received | | **23,669** | 99,234 |
| Purchase of short-term investments, net | | **(21,910)** | (12,050) |
| **Net cash used in investing activities** | | **(19,978,804)** | (10,774,401) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

| | Notes | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Capital contributions | | **1,025,700** | 209,886 |
| Proceeds from borrowings | | **85,328,775** | 54,280,736 |
| Repayment of borrowings | | **(72,281,554)** | (51,638,710) |
| Proceeds from finance leases | | **–** | 14,550 |
| Dividends paid by subsidiaries to non-controlling equity owners | | **(533,453)** | (352,743) |
| Dividends paid to shareholders of the Company | | **(864,715)** | (785,155) |
| Issuance of perpetual medium-term notes and renewable corporate bonds | | **5,988,825** | – |
| Redemption of perpetual medium-term notes | | **(5,000,000)** | – |
| Interest paid for borrowing | | **(2,992,741)** | (3,061,677) |
| Interest paid for perpetual medium-term notes | | **(242,000)** | (242,000) |
| Lease payments | | **(431,597)** | (125,192) |
| **Net cash generated from/(used in) financing activities** | | **9,997,240** | (1,700,305) |
| **Net increase in cash and cash equivalents** | | **2,291,632** | 40,532 |
| **Cash and cash equivalents at the beginning of year** | | **2,908,445** | 2,861,261 |
| Effect of foreign exchange rate changes | | **26,254** | 6,652 |
| **Cash and cash equivalents at the end of year** | 27 | **5,226,331** | 2,908,445 |

The notes on pages 236 to 404 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)*

## 1 PRINCIPAL ACTIVITIES

China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the"Group") are principally engaged in wind and coal power generation and sale, coal trading and other related businesses in the People's Republic of China (the "PRC"). The registered office address of the Company is Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, PRC.

The Company's parent and ultimate holding company is China Energy Investment Group Co., Ltd. ("CHN Energy"), a company with registered address and main business places in the PRC, controlled by the State-owned Assets Supervision and Administration Commission.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include all applicable International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

**Basis of consolidation (Continued)**

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises: (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises: (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**Going concern**

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2020 amounting to RMB21,723,445,000. The directors are of the opinion that, based on a review of the forecasted cash flows, the Group will have sufficient liquid funds to finance its operation and capital expenditure (see note 36(c)).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain trade and bills receivables designated as fair value through other comprehensive income, equity investments at fair value through other comprehensive income and derivative financial instruments at fair value through profit or loss are stated at their fair value.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

**Going concern (Continued)**

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

### (c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its major subsidiaries.

### (d) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Investments in associates and joint ventures (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (e) Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's shareholders' consolidated financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

### (g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k), including the leasehold property held as a right-of-use asset) to earn rental income and/or for capital appreciation.

Investment properties are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight-line method over the estimated useful lives ranging from 40 to 45 years. Rental income from investment properties is accounted for as described in note 2(x).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment and depreciation (Continued)

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

| | **Depreciation period** | **Residual rate** |
|---|---|---|
| – Buildings and structures | 10–50 years | 0% |
| – Wind turbines | 20 years | 3% |
| – Photovoltaic ("PV") equipment | 20 years | 3% |
| – Other machinery and equipment | 10–35 years | 0%-3% |
| – Motor vehicles | 8–10 years | 5% |
| – Furniture, fixtures and others | 5–10 years | 0% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end. The Group adjusted the expected useful life and the expected residual value rate of property, plant and equipment from 1 January 2020 (Note 15).

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment and depreciation (Continued)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### (i) Intangible assets (other than goodwill)

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

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

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

| | | |
|---|---|---|
| – | Concession assets | 20–25 years |
| – | Software and others | 5–10 years |

Both the period and method of amortisation are reviewed annually.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

### (k) Leases

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

#### (i) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (k) Leases (Continued)

### (i) Group as a lessee (Continued)

*Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| – | Land | 20–50 years |
| – | Buildings and structures | 2–8 years |
| – | Generators and related equipment | 5–20 years |
| – | Motor vehicles | 2–3 years |
| – | Maritime rights-of-use | 20–30 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Leases (Continued)

#### (i) Group as a lessee (Continued)

*Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Leases (Continued)

#### (i) Group as a lessee (Continued)

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### (ii) Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Fair value measurement

The Group measures its certain trade and bills receivables, unquoted equity investment in non-listed companies, equity investment in listed companies, other financial assets, and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (m) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Investments and other financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for section 2(x) "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (n) Investments and other financial assets (Continued)

**Initial recognition and measurement (Continued)**

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Investments and other financial assets (Continued)

**Subsequent measurement (Continued)**

*Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (n) Investments and other financial assets (Continued)

**Subsequent measurement (Continued)**

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as financial income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

## (o) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### (p) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Impairment of financial assets (Continued)

**General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Impairment of financial assets (Continued)

**General approach (Continued)**

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below:

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

**Simplified approach**

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings, lease liabilities, trade and bills payables and financial liabilities included in other liabilities.

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Financial liabilities (Continued)

**Subsequent measurement (Continued)**

*Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Inventories

Inventories excluding spare parts are carried at the lower of cost and net realisable value. Spare parts are stated in the statement of financial position at cost less provision for obsolescence.

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

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

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

### (s) Perpetual securities

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

Perpetual securities are classified as a liability if it is redeemable on a specific date or at the option of the holder of the note, or if any interest payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(q) and, accordingly, interests thereon are recognised on an accrual basis in profit or loss as part of finance expenses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### (u) Employee benefits

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

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

#### (ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Income tax (Continued)

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

### (w) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### (x) Revenue recognition

**Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Revenue recognition (Continued)

**Revenue from contracts with customers (Continued)**

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*(i) Sale of electricity, steam and goods (including coal trading)*

Revenue from the sale of electricity and goods is recognised at the point in time when control of the asset is transferred to the customer, generally when electricity is supplied to the provincial grid companies or on delivery of the goods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Revenue recognition (Continued)

**Revenue from contracts with customers (Continued)**

*(ii) Service concession construction revenue*

Revenue from the provision of construction services under a service concession construction contract is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Revenue from the operation under a service concession construction contract is recognised at the point in time as described in (i) Sale of electricity, steam and goods (including coal trading).

**Other income**

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

### (z) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### (aa) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Government grants (Continued)

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### (ab) Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

# 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (ab) Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (ac) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (ad) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

### (ae) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (af) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

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

(b) the party is an entity where any of the following conditions applies:

(i) The entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

# 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

## (a) Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's consolidated financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business* |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform* |
| Amendment to IFRS 16 | *COVID-19-Related Rent Concessions* (early adopted) |
| Amendments to IAS 1 and IAS 8 | *Definition of Material* |

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(i) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

# 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

## (a) Changes in accounting policies and disclosures (Continued)

(ii) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have significant impact on the consolidated financial position and performance of the Group.

(iii) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have significant impact on the consolidated financial position and performance of the Group.

# 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

## (a) Changes in accounting policies and disclosures (Continued)

(iv) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have significant impact on the consolidated financial position and performance of the Group.

(v) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have significant impact on the consolidated financial position and performance of the Group.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase*[1] |
| Amendments to IFRS 10 and IAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to IFRS 17 | *Insurance Contracts*[3] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts - Cost of Fulfilling a Contract*[2] |
| Annual Improvements to IFRSs 2018-2020 | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2] |

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### (b) Issued but not yet effective International Financial Reporting Standards (Continued)

*Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendment is not expected to have a significant impact on the Group's financial statements.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### (a) Impairment losses on non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, right-of-use assets, intangible assets, goodwill and investments in associates and joint ventures, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the selling price because quoted market prices for these assets may not be readily available. In determining the value in use for each smallest identifiable group of assets that generate independent cash flows ("CGU"), expected cash flows generated by each CGU are discounted to their present value, which requires significant judgement relating to items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied. The Group uses all readily available information in determining an amount that is the reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied.

### (b) Provision for expected credit losses on receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates (Note 2(p)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward–looking estimates at the balance sheet date.

# 4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

## (c) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36(g) to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 36(g) to the financial statements.

## (d) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

## (e) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 5 REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sales of electricity | **23,415,263** | 22,319,331 |
| Sales of steam | **636,348** | 676,919 |
| Service concession construction revenue *(note 46)* | **312,741** | 117,771 |
| Sales of coal | **3,783,722** | 3,656,575 |
| Others | **519,107** | 770,034 |
| | **28,667,181** | 27,540,630 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 5 REVENUE (Continued)

### (i) Disaggregated revenue information:

**For the year ended 31 December 2020**

| | Wind power<br>RMB'000 | Coal power<br>RMB'000 | All others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Types of goods and services** | | | | |
| Sales of electricity | 20,385,582 | 2,721,207 | 308,474 | 23,415,263 |
| Sales of steam | – | 636,348 | – | 636,348 |
| Service concession construction revenue | 312,741 | – | – | 312,741 |
| Sales of coal | – | 3,783,722 | – | 3,783,722 |
| Others | 17,764 | 451,951 | 49,392 | 519,107 |
| | 20,716,087 | 7,593,228 | 357,866 | 28,667,181 |
| **Geographic markets** | | | | |
| Mainland China | 20,159,187 | 7,593,228 | 357,866 | 28,110,281 |
| Canada | 210,995 | – | – | 210,995 |
| South Africa | 345,905 | – | – | 345,905 |
| | 20,716,087 | 7,593,228 | 357,866 | 28,667,181 |
| **Timing of revenue recognition** | | | | |
| Goods transferred at a point of time | 20,385,582 | 7,466,703 | 308,474 | 28,160,759 |
| Services transferred over time | 330,505 | 126,525 | 49,392 | 506,422 |
| | 20,716,087 | 7,593,228 | 357,866 | 28,667,181 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 5 REVENUE (Continued)

### (i) Disaggregated revenue information (Continued):

**For the year ended 31 December 2019**

| | Wind power<br>*RMB'000* | Coal power<br>*RMB'000* | All others<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| **Types of goods and services** | | | | |
| Sales of electricity | 18,956,987 | 2,975,830 | 386,514 | 22,319,331 |
| Sales of steam | – | 676,919 | – | 676,919 |
| Service concession construction revenue | 117,771 | – | – | 117,771 |
| Sales of coal | – | 3,656,575 | – | 3,656,575 |
| Others | 24,196 | 474,980 | 270,858 | 770,034 |
| | 19,098,954 | 7,784,304 | 657,372 | 27,540,630 |
| **Geographic markets** | | | | |
| Mainland China | 18,489,651 | 7,784,304 | 657,372 | 26,931,327 |
| Canada | 215,253 | – | – | 215,253 |
| South Africa | 394,050 | – | – | 394,050 |
| | 19,098,954 | 7,784,304 | 657,372 | 27,540,630 |
| **Timing of revenue recognition** | | | | |
| Goods transferred at a point of time | 18,956,987 | 7,662,013 | 386,514 | 27,005,514 |
| Services transferred over time | 141,967 | 122,291 | 270,858 | 535,116 |
| | 19,098,954 | 7,784,304 | 657,372 | 27,540,630 |

## 5 REVENUE (Continued)

### (i) Disaggregated revenue information (Continued):

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Types of goods and services - others | **216,108** | 173,131 |

### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

**Sales of electricity, steam and coal**

The Group's contracts with customers for the sales of electricity, steam and coal generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at a point of time and revenue continues to be recognised upon transmission to the customers.

**Service concession construction revenue**

Revenue from the provision of construction services under a service concession construction contract is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 5 REVENUE (Continued)

### (ii) Performance obligations (Continued)

**Rendering of services**

Revenue from the rendering of services is recognised over time by reference to the stage of completion of the transaction based on the progress of work performed.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **78,867** | 20,418 |
| After one year | **23,946** | 247,009 |
| | **102,813** | 267,427 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the rendering of services, of which the performance obligations are to be satisfied within two years. All the other amount of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 6 OTHER NET INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Government grants | **813,501** | 775,685 |
| Rental income from investment properties | **15,424** | 19,501 |
| Gains on disposal of property, plant and equipment and right-of-use assets | **472,228** | – |
| Loss on disposal of a subsidiary *(note (i))* | **(66,775)** | – |
| Others | **52,427** | 48,131 |
| | **1,286,805** | 843,317 |

*Note:*

(i) In 2020, the Group disposed of its 100% equity interest in a subsidiary, namely Jiangsu Yuantai Ocean Carriage Co., Ltd., as well as the creditor's rights of receivable due from this subsidiary at cash consideration of RMB47,000,000 and recognised loss on disposal amounting to RMB66,775,000 (note 41).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 7 FINANCE INCOME AND EXPENSES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income on financial assets | **57,803** | 77,227 |
| Dividend income | **142,799** | 59,037 |
| Net unrealised profits on trading securities and derivative financial instruments | **38,276** | – |
| Foreign exchange gains | **135,270** | 3,836 |
| Finance income | **374,148** | 140,100 |
| Less: | | |
| Interest on bank and other borrowings wholly repayable within five years | **2,363,896** | 2,397,232 |
| Interest on bank and other borrowings repayable in more than five years | **1,094,769** | 1,110,714 |
| Interest on lease liabilities | **25,570** | 34,548 |
| Less: Interest expenses capitalised into property, plant and equipment and intangible assets | **(510,098)** | (305,076) |
| | **2,974,137** | 3,237,418 |
| Foreign exchange losses | **101,920** | 7,804 |
| Net unrealised losses on trading securities and derivative financial instruments | **115,278** | 59,676 |
| Bank charges and others | **266,200** | 320,739 |
| Finance expenses | **3,457,535** | 3,625,637 |
| Net finance expenses | **(3,083,387)** | (3,485,537) |

The borrowing costs have been capitalised at rates of 1.48% to 5.00% per annum for the year ended 31 December 2020 (2019: 2.60% to 5.15%).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

## (a) Personnel costs

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, wages and other benefits | **2,480,322** | 2,052,465 |
| Contributions to defined contribution retirement plans | **165,154** | 299,620 |
| | **2,645,476** | 2,352,085 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 8 PROFIT BEFORE TAXATION (Continued)

### (b) Other items

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Amortisation | | |
| – intangible assets | **525,850** | 520,056 |
| Depreciation | | |
| – investment properties | **590** | 731 |
| – property, plant and equipment | **7,084,161** | 6,979,801 |
| – right-of-use assets | **123,986** | 132,719 |
| Provision of impairment losses* | | |
| – property, plant and equipment | **941,916** | 1,508 |
| – trade and other receivables | **83,029** | 1,249 |
| Auditors' remuneration | | |
| – annual audit services | **17,030** | 14,980 |
| – interim review services | **6,300** | 6,300 |
| – other services | **3,757** | 770 |
| Operating lease charges | | |
| – plant and equipment | **8,440** | 8,172 |
| – properties | **41,838** | 26,405 |
| Cost of inventories | **5,802,772** | 5,916,146 |

* The provision of impairment losses is included in "Other operating expenses" in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income".

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 8 PROFIT BEFORE TAXATION (Continued)

### (c) Other operating expenses

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Insurance expenses | 185,871 | 174,109 |
| Other tax expenses | 163,094 | 149,153 |
| Purchase of electricity charges | 88,611 | 90,016 |
| Technical service expenses | 57,281 | 50,988 |
| Impairment losses of property, plant and equipment | 941,916 | 1,508 |
| Impairment losses of trade and other receivables | 83,029 | 1,249 |
| Costs in relation to engineering procurement construction services provided to third parties | – | 209,426 |
| Others | 351,443 | 357,387 |
| | 1,871,245 | 1,033,836 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))

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

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

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Current tax** | | |
| Provision for the year | 1,270,969 | 1,078,229 |
| Underprovision in respect of prior years | 22,897 | 16,240 |
| | 1,293,866 | 1,094,469 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences *(note 31(b))* | (57,784) | 36,289 |
| | 1,236,082 | 1,130,758 |

*Notes:*

(i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2020 and 2019, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to the relevant tax authorities' approvals.

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

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

*Notes: (Continued)*

(i) (Continued)

Pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, certain subsidiaries of the Group, which are set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

Pursuant to CaiShui [2011] No. 58, the Company's subsidiaries established in the Western Region of the PRC are entitled to a preferential income tax rate of 15% from 1 January 2011 to 31 December 2020. In addition, according to the announcement on continuation of enterprise income tax in West Development published by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, the aforementioned subsidiaries established in the Western Region of the PRC are authorised to be taxed at a preferential income tax rate of 15% till 31 December 2030.

(ii) Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong profits tax at 16.5%. Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Hero Asia (BVI) Company Limited, a subsidiary of the Group, is not subject to any income tax in the BVI.

Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

Longyuan Canada Renewables Ltd., a subsidiary of the Group in Canada, is subject to income tax at a rate of 26.5%. Longyuan South Africa Renewables Proprietary Ltd., a subsidiary of the Group in South Africa, is subject to income tax at a rate of 28%. Ukraine Yuzhne Energy Co., Ltd., a subsidiary of the Group in Ukraine, is subject to income tax at a rate of 18%.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

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

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

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Profit before taxation | **6,921,577** | 6,450,456 |
| Notional tax on profit before taxation | **1,730,394** | 1,612,614 |
| Tax effect of non-deductible expenses | **85,605** | 41,183 |
| Tax effect of share of profits less losses of associates and joint ventures | **12,770** | 2,558 |
| Tax effect of non-taxable income | **(33,005)** | (11,921) |
| Effect of differential tax rate of certain subsidiaries of the Group | **(796,495)** | (683,083) |
| Use of unrecognised tax losses in prior years | **(103,927)** | (13,440) |
| Tax effect of unused tax losses and deductible temporary differences not recognised | **317,843** | 166,607 |
| Underprovision in respect of prior years | **22,897** | 16,240 |
| Income tax | **1,236,082** | 1,130,758 |

## 10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to the Listing Rules section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2020:

| | Directors' and supervisors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | 2020 Total RMB'000 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Mr. Jia Yanbing *(Chairman)* | – | 428 | 912 | 88 | 1,428 |
| Mr. Sun Jinbiao | – | 418 | 625 | 79 | 1,122 |
| Mr. Yang Xiangbin | – | – | – | – | – |
| Mr. Liu Jinhuan | – | – | – | – | – |
| Mr. Zhang Xiaoliang (Appointed in February 2020) | – | – | – | – | – |
| Mr. Luan Baoxing (Resigned in February 2020) | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Mr. Zhang Songyi | 143 | – | – | – | 143 |
| Mr. Meng Yan | 143 | – | – | – | 143 |
| Mr. Han Dechang | 143 | – | – | – | 143 |
| **Supervisors** | | | | | |
| Mr. Yu Yongping | – | – | – | – | – |
| Ms. Hao Jingru (Appointed in February 2020) | | | | | |
| Mr. Chen Bin (Resigned in February 2020) | – | – | – | – | – |
| Mr. Ding Yinglong | – | 140 | 355 | 26 | 521 |
| | 429 | 986 | 1,892 | 193 | 3,500 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2019:

| | Directors' and supervisors' fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | 2019 Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Directors** | | | | | |
| Mr. Jia Yanbing *(Chairman)* (Appointed as Director in February 2019 and as Chairman in September 2019) | | 444 | 498 | 122 | 1,064 |
| Mr. Qiao Baoping *(Chairman)* (Resigned in September 2019) | – | – | – | – | – |
| Mr. Huang Qun (Resigned in November 2019) | | 367 | 776 | 131 | 1,274 |
| Mr. Sun Jinbiao (Appointed in November 2019) | | 106 | 124 | 29 | 259 |
| Mr. Luan Baoxing | – | – | – | – | – |
| Mr. Yang Xiangbin | – | – | – | – | – |
| Mr. Liu Jinhuan | – | – | – | – | – |
| **Independent non-executive directors** | | | | | |
| Mr. Zhang Songyi | 143 | – | – | – | 143 |
| Mr. Meng Yan | 143 | – | – | – | 143 |
| Mr. Han Dechang | 143 | – | – | – | 143 |
| **Supervisors** | | | | | |
| Mr. Yu Yongping | – | – | – | – | – |
| Mr. Chen Bin | – | – | – | – | – |
| Mr. Ding Yinglong | – | 280 | 377 | 96 | 753 |
| | 429 | 1,197 | 1,775 | 378 | 3,779 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December 2020 and 2019 is set forth below:

| | 2020 | 2019 |
|---|---|---|
| Directors | 1 | 1 |
| Non-directors | 4 | 4 |
| | 5 | 5 |

The emoluments of the directors are disclosed in note 10. The aggregate of the emoluments in respect of the remaining highest paid individuals is as follows:

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Salaries and other emoluments | 1,491 | 1,466 |
| Discretionary bonuses | 3,378 | 2,993 |
| Retirement scheme contributions | 330 | 470 |
| | 5,199 | 4,929 |

The emoluments of the individuals (non-directors) with the highest emoluments are within the following band:

| | 2020 | 2019 |
|---|---|---|
| HKD1,000,001 to HKD1,500,000 | 4 | 4 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 12 OTHER COMPREHENSIVE INCOME

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:** | | |
| Equity investments at fair value through other comprehensive (loss)/income ("FVOCI"): | | |
| – Changes in fair value recognised during the year | **(338,941)** | 205,465 |
| – Tax expense | **82,567** | (52,215) |
| Net of tax amount | **(256,374)** | 153,250 |
| **Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:** | | |
| Exchange difference on translation of financial statements of overseas subsidiaries: | | |
| – Before and net of tax amount | **99,395** | (25,629) |
| Exchange difference on net investment in overseas subsidiaries: | | |
| – Before and net of tax amount | **4,198** | 8,360 |
| Other comprehensive (loss)/income | **(152,781)** | 135,981 |

## 13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company for the year ended 31 December 2020 of RMB4,726,369,000 (2019: RMB4,324,790,000) and the number of shares in issue during the year ended 31 December 2020 of 8,036,389,000 (2019: 8,036,389,000).

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years presented.

## 14 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by types of business. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

– Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.

– Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not mentioned above in "All others". Revenue included in this category is mainly from the manufacturing and sale of power equipment, the provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

## 14 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets do not include investments in associates and joint ventures, equity investments at fair value through other comprehensive income, other financial assets, tax recoverable, deferred tax assets and unallocated head office and corporate assets. Segment liabilities do not include deferred tax liabilities, tax payable and unallocated head office and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated head office and corporate expenses.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities (Continued)

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

For the year ended 31 December 2020:

| | Wind power *RMB'000* | Coal power *RMB'000* | All others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Revenue from external customers | | | | |
| – Sales of electricity | 20,385,582 | 2,721,207 | 308,474 | 23,415,263 |
| – Others | 17,764 | 4,872,021 | 49,392 | 4,939,177 |
| Subtotal | 20,403,346 | 7,593,228 | 357,866 | 28,354,440 |
| Inter-segment revenue | – | – | 789,281 | 789,281 |
| **Reportable segment revenue** | 20,403,346 | 7,593,228 | 1,147,147 | 29,143,721 |
| **Reportable segment profit/ (loss) (operating profit/(loss))** | 10,087,416 | 526,154 | (363,021) | 10,250,549 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2020 (Continued):

| | Wind power<br>*RMB'000* | Coal power<br>*RMB'000* | All others<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Depreciation and amortisation before inter-segment elimination | (7,236,636) | (355,902) | (181,715) | (7,774,253) |
| Provision of impairment losses of trade and other receivables | (9,857) | – | (73,172) | (83,029) |
| Provision of impairment losses of property, plant and equipment *(note (i))* | (408,327) | (225,000) | (308,589) | (941,916) |
| Interest income | 16,284 | 11,804 | 29,715 | 57,803 |
| Interest expense | (2,789,533) | (67,756) | (116,848) | (2,974,137) |
| **Reportable segment assets** | 166,951,378 | 5,265,813 | 7,295,542 | 179,512,733 |
| Expenditures for reportable segment non-current assets during the year | 17,858,820 | 327,869 | 943,704 | 19,130,393 |
| **Reportable segment liabilities** | 109,076,167 | 3,646,941 | 9,970,003 | 122,693,111 |

*Note:*

(i) For the year ended 31 December 2020, The Group recognised an impairment of RMB941,916,000 of property, plant and equipment in "Other operating expenses" which mainly contains the followings: (1) one of the Group's wind farms was in the process of demolition for the environmental protection purpose, the Group made a provision for the impairment of RMB265,902,000 (2019: nil); (2) certain property, plant and equipment in the wind power segment, coal power segment as well as the PV power business in other segments were obsolete or in long-term delay of construction progress, the Group made a provision for the impairment of RMB142,425,000 (2019: RMB1,508,000), RMB225,000,000 (2019: nil), and RMB1,905,000 (2019: nil) included in wind power segment, coal power segment and other segment , respectively; and (3) the recoverable amount of two companies in biomass business included in other segments was lower than their carrying amount due to the continuing operating losses, the Group assessed the recoverable amount based on the discounted future cash flows and recognised an impairment loss of RMB306,684,000 (2019: nil).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2019:

| | Wind power *RMB'000* | Coal power *RMB'000* | All others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Revenue from external customers | | | | |
| – Sales of electricity | 18,956,987 | 2,975,830 | 386,514 | 22,319,331 |
| – Others | 24,196 | 4,808,474 | 270,858 | 5,103,528 |
| Subtotal | 18,981,183 | 7,784,304 | 657,372 | 27,422,859 |
| Inter-segment revenue | – | – | 617,356 | 617,356 |
| **Reportable segment revenue** | 18,981,183 | 7,784,304 | 1,274,728 | 28,040,215 |
| **Reportable segment profit (operating profit)** | 9,529,909 | 570,262 | 21,871 | 10,122,042 |
| Depreciation and amortisation before inter-segment elimination | (7,074,869) | (371,115) | (224,534) | (7,670,518) |
| (Reversal)/provision of impairment losses of trade and other receivables | (1,931) | – | 682 | (1,249) |
| Provision of impairment losses of property, plant and equipment | (1,508) | – | – | (1,508) |
| Interest income | 22,060 | 19,380 | 35,787 | 77,227 |
| Interest expense | (3,013,571) | (84,678) | (139,169) | (3,237,418) |
| **Reportable segment assets** | 152,676,792 | 5,253,632 | 6,354,343 | 164,284,767 |
| Expenditures for reportable segment non-current assets during the year | 12,219,742 | 257,530 | 53,308 | 12,530,580 |
| **Reportable segment liabilities** | 102,346,662 | 3,578,093 | 10,416,360 | 116,341,115 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | 29,143,721 | 28,040,215 |
| Service concession construction revenue | 312,741 | 117,771 |
| Elimination of inter-segment revenue | (789,281) | (617,356) |
| Consolidated revenue | 28,667,181 | 27,540,630 |
| **Profit** | | |
| Reportable segment profit | 10,250,549 | 10,122,042 |
| Elimination of inter-segment losses | (6,081) | (1,333) |
| | 10,244,468 | 10,120,709 |
| Share of profits less losses of associates and joint ventures | (51,080) | (10,233) |
| Net finance expenses | (3,083,387) | (3,485,537) |
| Unallocated head office and corporate expenses | (188,424) | (174,483) |
| Consolidated profit before taxation | 6,921,577 | 6,450,456 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | 179,512,733 | 164,284,767 |
| Inter-segment elimination | (6,934,135) | (9,804,035) |
| | 172,578,598 | 154,480,732 |
| Investments in associates and joint ventures | 4,055,962 | 4,328,089 |
| Equity investments at fair value through other comprehensive income | 753,820 | 1,084,581 |
| Other financial assets | 303,377 | 249,523 |
| Tax recoverable | 52,573 | 200,109 |
| Deferred tax assets | 210,403 | 157,201 |
| Unallocated head office and corporate assets | 75,973,340 | 69,047,544 |
| Elimination | (78,642,201) | (72,745,096) |
| Consolidated total assets | 175,285,872 | 156,802,683 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 14 SEGMENT REPORTING (Continued)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Liabilities** | | |
| Reportable segment liabilities | 122,693,111 | 116,341,115 |
| Inter-segment elimination | (12,615,135) | (17,109,639) |
| | 110,077,976 | 99,231,476 |
| Tax payable | 327,711 | 229,507 |
| Deferred tax liabilities | 173,116 | 263,182 |
| Unallocated head office and corporate liabilities | 71,737,765 | 63,664,479 |
| Elimination | (73,479,670) | (67,241,033) |
| Consolidated total liabilities | 108,836,898 | 96,147,611 |

### (c) Geographical information

As the Group does not have material operations outside the PRC, no geographical segment reporting is presented.

### (d) Major customers

Revenue from the PRC government-controlled power grid companies amounted to RMB22,858,363,000 for the year ended 31 December 2020 (2019: RMB21,710,028,000). All the service concession construction revenue was from the PRC government.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Land, buildings and structures | Generators and related equipment | Motor vehicles | Furniture, fixtures and others | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | |
| At 1 January 2019 | 11,859,717 | 130,276,886 | 503,713 | 881,036 | 11,117,825 | 154,639,177 |
| Additions | 24,824 | 100,377 | 15,452 | 62,315 | 11,649,932 | 11,852,900 |
| Acquisition of a subsidiary | 1,227 | – | – | 2,973 | 18,101 | 22,301 |
| Transfer from construction in progress | 433,403 | 5,892,619 | 979 | 40,420 | (6,359,546) | 7,875 |
| Transfer to construction in progress | – | (9,600) | – | – | 4,709 | (4,891) |
| Reclassification between assets | – | (16,150) | – | – | 47,504 | 31,354 |
| Disposals | (17,864) | (49,468) | (9,256) | (6,942) | (3,529) | (87,059) |
| Exchange adjustments | 4,235 | 192,999 | 27 | 267 | 1,268 | 198,796 |
| At 31 December 2019 | 12,305,542 | 136,387,663 | 510,915 | 980,069 | 16,476,264 | 166,660,453 |
| At 1 January 2020 | **12,305,542** | **136,387,663** | **510,915** | **980,069** | **16,476,264** | **166,660,453** |
| Additions | **46,532** | **130,603** | **10,198** | **73,188** | **18,358,861** | **18,619,382** |
| Transfer from construction in progress | **566,042** | **4,835,367** | **–** | **19,289** | **(5,420,698)** | **–** |
| Transfer to construction in progress | **(19,794)** | **(232,951)** | **(883)** | **(1,124)** | **86,483** | **(168,269)** |
| Reclassification between assets | **(68,901)** | **356,718** | **–** | **–** | **(46,612)** | **241,205** |
| Disposals | **(4,497)** | **(106,053)** | **(19,421)** | **(28,542)** | **–** | **(158,513)** |
| Disposal of a subsidiary | **–** | **–** | **(222,942)** | **(323)** | **–** | **(223,265)** |
| Other | **–** | **(127,638)** | **–** | **–** | **–** | **(127,638)** |
| Written off | **–** | **–** | **–** | **–** | **(230,066)** | **(230,066)** |
| Exchange adjustments | **(13,027)** | **(282,317)** | **(174)** | **558** | **(68,397)** | **(363,357)** |
| At 31 December 2020 | **12,811,897** | **140,961,392** | **277,693** | **1,043,115** | **29,155,835** | **184,249,932** |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Land, buildings and structures RMB'000 | Generators and related equipment RMB'000 | Motor vehicles RMB'000 | Furniture, fixtures and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses:** | | | | | | |
| At 1 January 2019 | 4,138,052 | 39,550,874 | 366,338 | 682,339 | 349,940 | 45,087,543 |
| Depreciation charge for the year | 496,560 | 6,387,722 | 17,337 | 84,532 | – | 6,986,151 |
| Provision of impairment losses | – | – | – | – | 1,508 | 1,508 |
| Transfer from construction in progress | – | 7,875 | – | – | – | 7,875 |
| Transfer to construction in progress | – | (4,891) | – | – | – | (4,891) |
| Reclassification between assets | – | (2,120) | – | – | – | (2,120) |
| Written back on disposal | (13,121) | (23,684) | (8,161) | (5,653) | – | (50,619) |
| Exchange adjustments | 255 | 27,395 | 20 | 151 | – | 27,821 |
| At 31 December 2019 | 4,621,746 | 45,943,171 | 375,534 | 761,369 | 351,448 | 52,053,268 |
| At 1 January 2020 | 4,621,746 | 45,943,171 | 375,534 | 761,369 | 351,448 | 52,053,268 |
| Depreciation charge for the year | 489,700 | 6,428,145 | 8,661 | 164,079 | – | 7,090,585 |
| Provision of impairment losses | 138,719 | 337,739 | 60 | 17,568 | 447,830 | 941,916 |
| Transfer to construction in progress | (7,756) | (158,902) | (839) | (772) | – | (168,269) |
| Reclassification between assets | (9,171) | (86,692) | – | – | 22,357 | (73,506) |
| Written back on disposal | (3,097) | (100,075) | (7,482) | (27,419) | – | (138,073) |
| Disposal of a subsidiary | – | – | (110,652) | (165) | – | (110,817) |
| Written off | – | – | – | – | (230,066) | (230,066) |
| Exchange adjustments | (208) | (32,447) | (143) | (115) | – | (32,913) |
| At 31 December 2020 | 5,229,933 | 52,330,939 | 265,139 | 914,545 | 591,569 | 59,332,125 |
| **Net carrying amount:** | | | | | | |
| At 31 December 2019 | 7,683,796 | 90,444,492 | 135,381 | 218,700 | 16,124,816 | 114,607,185 |
| At 31 December 2020 | 7,581,964 | 88,630,453 | 12,554 | 128,570 | 28,564,266 | 124,917,807 |

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

*Notes:*

(i) Certain of the Group's interest-bearing bank borrowings and bonds were secured by the Group's equipment, which had an aggregate net book value of RMB2,392,947,000 as at 31 December 2020 (31 December 2019: RMB2,612,256,000).

(ii) Provision of impairment losses

– Impairment of individual assets

For the year ended 31 December 2020, one of the Group's wind farms was in the process of demolition for the environmental protection purpose. The Group made a provision for the impairment of RMB265,902,000 (2019: nil) and recognised it in "Other operating expenses".

For the year ended 31 December 2020, certain property, plant and equipment and construction in progress in the wind power segment, coal power segment and PV power business in the other segments were either obsolete with no plan for further usage or in the long-term delay of construction progress. The Group impaired those assets and recognised an impairment loss of RMB142,425,000 (2019: RMB1,508,000), RMB225,000,000 (2019: nil) and RMB1,905,000 (2019: nil), respectively, and recognised the provision in "Other operating expenses".

– Impairment for CGUs

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based predominantly on value in use.

For the year ended 31 December 2020, the recoverable amount of certain properties, plant and equipment in biomass business in other segments was lower than their carrying amount due to the continuing operating losses, combined with the trend of gradually reducing the tariff premium due to the changes in tariff premium policy for biomass business. The Group determined the recoverable amount based on a value in use calculation using the discounted future cash flows with a pre-tax discount rate of 8.0%. The significant estimation and judgment involved in projections of future cash flows, including future sales volumes, future on-grid tariffs, future operating costs applied to these forecasted future cash flows. As a result, the Group recognised an impairment loss of RMB306,684,000 (2019: nil) in "Other operating expenses" for biomass business in other segments.

(iii) On 1 January 2020, the Group adjusted the useful lives and the residual value of certain items of property, plant and equipment, mainly including wind turbines and other machineries, buildings, motor vehicles, etc., by taking into account of recent technological developments to reflect the changes of consumption of the future economic benefits embodied in such assets. The management adopts prospective application for the changes in accounting estimates. If there were no changes in aforementioned accounting estimates, the depreciation expenses of the Group for the year ended 31 December 2020 would have increased by approximately RMB204,485,000.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 16 LEASES

### The Group as a lessee

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Land | Buildings and structures | Generators and related equipment | Motor vehicles | Maritime rights-of-use | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2019 | 2,232,503 | 12,783 | 448,876 | – | 217,325 | 2,911,487 |
| Additions | 218,298 | 34,809 | 21,126 | 4,427 | 93,941 | 372,601 |
| Acquisition of a subsidiary | 3,770 | – | – | – | – | 3,770 |
| Depreciation charge | (81,573) | (11,932) | (30,244) | (1,689) | (10,236) | (135,674) |
| Exchange adjustments | 2,418 | 175 | – | 24 | – | 2,617 |
| As at 31 December 2019 | 2,375,416 | 35,835 | 439,758 | 2,762 | 301,030 | 3,154,801 |
| As at 1 January 2020 | **2,375,416** | **35,835** | **439,758** | **2,762** | **301,030** | **3,154,801** |
| Additions | **29,000** | **18,423** | **4,966** | **373** | **140,569** | **193,331** |
| Depreciation charge | **(93,714)** | **(13,524)** | **(13,336)** | **(1,255)** | **(15,850)** | **(137,679)** |
| Disposals | **(27,248)** | **–** | **–** | **–** | **–** | **(27,248)** |
| Reclassification between assets | **106,342** | **–** | **(424,782)** | **–** | **–** | **(318,440)** |
| Exchange adjustments | **(3,491)** | **(184)** | **–** | **(277)** | **–** | **(3,952)** |
| As at 31 December 2020 | **2,386,305** | **40,550** | **6,606** | **1,603** | **425,749** | **2,860,813** |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 16 LEASES (Continued)

### The Group as a lessee (Continued)

#### (b) Lease liabilities

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

| | **2020 Lease liabilities** *RMB'000* | 2019 Lease liabilities *RMB'000* |
|---|---|---|
| Carrying amount at 1 January | **835,959** | 719,711 |
| Additions | **171,872** | 198,377 |
| Acquisition of a subsidiary | **–** | 3,770 |
| Accretion of interest recognised during the year | **25,570** | 36,583 |
| Payments | **(431,597)** | (125,192) |
| Exchange adjustments | **(923)** | 2,710 |
| Cost and carrying amount as at 31 December | **600,881** | 835,959 |
| Analysed into: | | |
| Current portion | **25,423** | 92,126 |
| Non-current portion | **575,458** | 743,833 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 16 LEASES (Continued)

### The Group as a lessee (Continued)

#### (b) Lease liabilities (Continued)

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities | 17,422 | 34,548 |
| Depreciation charge of right-of-use assets | 114,369 | 132,719 |
| Expense relating to short-term leases and lease of low-value assets | 42,774 | 24,475 |
| Variable lease payments not included in the measurement of lease liabilities | 7,504 | 10,102 |
| Total amounts recognised in profit or loss | 182,069 | 201,844 |

#### (c) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. As of 31 December 2020, there were neither any extension options that the Group does not expect to exercise nor any significant termination options that the Group expects to exercise.

## 16 LEASES (Continued)

### The Group as a lessee (Continued)

**(d) Variable lease payments**

The Group has lease contracts for land that contain variable payments based on the Group's revenue generated from the sale of electricity. These terms are negotiated by management for certain land where the wind turbines are located. Management's objective is to align the lease expense with the revenue of the sale of electricity. The amounts of variable lease payments recognised in profit or loss for the current year for these leases are RMB7,504,000 (2019: 10,102,000).

**(e)** The total cash outflow for leases is disclosed in note 42 to the financial statements.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 17 INTANGIBLE ASSETS

| | Concession assets RMB'000 | Software and others RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2019 | 11,671,576 | 272,152 | 11,943,728 |
| Additions | 117,771 | 51,740 | 169,511 |
| Acquisition of a subsidiary | – | 123,527 | 123,527 |
| Exchange adjustments | – | 11,653 | 11,653 |
| At 31 December 2019 | 11,789,347 | 459,072 | 12,248,419 |
| At 1 January 2020 | **11,789,347** | **459,072** | **12,248,419** |
| Additions | **312,741** | **4,939** | **317,680** |
| Reclassification between assets | **38,414** | **–** | **38,414** |
| Exchange adjustments | **–** | **(9,843)** | **(9,843)** |
| At 31 December 2020 | **12,140,502** | **454,168** | **12,594,670** |
| **Accumulated amortisation:** | | | |
| At 1 January 2019 | 3,979,323 | 72,049 | 4,051,372 |
| Charge for the year | 500,697 | 24,416 | 525,113 |
| Exchange adjustments | – | 2,281 | 2,281 |
| At 31 December 2019 | 4,480,020 | 98,746 | 4,578,766 |
| At 1 January 2020 | **4,480,020** | **98,746** | **4,578,766** |
| Charge for the year | **496,105** | **35,459** | **531,564** |
| Reclassification between assets | **64,659** | **–** | **64,659** |
| Exchange adjustments | **–** | **(2,000)** | **(2,000)** |
| At 31 December 2020 | **5,040,784** | **132,205** | **5,172,989** |
| **Net Carrying amount:** | | | |
| At 31 December 2019 | 7,309,327 | 360,326 | 7,669,653 |
| At 31 December 2020 | **7,099,718** | **321,963** | **7,421,681** |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 18 GOODWILL

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost and carrying amount as at 31 December | **61,490** | 61,490 |

Impairment tests for CGUs containing goodwill:

Goodwill is allocated to the Group's CGUs identified according to operating segment as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Wind power | **11,541** | 11,541 |
| Coal power | **49,949** | 49,949 |
| Cost and carrying amount as at 31 December | **61,490** | 61,490 |

Goodwill of the wind power segment in the Group arises from the acquisition of Buerjin Tianrun Wind Power Co., Ltd. in 2010. The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 6.67% (2019: 5.33%).

Goodwill of the coal power segment in the Group arises from the acquisition of Jiangyin Binjiang Heat and Power Generating Co., Ltd. ("Jiangyin Binjiang"), Jiangyin Chengdong Heat and Power Generating Co., Ltd. ("Jiangyin Chengdong") and Nantong Xinxing Heat and Power Generating Co., Ltd. ("Nantong Xinxing") in 2016. The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 9.33% (2019: 9.33%).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 18 GOODWILL (Continued)

Cash flows beyond the five-year period are expected to maintain constant, which is comparable with the industry. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The key assumption used for the value-in-use calculations is the revenue from electricity and heat sales. Management determined the revenue from electricity and heat sales based on its expectation of electricity and heat volume and the tariffs approved by related government authorities.

## 19 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2020 which principally affected the results, assets or liabilities of the Group.

| | Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 1 | 瀋陽龍源風力發電有限公司<br>Shenyang Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB432,270,000 | 73.62% | 25.00% | Wind power generation |
| 2 | 甘肅潔源風電有限責任公司<br>Gansu Jieyuan Wind Power Generation Co., Ltd. | the PRC | RMB505,020,000 | 77.11% | – | Wind power generation |
| 3 | 新疆天風發電股份有限公司<br>Xinjiang Tianfeng Power Generation Joint Stock Company *(note(v))* | the PRC | RMB511,016,909 | 59.52% | – | Wind power generation |
| 4 | 吉林龍源風力發電有限公司<br>Jilin Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB438,200,000 | 56.58% | 9.65% | Wind power generation |
| 5 | 江蘇龍源風力發電有限公司<br>Jiangsu Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB333,320,000 | 50.00% | 25.00% | Wind power generation |
| 6 | 龍源平潭風力發電有限公司<br>Longyuan Pingtan Wind Power Generation Co., Ltd. | the PRC | RMB170,000,000 | 85.00% | 5.00% | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 7 龍源加拿大可再生能源有限公司<br>Longyuan Canada Renewables Ltd. | the CAN | CAD 90,000,101 | – | 100.00% | Wind power generation |
| 8 國能重慶風電開發有限公司<br>China Energy Chongqing Wind Power Generation Co., Ltd. | the PRC | RMB491,113,000 | 51.00% | – | Wind power generation |
| 9 樺南龍源風力發電有限公司<br>Huanan Longyuan Wind Power Generation Co., Ltd. *(notes (iv) and (v))* | the PRC | RMB414,036,016 | 15.00% | 25.00% | Wind power generation |
| 10 龍源(巴彥淖爾)風力發電有限責任公司<br>Longyuan (Bayannur) Wind Power Generation Co., Ltd. | the PRC | RMB672,550,000 | 75.00% | 25.00% | Wind power generation |
| 11 龍源寧夏風力發電有限公司<br>Longyuan Ningxia Wind Power Generation Co., Ltd. | the PRC | RMB575,530,000 | 100.00% | – | Wind power generation |
| 12 龍源啟東風力發電有限公司<br>Longyuan Qidong Wind Power Generation Co., Ltd. | the PRC | RMB245,760,000 | 30.00% | 70.00% | Wind power generation |
| 13 河北圍場龍源建投風力發電有限公司<br>Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. *(note (iv))* | the PRC | RMB209,300,000 | 50.00% | – | Wind power generation |
| 14 龍源(包頭)風力發電有限責任公司<br>Longyuan (Baotou) Wind Power Generation Co., Ltd. | the PRC | RMB394,940,000 | 75.00% | 25.00% | Wind power generation |
| 15 龍源(張家口)風力發電有限公司<br>Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd. | the PRC | RMB1,613,605,900 | 100.00% | – | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest Direct | Percentage of attributable equity interest Indirect | Principal activities |
|---|---|---|---|---|---|
| 16 瀋陽龍源雄亞風力發電有限公司 Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd. | the PRC | RMB449,519,999 | 75.00% | 25.00% | Wind power generation |
| 17 伊春龍源雄亞風力發電有限公司 Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd. | the PRC | RMB320,139,995 | 75.00% | 25.00% | Wind power generation |
| 18 赤峰龍源風力發電有限公司 Chifeng Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB468,570,000 | 72.01% | 25.00% | Wind power generation |
| 19 龍源吳忠風力發電有限公司 Longyuan Wuzhong Wind Power Generation Co., Ltd. | the PRC | RMB270,760,000 | 100.00% | – | Wind power generation |
| 20 龍源貴州風力發電有限公司 Longyuan Guizhou Wind Power Generation Co., Ltd. | the PRC | RMB1,102,133,800 | 100.00% | – | Wind power generation |
| 21 龍源大豐風力發電有限公司 Longyuan Dafeng Wind Power Generation Co., Ltd. | the PRC | RMB520,614,000 | 100.00% | – | Wind power generation |
| 22 龍源石林風力發電有限公司 Longyuan Shilin Wind Power Generation Co., Ltd. | the PRC | RMB153,808,000 | 100.00% | – | Wind power generation |
| 23 廣東國電龍源風力發電有限公司 Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB218,303,400 | 51.00% | – | Wind power generation |
| 24 雲南龍源風力發電有限公司 Yunnan Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB786,998,000 | 100.00% | – | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 25 甘肅龍源風力發電有限公司 Gansu Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB624,530,000 | 75.00% | 25.00% | Wind power generation |
| 26 國電龍源吳起新能源有限公司 Guodian Longyuan Wuqi New Energy Co., Ltd. | the PRC | RMB228,521,000 | 51.00% | – | Wind power generation |
| 27 天津龍源風力發電有限公司 Tianjin Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB327,656,020 | 100.00% | – | Wind power generation |
| 28 龍源(莆田)風力發電有限公司 Longyuan (Putian) Wind Power Generation Co., Ltd. | the PRC | RMB421,954,000 | 100.00% | – | Wind power generation |
| 29 福建龍源風力發電有限公司 Fujian Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB319,665,200 | 100.00% | – | Wind power generation |
| 30 龍源阿拉山口風力發電有限公司 Longyuan Alashankou Wind Power Generation Co., Ltd. | the PRC | RMB308,610,000 | 100.00% | – | Wind power generation |
| 31 龍源(如東)風力發電有限公司 Longyuan (Rudong) Wind Power Generation Co., Ltd. | the PRC | RMB666,350,000 | 50.00% | 50.00% | Wind power generation |
| 32 甘肅新安風力發電有限公司 Gansu Xinan Wind Power Generation Co., Ltd. | the PRC | RMB169,810,000 | 54.54% | – | Wind power generation |
| 33 龍源西藏那曲新能源有限公司 Longyuan Xizang Naqu New Energy Co., Ltd. | the PRC | RMB25,000,000 | 100.00% | – | Wind power generation |
| 34 龍源(酒泉)風力發電有限公司 Longyuan (Jiuquan) Wind Power Generation Co., Ltd. | the PRC | RMB925,634,000 | 100.00% | – | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 35 山西龍源風力發電有限公司<br>Shanxi Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB465,118,630 | 100.00% | – | Wind power generation |
| 36 河北龍源風力發電有限公司<br>Hebei Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB1,294,418,920 | 100.00% | – | Wind power generation |
| 37 江蘇海上龍源風力發電有限公司<br>Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB768,000,000 | 70.00% | 30.00% | Wind power generation |
| 38 安徽龍源風力發電有限公司<br>Anhui Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB320,140,000 | 100.00% | – | Wind power generation |
| 39 新疆龍源風力發電有限公司<br>Xinjiang Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB406,003,500 | 100.00% | – | Wind power generation |
| 40 龍源大理風力發電有限公司<br>Longyuan Dali Wind Power Generation Co., Ltd. | the PRC | RMB380,985,000 | 80.00% | – | Wind power generation |
| 41 龍源黃海如東海上風力發電有限公司<br>Longyuan Huanghai Rudong Offshore Wind Power Generation Co., Ltd. | the PRC | RMB500,000,000 | 70.00% | 10.00% | Wind power generation |
| 42 江陰蘇龍熱電有限公司<br>Jiangyin Sulong Heat and Power Generating Co., Ltd. *(notes (iv) and (v))* | the PRC | RMB1,185,750,729 | 2.00% | 25.00% | Coal power generation |
| 43 南通天生港發電有限公司<br>Nantong Tianshenggang Power Generation *(notes (iv) and (v))* | the PRC | RMB448,248,084 | 0.65% | 31.29% | Coal power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 44 中能電力科技開發有限公司 Zhongneng Power-Tech Development Co., Ltd. | the PRC | RMB70,000,000 | 100.00% | – | Manufacturing and sale of power equipment |
| 45 龍源 (北京) 風電工程技術有限公司 Longyuan (Beijing) Wind Power Engineering Technology Co., Ltd. | the PRC | RMB30,000,000 | 100.00% | – | Manufacturing and sale of power equipment |
| 46 龍源 (青海) 新能源開發有限公司 Longyuan (Qinghai) New Energy Development Co., Ltd. | the PRC | RMB265,372,639 | 100.00% | – | PV power generation |
| 47 內蒙古龍源新能源發展有限公司 Inner Mongolia Longyuan New Energy Development Co., Ltd. | the PRC | RMB321,987,500 | 100.00% | – | Wind power generation |
| 48 龍源巴里坤風力發電有限公司 Longyuan Balikun Wind Power Generation Co., Ltd. | the PRC | RMB563,442,800 | 100.00% | – | Wind power generation |
| 49 山東龍源風力發電有限公司 Shandong Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB419,222,500 | 51.00% | 49.00% | Wind power generation |
| 50 龍源靜樂風力發電有限公司 Longyuan Jingle Wind Power Generation Co., Ltd. | the PRC | RMB310,746,908 | 100.00% | – | Wind power generation |
| 51 龍源盱眙風力發電有限公司 Longyuan Xuyi Wind Power Generation Co., Ltd. | the PRC | RMB770,002,700 | 51.00% | 49.00% | Wind power generation |
| 52 龍源陝西風力發電有限公司 Longyuan Shaanxi Wind Power Generation Co., Ltd. | the PRC | RMB380,818,999 | 100.00% | – | Wind power generation |
| 53 龍源雄亞 (福清) 風力發電有限公司 Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd. | the PRC | RMB198,129,668 | 50.00% | 50.00% | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 54 龍源電力集團(上海)投資有限公司 Longyuan Power Group (Shanghai) Investment Co., Ltd. | the PRC | RMB614,570,000 | 25.00% | 75.00% | Investment |
| 55 龍源吐魯番新能源有限公司 Longyuan Tulufan New Energy Co., Ltd. | the PRC | RMB45,740,000 | 90.00% | – | PV power generation |
| 56 龍源達茂風力發電有限公司 Longyuan Damao Wind Power Generation Co., Ltd. | the PRC | RMB420,898,700 | 100.00% | – | Wind power generation |
| 57 國電新疆阿拉山口風力開發有限公司 Guodian Xinjiang Alashankou Wind Power Generation Co., Ltd. | the PRC | RMB176,000,000 | 70.00% | – | Wind power generation |
| 58 龍源(農安)風力發電有限公司 Longyuan (Nongan) Wind Power Generation Co., Ltd. | the PRC | RMB212,344,600 | 100.00% | – | Wind power generation |
| 59 龍源臨沂風力發電有限公司 Longyuan Linyi Wind Power Generation Co., Ltd. | the PRC | RMB142,270,000 | 100.00% | – | Wind power generation |
| 60 龍源靖邊風力發電有限公司 Longyuan Jingbian Wind Power Generation Co., Ltd. | the PRC | RMB165,202,637 | 100.00% | – | Wind power generation |
| 61 龍源哈密新能源有限公司 Longyuan Hami New Energy Co., Ltd. | the PRC | RMB259,630,000 | 100.00% | – | Wind power generation |
| 62 龍源全椒風力發電有限公司 Longyuan Quanjiao Wind Power Generation Co., Ltd. | the PRC | RMB148,534,300 | 100.00% | – | Wind power generation |
| 63 龍源定遠風力發電有限公司 Longyuan Dingyuan Wind Power Generation Co., Ltd. | the PRC | RMB161,398,855 | 100.00% | – | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 64 赤峰新勝風力發電有限公司 Chifeng Xinsheng Wind Power Generation Co., Ltd. *(note (iv))* | the PRC | RMB273,426,200 | 34.00% | – | Wind power generation |
| 65 龍源興和風力發電有限公司 Longyuan Xinghe Wind Power Generation Co., Ltd. | the PRC | RMB148,164,800 | 100.00% | – | Wind power generation |
| 66 龍源東海風力發電有限公司 Longyuan Donghai Wind Power Generation Co., Ltd. | the PRC | RMB180,757,143 | 70.00% | – | Wind power generation |
| 67 廣西龍源風力發電有限公司 Guangxi Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB246,308,760 | 100.00% | – | Wind power generation |
| 68 海南龍源風力發電有限公司 Hainan Longyuan Wind Power Generation Co., Ltd. | the PRC | RMB299,088,800 | 75.00% | 25.00% | Wind power generation |
| 69 海安龍源海上風力發電有限公司 Haian Longyuan Offshore Wind Power Generation Co., Ltd. | the PRC | RMB840,000,000 | 70.00% | 30.00% | Wind power generation |
| 70 福建龍源海上風力發電有限公司 Fujian Longyuan Offshore Wind Power Generation Co., Ltd. | the PRC | RMB1,667,800,000 | 70.00% | 30.00% | Wind power generation |
| 71 龍源鹽城大豐海上風力發電有限公司 Longyuan Yancheng Dafeng Offshore Wind Power Generation Co., Ltd. | the PRC | RMB1,790,897,500 | 70.00% | 30.00% | Wind power generation |
| 72 龍源(天津濱海新區)風力發電有限公司 Longyuan (Tianjin Binhai) Wind Power Generation Co., Ltd. | the PRC | RMB275,815,020 | 100.00% | – | Wind power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

| Name of the company | Place of incorporation/ establishment | Issued and fully paid-up/ registered capital | Percentage of attributable equity interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 73 黑龍江龍源新能源發展有限公司 Heilongjiang Longyuan New Energy Development Co., Ltd. | the PRC | RMB976,844,000 | 100.00% | – | Wind power generation |
| 74 龍源南非可再生能源有限公司 Longyuan South Africa Renewables Proprietary Limited | South Africa | ZAR 100 | – | 100.00% | Wind power generation |
| 75 烏克蘭尤日內能源公司 Ukraine Yuzhne Energy Co., Ltd. | Ukraine | EUR 20,000,000 | – | 100.00% | Wind power generation |
| 76 雄亞(蓬萊市)新能源有限公司 Hero Asia (Penglai City) New Energy Co., Ltd. | the PRC | RMB70,405,000 | – | 100.00% | PV power generation |

*Notes:*

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

(ii) All subsidiaries established in the PRC are limited liability companies, except for Xinjiang Tianfeng Power Generation Joint Stock Company.

(iii) The bonds issued by the subsidiaries are set out in note 28 (e).

(iv) The Company directly or indirectly owns no more than half of equity interests in these companies. The Company is the largest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. The Company or the Company's subsidiaries have signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company has existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under the relevant PRC laws. In addition to the concert party agreements, the Company controlled the operation of these entities by appointing senior management, approving annual budgets, determining the remuneration of employees, etc. Considering the above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore, the financial statements of these companies are consolidated by the Company during the years presented.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 19 INVESTMENTS IN SUBSIDIARIES (Continued)

*Notes (Continued):*

(v) The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below presents the amounts before any inter-company eliminations.

| | Jiangyin Sulong Heat and Power Generating Co., Ltd. | | Nantong Tianshenggang Power Generation Co., Ltd. | | Huanan Longyuan Wind Power Generation Co., Ltd. | | Xinjiang Tianfeng Power Generation Joint Stock Company | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| NCI percentage | 73.00% | 73.00% | 68.06% | 68.06% | 60.00% | 60.00% | 40.48% | 40.48% |
| Profit allocated to NCI | 404,311 | 393,923 | 142,773 | 73,567 | 29,867 | 14,703 | 27,288 | 3,176 |
| Dividend paid to NCI | 273,134 | 188,760 | 40,836 | 34,030 | 8,394 | 14,043 | 25,318 | – |
| Carrying amount of NCI | 2,098,080 | 1,952,325 | 1,902,704 | 1,824,507 | 294,940 | 273,467 | 279,252 | 277,282 |
| Revenue | 5,719,373 | 5,795,432 | 1,873,855 | 1,988,872 | 139,951 | 118,040 | 179,580 | 149,929 |
| Total expenses | (5,165,522) | (5,255,812) | (1,664,080) | (1,880,780) | (90,172) | (93,535) | (112,168) | (142,082) |
| Profit for the year | 553,851 | 539,620 | 209,775 | 108,092 | 49,779 | 24,505 | 67,412 | 7,847 |
| Total comprehensive income | 553,851 | 539,620 | 206,311 | 110,565 | 49,779 | 24,505 | 67,412 | 7,847 |
| Current assets | 1,393,240 | 1,120,218 | 777,764 | 340,169 | 210,738 | 205,241 | 394,347 | 309,963 |
| Non-current assets | 3,568,873 | 3,307,118 | 3,579,097 | 4,213,739 | 569,331 | 621,659 | 618,374 | 672,040 |
| Current liabilities | (2,052,444) | (1,697,864) | (1,335,951) | (1,232,758) | (149,985) | (204,096) | (322,869) | (297,017) |
| Non-current liabilities | (55,556) | (55,054) | (242,355) | (640,416) | (138,517) | (167,026) | – | – |
| Attributable to the shareholders of the Company | 2,800,122 | 2,618,889 | 2,742,176 | 2,660,182 | 491,567 | 455,778 | 689,852 | 684,986 |
| Attributable to the non-controlling shareholders of the Company | 53,991 | 55,529 | 36,379 | 20,552 | – | – | – | – |
| Cash flows from/(used in) operating activities | 377,965 | 839,144 | (71,677) | 537,156 | 69,112 | 17,208 | 15,635 | 71,822 |
| Cash flows (used in)/from investing activities | (209,935) | (336,292) | 556,333 | (425,666) | (6,700) | (9,315) | (6,471) | (5,240) |
| Cash flows used in financing activities | (160,403) | (504,348) | (494,445) | (151,464) | (62,411) | (7,893) | (8,198) | (66,582) |
| Net increase/(decrease) in cash and cash equivalents | 7,627 | (1,496) | (9,789) | (39,974) | 1 | – | 966 | – |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Share of net assets | **4,055,962** | 4,328,089 |

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

| | | | Percentage of attributable equity interest | | |
|---|---|---|---|---|---|
| | **Place of establishment** | **Particulars of registered capital** *RMB'000* | **Direct** | **Indirect** | **Principal activities** |
| **Associates** | | | | | |
| 國電聯合動力技術有限公司 Guodian United Power Technology Co., Ltd. | the PRC | 2,137,527 | 30.00% | – | Manufacturing and sale of power equipment |
| 國電融資租賃有限公司 Guodian Financial Leasing Co., Ltd | the PRC | 3,000,000 | – | 49.00% | Financial leasing |
| **Joint venture** | | | | | |
| 江蘇南通發電有限公司 Jiangsu Nantong Power Generation Co., Ltd. | the PRC | 1,596,000 | – | 50.00% | Coal power generation |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Summarised financial information of the material associates and material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

| | Guodian United Power Technology Co., Ltd. | | China Guodian Financial Leasing Co., Ltd. | | Jiangsu Nantong Power Generation Co., Ltd. | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Cash and cash equivalents | **1,399,474** | 1,179,224 | **72,086** | 322,867 | **183,936** | 119,317 |
| Other current assets | **8,186,618** | 8,464,998 | **4,650,889** | 326,930 | **580,818** | 331,258 |
| Current assets | **9,586,092** | 9,644,222 | **4,722,975** | 649,797 | **764,754** | 450,575 |
| Non-current assets | **3,425,939** | 3,204,677 | **15,912,494** | 13,237,291 | **4,522,674** | 4,862,899 |
| Financial liabilities | **(4,114,623)** | (7,946,005) | **(7,917,803)** | (4,502,157) | **(1,650,195)** | (2,076,146) |
| Other current liabilities | **(6,098,945)** | (1,490,215) | **(3,265,537)** | (1,757,124) | **(412,548)** | (417,971) |
| Current liabilities | **(10,213,568)** | (9,436,220) | **(11,183,340)** | (6,259,281) | **(2,062,743)** | (2,494,117) |
| Non-current financial liabilities | **(214,600)** | – | **(5,354,695)** | (3,376,241) | **(1,290,996)** | (875,996) |
| Other non-current liabilities | **(1,092,826)** | (1,241,826) | **(808,204)** | (956,443) | **(18,197)** | (15,875) |
| Net assets | **1,491,037** | 2,170,853 | **3,289,230** | 3,295,123 | **1,915,492** | 1,927,486 |
| Reconciled to the Group's interests in the associates and joint ventures: | | | | | | |
| The Group's effective interest | **30.00%** | 30.00% | **49.00%** | 49.00% | **50.00%** | 50.00% |
| The Group's interest in net assets of the investee at end of year | **447,311** | 651,256 | **1,611,723** | 1,614,610 | **957,746** | 963,743 |
| Elimination of unrealised profit on (upstream)/downstream sales | **(107,923)** | (74,778) | **–** | – | **37,562** | 30,500 |
| Carrying amount of interests in associates and joint ventures at end of year | **339,388** | 576,478 | **1,611,723** | 1,614,610 | **995,308** | 994,243 |
| Revenue | **6,041,118** | 4,458,786 | **680,842** | 667,946 | **3,118,059** | 2,961,557 |
| Depreciation and amortisation | **(101,699)** | (107,558) | **–** | – | **(378,508)** | (377,020) |
| Finance income | **23,116** | 16,549 | **2,964** | 2,832 | **2,446** | 1,520 |
| Finance expenses | **(126,881)** | (152,740) | **–** | – | **(117,990)** | (159,546) |
| Income tax | **(98,102)** | (170,973) | **(79,531)** | (74,565) | **(101,081)** | (81,114) |
| (Loss)/profit for the year | **(679,816)** | (871,186) | **118,966** | 169,866 | **240,436** | 197,539 |
| Total comprehensive (loss)/income | **(679,816)** | (871,186) | **118,966** | 169,866 | **240,436** | 197,539 |
| Dividends declared during the year | **–** | – | **124,859** | 145,009 | **252,430** | 290,285 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Aggregate information of associates and joint ventures that are not individually material is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements | 1,109,543 | 1,142,758 |
| Aggregate amounts of the Group's share of those associates' and joint ventures' profit for the year | 436 | 41,062 |
| Aggregate amounts of the Group's share of those associates' and joint ventures' total comprehensive income | 436 | 41,062 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 21 OTHER ASSETS

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Listed equity investments designated at FVOCI | **34,962** | 36,733 |
| Unlisted equity investments designated at FVOCI *(note (i))* | **718,858** | 1,047,848 |
| Loans and advances to: | | |
| – Associates *(note (ii))* | **61,000** | 25,000 |
| – Non-controlling equity owner *(note (iii))* | **56,749** | 48,994 |
| Advance payment for acquisition | **370,000** | – |
| Dividend receivable | **–** | 230,000 |
| Others | **116,343** | 20,284 |
| Subtotal | **1,357,912** | 1,408,859 |
| Deductible VAT *(note (iv))* | **3,207,653** | 2,377,361 |
| | **4,565,565** | 3,786,220 |

*Notes:*

(i) The unlisted equity investments designated at FVOCI are equity investments in limited liability companies established in the PRC and the Group's management has assessed and classified these equity investments into equity investments through other comprehensive income and measured them at fair value (cannot be reclassified to profit or loss in subsequent periods).

(ii) The loans to associates are unsecured and not past due as at the end of the reporting period, and bear interest at the rate of 3.90% per annum for the year ended 31 December 2020 (31 December 2019: 5.23%). The current portion is recorded in other current assets.

(iii) The loans to non-controlling equity owners are unsecured and not past due as at the end of the reporting period, and bear interest at the rates of 8.05% per annum for the year ended 31 December 2020 (31 December 2019: 10.29%).

(iv) Deductible VAT mainly represents the input VAT relating to the acquisition of property, plant and equipment, inventories and intangible assets.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 22 INVENTORIES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Coal | 164,463 | 154,208 |
| Fuel oil | 1,077 | 2,605 |
| Spare parts and others | 640,494 | 662,405 |
| | 806,034 | 819,218 |

## 23 TRADE AND BILLS RECEIVABLES

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Amounts due from third parties | 21,584,113 | 16,338,604 |
| Amounts due from fellow subsidiaries | 29,041 | 16,337 |
| Amounts due from associates | 23,366 | 22,648 |
| | 21,636,520 | 16,377,589 |
| Less: Allowance for doubtful debts | (33,452) | (12,419) |
| | 21,603,068 | 16,365,170 |
| Analysed into: | | |
| Trade receivables | 20,974,110 | 15,815,619 |
| Bills receivables | 628,958 | 549,551 |
| | 21,603,068 | 16,365,170 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 23 TRADE AND BILLS RECEIVABLES (Continued)

### (a) Ageing analysis

The ageing analysis of trade and bills receivables of the Group, based on the invoice date and net of loss allowance, is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Within 1 year | 21,536,160 | 16,253,651 |
| Between 1 and 2 years | 65,350 | 108,180 |
| Between 2 and 3 years | 1,558 | 3,339 |
| | 21,603,068 | 16,365,170 |

The Group's trade and bills receivables are mainly wind power, coal power and other renewable energy electricity sales receivables from local grid companies. Generally, the receivables are due within 15 to 30 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

### (b) Impairment of trade and bills receivables

The movements in the loss allowance for doubtful debts are as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| At 1 January | 12,419 | 13,158 |
| Impairment losses recognised | 23,023 | 2,115 |
| Reversal of impairment losses | (1,990) | (2,854) |
| At 31 December | 33,452 | 12,419 |

## 23 TRADE AND BILLS RECEIVABLES (Continued)

### (b) Impairment of trade and bills receivables (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that the recovery of the amount is remote.

Pursuant to Caijian [2020] No. 4 Notice on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Notice on the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission of the PRC and the National Energy Administration in January 2020, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium have come into force since 2020 and approvals on a project-by-project basis are required before the allocation of funds to local grid companies. Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) issued by the Ministry of Finance in March 2012 was repealed at the same time.

As at 31 December 2020, most of the Group's projects have been approved for the tariff premium of renewable energy and certain projects are in the process of applying for the approval. The directors are of the opinion that the approvals will be obtained in due course. The tariff premium receivables are settled in accordance with the prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement. The trade receivables from the tariff premium are fully recoverable, considering that there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 23 TRADE AND BILLS RECEIVABLES (Continued)

### (b) Impairment of trade and bills receivables (Continued)

The Group has applied the simplified approach to measure the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit losses on trade receivables excluding tariff premium receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2020

| | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | **0.10%** | **1.77%** | **34.76%** | **100.00%** | **0.16%** |
| Gross carrying amount *(RMB'000)* | **20,929,086** | **66,530** | **2,388** | **9,558** | **21,007,562** |
| Expected credit losses *(RMB'000)* | **21,884** | **1,180** | **830** | **9,558** | **33,452** |

As at 31 December 2019

| | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | 0.00% | 2.24% | 50.00% | 100.00% | 0.08% |
| Gross carrying amount *(RMB'000)* | 15,704,100 | 110,659 | 6,678 | 6,601 | 15,828,038 |
| Expected credit losses *(RMB'000)* | – | 2,479 | 3,339 | 6,601 | 12,419 |

As at 31 December 2020, bills receivables were all bank acceptance bills with a maturity of one to six months, and management considered the probability of default as minimal.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))

## 24 PREPAYMENTS AND OTHER CURRENT ASSETS

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Loans and advances to *(note (i))*: | | |
| – Associates and joint ventures | **267,355** | 279,257 |
| – China Energy Investment Corporation Limited ("CHN Energy") | **4,187** | 6,260 |
| – Fellow subsidiaries | **353,647** | 376,205 |
| – Third parties | **610,317** | 266,629 |
| Government grant receivables | **165,504** | 112,731 |
| Dividends receivable from: | | |
| – Associates | **219,512** | 33,914 |
| Deductible VAT *(note 21(iv))* | **940,755** | 876,839 |
| Prepayments and others | **611,879** | 297,115 |
| | **3,173,156** | 2,248,950 |
| Less: Allowance for doubtful debts | **(341,890)** | (285,634) |
| | **2,831,266** | 1,963,316 |

*Note:*

(i) Interest-bearing loans and advances of the Group amounted to RMB667,660,000 with interest rates of 4.35% to 5.23% per annum as at 31 December 2020 (2019: RMB445,000,000, 4.35% to 4.74%).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 24 PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

The movements in the loss allowance for doubtful debts are as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| At 1 January | 285,634 | 283,646 |
| Impairment losses recognised | 62,276 | 1,988 |
| Reversal of impairment losses | (280) | – |
| Uncollectible amounts written off | (5,740) | – |
| At 31 December | 341,890 | 285,634 |

Where applicable upon the financial assets above, an impairment analysis is performed at each reporting date by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Among the accrual of impairment in 2020, RMB32,875,000 was recognised for the loans and advances due from a fellow subsidiary that was continuously in financial difficulties and management assessed that the receivable was not expected to be fully recovered. Up to 31 December 2020, accumulated impairment amounting to RMB283,664,000 has been recognised for the loans and advances due from this fellow subsidiary.

For the other loans and advances due from related parties, dividend receivables, government grant receivables and deductible VAT, there was a specific due date or settlement schedule. Management considered the probability of default as nil. The remaining allowance amounted to RMB29,401,000, which has been provided during 2020 for the remaining items of prepayments and other current assets with expected credit loss rates from 0.00% to 100.00%.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 25 OTHER FINANCIAL ASSETS

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Financial assets at fair value through profit or loss | | |
| – Listed equity securities on the Hong Kong Stock Exchange | **102,777** | 70,833 |
| – Financial products *(note (i))* | **90,000** | 102,800 |
| Financial assets at amortised cost *(note (ii))* | **110,600** | 75,890 |
| | **303,377** | 249,523 |

*Notes:*

(i) Financial assets at fair value through profit or loss represented financial products issued by financial institutions with a guaranteed principal and variable returns. The expected annual return rate is 1.00% to 3.50%.

(ii) Financial assets at amortized cost represented financial products issued by financial institutions with a guaranteed principal and a fixed return. Depending on the type of financial assets, the annual rates of return include 2.40% to 2.75%.

## 26 RESTRICTED DEPOSITS

Restricted deposits mainly represent monetary funds deposited in the custodial account opened by the Group which can only be transferred to a trust account or be used for repaying bank loans.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 27 CASH AT BANKS AND ON HAND

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Cash on hand | 6 | 3 |
| Cash at banks and other financial institutions | 5,226,325 | 2,908,442 |
| | 5,226,331 | 2,908,445 |
| Representing: | | |
| – Cash and cash equivalents | 5,226,331 | 2,908,445 |
| | 5,226,331 | 2,908,445 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 28 BORROWINGS

### (a) The long-term interest-bearing borrowings comprise:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Bank loans | | |
| – Secured *(note (i))* | **11,295,824** | 13,204,368 |
| – Unsecured *(note (ii))* | **27,240,995** | 16,583,151 |
| Loans from fellow subsidiaries | | |
| – Unsecured | **148,000** | 148,000 |
| Loans from associates and joint ventures | | |
| – Secured *(note (i))* | **100,000** | – |
| Other borrowings *(note 28(e)(i))* | | |
| – Secured *(note (i))* | **794,993** | 879,687 |
| – Unsecured *(note (ii))* | **24,652,134** | 25,415,069 |
| | **64,231,946** | 56,230,275 |
| Less: Current portion of long-term borrowings *(note 28(b))* | | |
| – Bank loans | **(3,409,189)** | (3,093,614) |
| – Other borrowings | **(8,224,702)** | (4,255,183) |
| | **52,598,055** | 48,881,478 |

*Notes:*

(i) Certain secured borrowings of the subsidiaries of the Group were secured by property, plant and equipment with a carrying amount of RMB2,392,947,000 (31 December 2019: RMB2,612,256,000) and trade debtors' beneficial rights arising from future electricity sales.

(ii) As at 31 December 2020, the Group's loans and borrowings guaranteed by CHN Energy amounted to RMB1,746,876,000 (31 December 2019: RMB3,853,282,000).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 28 BORROWINGS (Continued)

### (b) The short-term interest-bearing borrowings comprise:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Bank loans | | |
| – Secured *(note (i))* | 601,800 | 479,500 |
| – Unsecured | 14,151,345 | 16,175,855 |
| Loans from other financial institutions and others | | |
| – Unsecured *(note (ii))* | 41,000 | 41,000 |
| Loans from fellow subsidiaries | | |
| – Unsecured | 447,123 | 419,579 |
| Other borrowings | | |
| – Unsecured *(note 28(e)(ii))* | 11,000,000 | 4,500,000 |
| Current portion of long-term borrowings *(note 28(a))* | | |
| – Bank loans | 3,409,189 | 3,093,614 |
| – Other borrowings | 8,224,702 | 4,255,183 |
| | 37,875,159 | 28,964,731 |

*Notes:*

(i) Certain secured borrowings of the subsidiaries of the Group were secured by trade debtors' beneficial rights arising from future electricity sales.

(ii) As at 31 December 2020, the loans of the Company amounted to RMB41,000,000 (31 December 2019: RMB41,000,000). The loans were borrowed from a third party by the Company's subsidiary, China Fulin Wind Power Engineering Co., Ltd.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 28 BORROWINGS (Continued)

### (c) The effective interest rates per annum on borrowings are as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Long-term** | | |
| Bank loans | **1.80%~10.70%** | 0.75%~10.70% |
| Other borrowings | **1.80%~5.14%** | 3.39%~5.15% |
| Loans from fellow subsidiaries | **3.20%~5.00%** | 4.75%~5.00% |
| Loans from associates and joint ventures | **4.18%** | – |
| **Short-term** | | |
| Bank loans | **0.40%~3.92%** | 1.00%~4.02% |
| Loans from other financial institutions | **5.70%** | 5.70% |
| Other borrowings | **1.85%~2.07%** | 2.75%~3.54% |
| Loans from fellow subsidiaries | **3.70%~4.13%** | 2.95%~4.13% |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 28 BORROWINGS (Continued)

### (d) The borrowings are repayable:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **37,875,159** | 28,964,731 |
| After 1 year but within 2 years | **10,514,557** | 11,280,377 |
| After 2 years but within 5 years | **25,815,407** | 23,802,993 |
| After 5 years | **16,268,091** | 13,798,108 |
| | **90,473,214** | 77,846,209 |
| Including, | | |
| Bank loans: | | |
| Within 1 year | **18,162,334** | 19,748,969 |
| After 1 year but within 2 years | **3,843,775** | 2,972,928 |
| After 2 years but within 5 years | **15,525,169** | 10,518,421 |
| After 5 years | **15,758,686** | 13,202,556 |
| | **53,289,964** | 46,442,874 |
| Loans other than bank loans: | | |
| Within 1 year | **19,712,825** | 9,215,762 |
| After 1 year but within 2 years | **6,670,782** | 8,307,449 |
| After 2 years but within 5 years | **10,290,238** | 13,284,572 |
| After 5 years | **509,405** | 595,552 |
| | **37,183,250** | 31,403,335 |

## 28 BORROWINGS (Continued)

### (e) Significant terms of other borrowings:

(i) On 10 December 2010, the Company issued a ten-year corporate bond of RMB2,000 million at par with a coupon rate of 5.05% per annum, which is guaranteed by CHN Energy. The effective interest rate of the bond is 5.15%. As at 31 December 2020, the Company fully repaid the corporate bond of RMB2,000 million in 2020.

On 21 January 2011, the Company issued a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which is guaranteed by CHN Energy. The effective interest rate is 5.14%.

On 29 September 2015, the Company issued a five-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.20% per annum. The effective interest rate is 4.35%. As at 31 December 2020, RMB3,000 million was fully repaid.

On 22 October 2015, a subsidiary of the Company, Longyuan Canada Renewables Limited, issued an eighteen-year corporate bond of CAD200 million at par with a coupon rate of 4.32% per annum. The effective interest rate is 4.32%. As at 31 December 2020, CAD42,577,000 of the corporate bond was repaid.

On 22 January 2016, the Company issued a five-year unsecured corporate bond of RMB3,700 million at par with a coupon rate of 3.28% per annum. The effective interest rate is 3.39%.

On 16 May 2017, the Company issued a five-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 4.90% per annum. The effective interest rate is 4.98%. On 18 May 2020, the Company completed the coupon rate adjustment of 2.50% from 16 May 2020, and the exercise of a put option for the amount of RMB484,500,000.

On 1 August 2017, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.78% per annum. The effective interest rate is 4.84%.

## 28 BORROWINGS (Continued)

### (e) Significant terms of other borrowings (Continued):

(i) (Continued)

On 23 April 2018, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.83% per annum. The effective interest rate is 4.89%.

On 4 December 2018, the Company issued a three-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.96% per annum. The effective interest rate is 4.08%.

On 26 April 2019, the Company issued a three-year unsecured medium-term note of RMB2,000 million at par with a coupon rate of 4.09% per annum. The effective interest rate is 4.27%.

On 17 June 2019, the Company issued a three-year unsecured medium-term note of RMB1,000 million at par with a coupon rate of 3.80% per annum. The effective interest rate is 3.99%.

On 26 September 2019, the Company issued a three-year unsecured medium-term note of RMB2,000 million at par with a coupon rate of 3.52% per annum. The effective interest rate is 3.64%.

On 27 April 2020, the Company issued a three-year unsecured medium-term note of RMB2,000 million at par with a coupon rate of 2.38% per annum. The effective interest rate is 2.50%.

On 18 November 2020, a subsidiary of the Company, Hero Asia Investment Limited, issued a three-year corporate bond of USD300 million at par with a coupon rate of 1.50% per annum. The effective interest rate is 1.80%.

(ii) Short-term financing bonds represented a series of unsecured corporate bonds with the coupon rates from 1.60% to 1.90% issued in 2020. The effective interest rates of these bonds are from 1.85% to 2.07%.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 29 TRADE AND BILLS PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bills payables | **2,459,349** | 2,550,875 |
| Trade payables | **1,017,563** | 790,250 |
| Amounts due to associates | **49,428** | 24,351 |
| Amounts due to fellow subsidiaries | **88,865** | 45,649 |
| | **3,615,205** | 3,411,125 |

The ageing analysis of trade payables by invoice date is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **3,200,860** | 3,131,458 |
| Between 1 and 2 years | **311,533** | 200,930 |
| Between 2 and 3 years | **62,010** | 52,764 |
| Over 3 years | **40,802** | 25,973 |
| | **3,615,205** | 3,411,125 |

As at 31 December 2020 and 2019, all trade and bills payables are payable and expected to be settled within one year.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 30 OTHER CURRENT LIABILITIES

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Payables for acquisition of property, plant and equipment | **6,121,291** | 5,404,269 |
| Payables for staff-related costs | **220,170** | 202,337 |
| Payables for other taxes | **269,737** | 203,621 |
| Dividends payable | **501,557** | 388,388 |
| Receipts in advance | **–** | 6,437 |
| Amounts due to associates and joint ventures *(note (i))* | **1,577,315** | 1,364,571 |
| Amounts due to fellow subsidiaries *(note (i))* | **415,237** | 126,430 |
| Amounts due to CHN Energy *(note (i))* | **30,549** | 30,549 |
| Other accruals and payables | **1,336,843** | 2,773,631 |
| Derivative financial instruments | | |
| – Interest rate swap contracts *(note (ii))* | **234,436** | 124,011 |
| Contract liabilities | **356,693** | 216,108 |
| | **11,063,828** | 10,840,352 |

*Notes:*

(i) Amounts due to CHN Energy, fellow subsidiaries, associates and joint ventures are unsecured and interest-free, and have no fixed terms of repayment.

(ii) In 2015, Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited and Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts are recognised in accordance with the accounting policies set out in note 2(q).

(iii) Except for derivative financial instruments, all other payables are measured at amortised cost and expected to be settled within one year or are repayable on demand.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| Net tax payable/(recoverable) at 1 January | 29,398 | (910) |
| Provision for the year *(note 9(a))* | 1,270,969 | 1,078,229 |
| Underprovision in respect of prior years *(note 9(a))* | 22,897 | 16,240 |
| Income tax paid | (1,048,126) | (1,064,161) |
| Net tax payable at 31 December | 275,138 | 29,398 |
| Representing: | | |
| Tax payable | 327,711 | 229,507 |
| Tax recoverable | (52,573) | (200,109) |
| | 275,138 | 29,398 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years are as follows:

| Deferred tax assets arising from: | Provision for impairment of assets | Unrealised profits | Depreciation and amortisation | Gains and losses on changes in fair value of derivative financial instruments | Loss available for offsetting against future taxable profits | Others | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 29,387 | 31,403 | 47,929 | 9,553 | 315,824 | 27,336 | 461,432 |
| Credited/(charged) to profit or loss | (564) | 5,130 | 5,647 | 13,427 | 413,890 | 1,809 | 439,339 |
| Exchange reserve | – | – | – | 459 | – | 638 | 1,097 |
| At 31 December 2019 | 28,823 | 36,533 | 53,576 | 23,439 | 729,714 | 29,783 | 901,868 |
| At 1 January 2020 | **28,823** | **36,533** | **53,576** | **23,439** | **729,714** | **29,783** | **901,868** |
| (Charged)/credited to profit or loss | **32,604** | **5,701** | **5,572** | **32,278** | **(67,775)** | **6,038** | **14,418** |
| Exchange reserve | **–** | **–** | **–** | **(250)** | **(58,135)** | **(391)** | **(58,776)** |
| At 31 December 2020 | **61,427** | **42,234** | **59,148** | **55,467** | **603,804** | **35,430** | **857,510** |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

| Deferred tax liabilities arising from: | Equity investments | Revaluation of other properties | Depreciation and amortisation | Others | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2019 | (36,612) | (25,744) | (411,317) | (5,643) | (479,316) |
| Credited/(charged) to profit or loss | – | 2,880 | (479,864) | 1,356 | (475,628) |
| Fair value reserve | (52,215) | – | – | – | (52,215) |
| Exchange Reserve | – | – | – | (690) | (690) |
| At 31 December 2019 | (88,827) | (22,864) | (891,181) | (4,977) | (1,007,849) |
| At 1 January 2020 | **(88,827)** | **(22,864)** | **(891,181)** | **(4,977)** | **(1,007,849)** |
| Credited to profit or loss | **–** | **9,830** | **28,559** | **4,977** | **43,366** |
| Fair value reserve | **82,567** | **–** | **–** | **–** | **82,567** |
| Exchange Reserve | **-** | **-** | **61,693** | **–** | **61,693** |
| At 31 December 2020 | **(6,260)** | **(13,034)** | **(800,929)** | **–** | **(820,223)** |

Reconciliation to the consolidated statement of financial position:

| | 2020 | 2019 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Net deferred tax asset recognised in the consolidated statement of financial position | **210,403** | 157,201 |
| Net deferred tax liability recognised in the consolidated statement of financial position | **(173,116)** | (263,182) |

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB3,400,525,000 (2019: RMB3,522,875,000) and deductible temporary differences of RMB642,395,000 (2019: RMB463,884,000) as at 31 December 2020, as it is not probable that future taxable profits against which the losses and the provisions can be utilised will be available in the relevant entity. According to the tax law, the taxes that will expire in the years ending 31 December 2021, 2022, 2023, 2024 and 2025 are RMB791,519,000 , RMB249,781,000, RMB419,899,000, RMB511,647,000, and RMB228,855,000, respectively. Tax losses of an amount of RMB1,198,824,000 are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

## 32 EMPLOYEE BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the “Schemes”) organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 14% to 20% of the salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, the Group and its staff participate in a retirement plan managed by CHN Energy to supplement the above-mentioned Schemes, and may not utilise any forfeited contributions in order to make fewer contributions than the current amounts. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and the supplementary retirement plan other than the annual contributions described above.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 33 DEFERRED INCOME

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| At 1 January | **1,324,754** | 1,449,938 |
| Additions | **9,517** | 2,863 |
| Credited to profit or loss | **(127,117)** | (128,047) |
| At 31 December | **1,207,154** | 1,324,754 |

Deferred income mainly represents the VAT refund granted by the government relating to the purchase of domestic equipment, other subsidies relating to the construction of property, plant and equipment, which would be recognised as income on a straight-line basis over the expected useful life of the relevant assets, and service income received in advance by a subsidiary of the Group, which would be recognised as income on a straight-line basis over the contractual life of the service agreements.

## 34 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for the purchase of wind turbines, among which RMB406,655,000 (2019: RMB437,821,000) is due to two associates of the Group.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 35 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Share capital *RMB'000* *(note 35 (c))* | Equity attributable to the holders of perpetual medium-term notes *RMB'000* *(note 43)* | Capital reserve *RMB'000* *(note 35 (d)(i))* | Statutory surplus reserve *RMB'000* *(note 35 (d)(ii))* | Fair value reserve *RMB'000* *(note 35 (d)(iv))* | Retained earnings *RMB'000* | Total equity *RMB'000* |
|---|---|---|---|---|---|---|---|
| At 1 January 2019 | 8,036,389 | 4,991,000 | 13,967,159 | 1,486,824 | 104,797 | 10,297,987 | 38,884,156 |
| **Change in equity for 2019:** | | | | | | | |
| Profit for the year | – | 242,000 | – | – | – | 3,003,019 | 3,245,019 |
| Other comprehensive income | – | – | – | – | 159,235 | – | 159,235 |
| Total comprehensive income | – | 242,000 | – | – | 159,235 | 3,003,019 | 3,404,254 |
| Appropriation | – | – | – | 256,683 | – | (256,683) | – |
| Dividends to shareholders of the Company | – | – | – | – | – | (785,155) | (785,155) |
| Distribution for perpetual medium-term notes *(note 43)* | – | (242,000) | – | – | – | – | (242,000) |
| **At 31 December 2019** | 8,036,389 | 4,991,000 | 13,967,159 | 1,743,507 | 264,032 | 12,259,168 | 41,261,255 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (a) Movements in components of equity (Continued)

| | Share capital RMB'000 *(note 35 (c))* | Equity attributable to the holders of perpetual medium-term notes and renewable corporate bonds RMB'000 *(note 43)* | Capital reserve RMB'000 *(note 35 (d)(i))* | Statutory surplus reserve RMB'000 *(note 35 (d)(ii))* | Fair value reserve RMB'000 *(note 35 (d)(iv))* | Retained earnings RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2020 | 8,036,389 | 4,991,000 | 13,967,159 | 1,743,507 | 264,032 | 12,259,168 | 41,261,255 |
| **Change in equity for 2020:** | | | | | | | |
| Profit for the year | – | 298,610 | – | – | – | 3,253,133 | 3,551,743 |
| Other comprehensive loss | – | – | – | – | (223,422) | – | (223,422) |
| Total comprehensive income/(loss) | – | 298,610 | – | – | (223,422) | 3,253,133 | 3,328,321 |
| Issuance of perpetual medium-term notes and renewable corporate bonds | – | 5,988,825 | – | – | – | – | 5,988,825 |
| Redemption of perpetual medium-term notes | | (4,991,000) | (9,000) | – | – | – | (5,000,000) |
| Appropriation | | | | 300,152 | | (300,152) | – |
| Dividends to shareholders of the Company | – | – | – | – | – | (864,715) | (864,715) |
| Distribution for perpetual medium-term notes and renewable corporate bonds *(note 43)* | – | (242,000) | – | – | – | – | (242,000) |
| **At 31 December 2020** | 8,036,389 | 6,045,435 | 13,958,159 | 2,043,659 | 40,610 | 14,347,434 | 44,471,686 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Dividends

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend proposed after the end of the reporting period of RMB0.1176 per share (2019: RMB0.1076) | **945,079** | 864,715 |

The directors of the Company resolved on 30 March 2021 that a dividend of RMB0.1176 per share is to be distributed to the shareholders for 2020 subject to approval of the shareholders at the forthcoming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (c) Share capital

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Issued and fully paid:** | | |
| 4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each | **4,696,360** | 4,696,360 |
| 3,340,029,000 H shares of RMB1.00 each | **3,340,029** | 3,340,029 |
| | **8,036,389** | 8,036,389 |

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

## 35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (d) Nature and purpose of reserves

#### (i) Capital reserve

The capital reserve includes share premium and the other capital reserve.

Share premium represents the difference between the total amount of the par value of the shares issued and the amount of the net proceeds received from the Initial Public Offerings ("IPO") in December 2009 and the placing of new H shares in December 2012.

The other capital reserve mainly represents the difference between the total amount of the nominal value of the shares issued and the amount of the net assets injected by CHN Energy and the cash injection in excess of the nominal value of shares issued to Guodian Northeast Electric Power Co., Ltd. upon the establishment of the Company, and the capital reserve as a result of the acquisition of business and business combinations under common control.

#### (ii) Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

## 35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (d) Nature and purpose of reserves (Continued)

#### (iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currencies other than the RMB and the foreign exchange differences on the net investment in foreign operations of the Group which are dealt with in accordance with the accounting policies as set out in note 2(ab).

#### (iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income (income tax exclusive) held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(n) and 2(v).

### (e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2020, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB14,347,434,000 (2019: RMB12,259,168,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.1176 per share (2019: RMB0.1076), amounting to RMB945,079,000 (2019: RMB864,715,000) (note 35(b)). The dividend has not been recognised as a liability at the end of the reporting period.

## 35 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (f) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the net gearing ratio, which is calculated by dividing net debt (the sum of total borrowings and lease liabilities less cash and cash equivalents) by the sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2020 was 56.4% (2019: 55.5%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

## (a) Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**Financial assets**

At 31 December 2020

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial assets at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Current | | | | |
| Trade and bills receivables | – | 21,481,096 | 121,972 | 21,603,068 |
| Financial assets included in other current assets | – | – | 1,278,632 | 1,278,632 |
| Other financial assets | 192,777 | – | 110,600 | 303,377 |
| Restricted deposits | – | – | 361,232 | 361,232 |
| Cash and cash equivalents | – | – | 5,226,331 | 5,226,331 |
| | 192,777 | 21,481,096 | 7,098,767 | 28,772,640 |
| Non-current | | | | |
| Financial assets included in other assets | – | 753,820 | 232,176 | 985,996 |
| | – | 753,820 | 232,176 | 985,996 |
| | 192,777 | 22,234,916 | 7,330,943 | 29,758,636 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial Instruments By Category (Continued)

**Financial liabilities**

At 31 December 2020

| | Financial liabilities at fair value through profit or loss<br>*RMB'000* | Financial liabilities at amortised cost<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| Current | | | |
| Interest-bearing loans and other borrowings | – | 37,875,159 | 37,875,159 |
| Trade and bills payables | – | 3,615,205 | 3,615,205 |
| Lease liabilities | – | 25,423 | 25,423 |
| Financial liabilities in other current liabilities | 234,436 | 9,760,261 | 9,994,697 |
| | 234,436 | 51,276,048 | 51,510,484 |
| Non-current | | | |
| Interest-bearing loans and other borrowings | – | 52,598,055 | 52,598,055 |
| Financial liabilities in other non-current liabilities | – | 1,107,199 | 1,107,199 |
| Lease liabilities | – | 575,458 | 575,458 |
| | – | 54,280,712 | 54,280,712 |
| | 234,436 | 105,556,760 | 105,791,196 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (a) Financial Instruments By Category (Continued)

**Financial assets**

At 31 December 2019

| | Financial assets at fair value through profit or loss<br>*RMB'000* | Financial assets at fair value through other comprehensive income<br>*RMB'000* | Financial assets at amortised cost<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| Current | | | | |
| Trade and bills receivables | – | 16,162,602 | 202,568 | 16,365,170 |
| Financial assets included in other current assets | – | – | 789,362 | 789,362 |
| Other financial assets | 173,633 | – | 75,890 | 249,523 |
| Restricted deposits | – | – | 523,403 | 523,403 |
| Cash and cash equivalents | – | – | 2,908,445 | 2,908,445 |
| | 173,633 | 16,162,602 | 4,499,668 | 20,835,903 |
| Non-current | | | | |
| Financial assets included in other assets | – | 1,084,581 | 324,278 | 1,408,859 |
| | – | 1,084,581 | 324,278 | 1,408,859 |
| | 173,633 | 17,247,183 | 4,823,946 | 22,244,762 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial Instruments By Category (Continued)

**Financial liabilities**

At 31 December 2019

| | Financial liabilities at fair value through profit or loss<br>*RMB'000* | Financial liabilities at amortised cost<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| Current | | | |
| Interest-bearing loans and other borrowings | – | 28,964,731 | 28,964,731 |
| Trade and bills payables | – | 3,411,125 | 3,411,125 |
| Lease liabilities | – | 92,126 | 92,126 |
| Financial liabilities in other current liabilities | 124,011 | 7,314,207 | 7,438,218 |
| | 124,011 | 39,782,189 | 39,906,200 |
| Non-current | | | |
| Interest-bearing loans and other borrowings | – | 48,881,478 | 48,881,478 |
| Financial liabilities in other non-current liabilities | – | 1,270,209 | 1,270,209 |
| Lease liabilities | – | 743,833 | 743,833 |
| | – | 50,895,520 | 50,895,520 |
| | 124,011 | 90,677,709 | 90,801,720 |

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial Instruments By Category (Continued)

The exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities, and movements in its own equity share price.

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

### (b) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted deposits, trade and bills receivables, other financial assets, financial assets included in prepayments and other current assets and financial assets included in other non-current assets.

The receivables from the sale of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 96% of the Group's total trade and bills receivables as at 31 December 2020 (2019: 95%).

For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (b) Credit risk (Continued)

**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

2020

| | 12-month ECLs | | Lifetime ECLs | | |
|---|---|---|---|---|---|
| | | | | Simplified | |
| | Stage 1 | Stage 2 | Stage 3 | approach | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | 628,958 | – | – | 21,007,562 | 21,636,520 |
| Financial assets included in prepayments and other current assets | | | | | |
| – Normal** | 1,278,632 | – | – | – | 1,278,632 |
| – Doubtful** | – | – | 341,890 | – | 341,890 |
| Other financial assets | 200,600 | – | – | – | 200,600 |
| Restricted deposits | 361,232 | – | – | – | 361,232 |
| Cash and cash equivalents | 5,226,331 | – | – | – | 5,226,331 |
| Financial assets included in other non-current assets | 232,176 | – | – | – | 232,176 |
| | 7,927,929 | – | 341,890 | 21,007,562 | 29,277,381 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (b) Credit risk (Continued)

**Maximum exposure and year-end staging (Continued)**

2019

| | 12-month ECLs | | Lifetime ECLs | | |
|---|---|---|---|---|---|
| | | | | Simplified | |
| | Stage 1 | Stage 2 | Stage 3 | approach | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | 549,551 | – | – | 15,828,038 | 16,377,589 |
| Financial assets included in prepayments and other current assets | | | | | |
| – Normal** | 789,362 | – | – | – | 789,362 |
| – Doubtful** | – | – | 285,634 | – | 285,634 |
| Other financial assets | 75,890 | – | – | – | 75,890 |
| Restricted deposits | 523,403 | – | – | – | 523,403 |
| Cash and cash equivalents | 2,908,445 | – | – | – | 2,908,445 |
| Financial assets included in other non-current assets | 324,278 | – | – | – | 324,278 |
| | 5,170,929 | – | 285,634 | 15,828,038 | 21,284,601 |

* For trade receivables included in trade and bills receivables, to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments and other current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (b) Credit risk (Continued)

**Maximum exposure and year-end staging (Continued)**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Group provided financial guarantees to related parties. Except for the financial guarantees extended by the Group as set out in note 38, the Group did not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 38.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, and prepayments and other current assets are set out in notes 23 and 24, respectively.

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Liquidity risk

The Group's objective is to ensure the continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2020, the Group has unutilised banking facilities of RMB117,558,849,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB254,099,470,000 as at 31 December 2020. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date that the Group can be required to pay.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (c) Liquidity risk (Continued)

| | Carrying amount | Contractual cash flows | On demand | 1 year or less | 1–2 years | 2–5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 31 December 2020 | | | | | | | |
| Long-term borrowings | 52,598,055 | 79,005,699 | – | 4,935,243 | 14,560,922 | 34,490,623 | 25,018,911 |
| Short-term borrowings | 37,875,159 | 39,031,419 | – | 39,031,419 | – | – | – |
| Lease liabilities | 600,881 | 907,692 | – | 45,984 | 57,717 | 119,189 | 684,802 |
| Trade and bills payables | 3,615,205 | 3,615,205 | – | 3,615,205 | – | – | – |
| Financial liabilities in other current liabilities | 9,994,697 | 9,994,697 | – | 9,994,697 | – | – | – |
| Guarantees | – | 94,046 | 94,046 | – | – | – | – |
| Other long-term liabilities | 1,107,199 | 1,107,199 | – | – | 453,746 | 420,075 | 233,378 |
| | 105,791,196 | 133,755,957 | 94,046 | 57,622,548 | 15,072,385 | 35,029,887 | 25,937,091 |
| 31 December 2019 | | | | | | | |
| Long-term borrowings | 48,881,478 | 60,995,876 | – | 2,231,419 | 13,298,111 | 27,593,946 | 17,872,400 |
| Short-term borrowings | 28,964,731 | 29,708,106 | – | 29,708,106 | – | – | – |
| Lease liabilities | 835,959 | 1,160,996 | – | 126,846 | 129,055 | 331,014 | 574,081 |
| Trade and bills payables | 3,411,125 | 3,411,125 | – | 3,411,125 | – | – | – |
| Financial liabilities in other current liabilities | 7,438,218 | 7,438,218 | – | 7,438,218 | – | – | – |
| Guarantees | – | 117,301 | 117,301 | – | – | – | – |
| Other long-term liabilities | 1,270,209 | 1,270,209 | – | – | 404,878 | 337,954 | 527,377 |
| | 90,801,720 | 104,101,831 | 117,301 | 42,915,714 | 13,832,044 | 28,262,914 | 18,973,858 |

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risk. During the years ended 31 December 2020 and 2019, however, except for the interest rate swap contracts entered into as stated in note 30(ii), the management of the Group did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 28.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Interest rate risk (Continued)

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Net fixed rate borrowings:** | | |
| Lease liabilities | 600,881 | 835,959 |
| Borrowings | 41,624,419 | 31,701,609 |
| Less: Loans and advances *(note 24(i))* | (667,660) | (445,000) |
| Other assets *(note 21)* | (117,749) | (73,994) |
| | 41,439,891 | 32,018,574 |
| **Net floating rate borrowings:** | | |
| Borrowings | 48,848,795 | 46,144,600 |
| Less: Bank deposits (including restricted deposits) | (5,587,563) | (3,431,848) |
| | 43,261,232 | 42,712,752 |
| Total net borrowings | 84,701,123 | 74,731,326 |

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB254,197,000 (2019: RMB200,044,000).

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (d) Interest rate risk (Continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis points' increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the years presented.

## (e) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily the Hong Kong Dollar, Euro and United States Dollar. The Group manages this risk as follows:

### (i) Recognised assets and liabilities

Except for subsidiaries in Hong Kong, South Africa, Canada, and Ukraine, which were denominated in foreign currencies, all revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in South African Rand, Canadian Dollar, Euro and United States Dollar.

On the other hand, the RMB is not a freely convertible currency and the PRC government may, at its discretion, restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity holders.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (e) Currency risk (Continued)

#### (ii) Exposure to currency risk

The Group's cash at banks and on hand, prepayments and other current assets, borrowings, trade and bills payables and other current liabilities contain items denominated in foreign currencies. The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in the movement in value of the United States dollar against other currencies.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on profit after tax and retained earnings** ***RMB'000*** | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained earnings *RMB'000* |
| HKD | **5%** | **41** | 5% | 202 |
| | **(5)%** | **(41)** | (5)% | (202) |
| USD | **5%** | **(10,056)** | 5% | (9,970) |
| | **(5)%** | **10,056** | (5)% | 9,970 |
| EUR | **5%** | **(8,780)** | 5% | (4,372) |
| | **(5)%** | **8,780** | (5)% | 4,372 |
| RMB | **5%** | **(8,557)** | 5% | (1,200) |
| | **(5)%** | **8,557** | (5)% | 1,200 |

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (e) Currency risk (Continued)

#### (ii) Exposure to currency risk (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender and the borrower.

### (f) Equity price risk

The Group is exposed to equity price changes arising from equity investments at fair value through profit or loss (note 25) and equity investments at fair value through other comprehensive income (note 21). The Group's listed investments are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Listed investments have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

The directors considered that the Group's exposure to equity price risk is insignificant.

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (g) Fair value measurement

### (i) Financial assets and liabilities measured at fair value

*Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs (i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date).

– Level 2 valuations: Fair value measured using Level 2 inputs (i.e. observable inputs which fail to meet the criteria of Level 1, and not using significant unobservable inputs). Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (g) Fair value measurement (Continued)

### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

| | | Fair value measurements as at 31 December 2020 categorised into | | |
|---|---|---|---|---|
| | Fair value at 31 December 2020 *RMB'000* | Quoted prices in active market for identical assets (Level 1) *RMB'000* | Significant other observable inputs (Level 2) *RMB'000* | Significant unobservable inputs (Level 3) *RMB'000* |
| **Recurring fair value measurement** | | | | |
| Assets: | | | | |
| Unlisted equity investments designated at FVOCI | 718,858 | – | – | 718,858 |
| Listed equity investments designated at FVOCI | 34,962 | 34,962 | – | – |
| Financial assets designed at fair value through profit or loss | 192,777 | 102,777 | 90,000 | – |
| Trade and bills receivables designated at FVOCI | 21,481,096 | – | 21,481,096 | – |
| Liabilities: | | | | |
| Derivative financial instruments – Interest rate swap contracts | 234,436 | – | 234,436 | – |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

| | | Fair value measurements as at 31 December 2019 categorised into | | |
|---|---|---|---|---|
| | Fair value at 31 December 2019 | Quoted prices in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Recurring fair value measurement** | | | | |
| Assets: | | | | |
| Unlisted equity investments designated at FVOCI | 1,047,848 | – | – | 1,047,848 |
| Listed equity investments designated at FVOCI | 36,733 | 36,733 | – | – |
| Financial assets designed at fair value through profit or loss | 173,633 | 70,833 | 102,800 | – |
| Trade and bills receivables designated at FVOCI | 16,162,602 | – | 16,162,602 | – |
| Liabilities: | | | | |
| Derivative financial instruments – Interest rate swap contracts | 124,011 | – | 124,011 | – |

# 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## (g) Fair value measurement (Continued)

### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of interest rate swap contracts in Level 2 is determined by discounting the contractual fixed interest rate and deducting the forward Johannesburg Interbank Agreed Rate ("JIBAR"). The discount rate used is derived from the JIBAR swap yield curve as at the end of the reporting period.

The Group entered into securitisation transactions whereby it transferred trade receivables on the tariff premium of renewable energy (the "Transferred Financial Assets") to unrelated third parties and derecognised the Transferred Financial Assets (note 45). The Group endorsed and factored a significant part of its bills receivable in its normal course of business. The Group managed its trade and bills receivables which generated cash flows resulting from both collecting contractual cash flows and selling the financial assets during the current year. Therefore, the Group measured trade and bills receivables at fair value through other comprehensive income. The fair values of trade and bills receivables were measured using the discounted cash flows model. The model incorporates various market observable inputs including the annualised yields of similar securitisation products and interest rate curves. The carrying amounts of trade and bills receivables are the same as their fair values.

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at FVOCI have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, enterprise value to earnings before interest and taxes ("EV/EBIT"), price to earnings ("P/E") multiple and price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated))

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December:

2020

| | **Valuation technique** | **Significant unobservable input** | **Range** | **Sensitivity of fair value to the input** |
|---|---|---|---|---|
| Unlisted equity investments | Valuation multiples | Average P/B | 0.9–1.5 | 10% increase/decrease in multiple would result in increase/decrease in fair value by RMB71,626,000 |
| | | Discount for lack of marketability | 30% | 10% increase/decrease in multiple would result in decrease/increase in fair value by RMB30,697,000 |

2019

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Unlisted equity investments | Valuation multiples | Average P/B | 0.9–1.5 | 10% increase/decrease in multiple would result in increase/decrease in fair value by RMB104,651,000 |
| | | Discount for lack of marketability | 30% | 10% increase/decrease in multiple would result in decrease/increase in fair value by RMB44,851,000 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Fair value hierarchy (Continued)*

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2019 except the following:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Other borrowings *(note 28(a))* | **17,222,425** | **17,368,838** | 22,039,573 | 20,978,452 |
| Fixed rate long-term loans | **1,378,721** | **1,377,680** | 358,184 | 346,861 |
| Total | **18,601,146** | **18,746,518** | 22,397,757 | 21,325,313 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 37 COMMITMENTS

Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Contracted for | 12,831,816 | 15,087,057 |

## 38 CONTINGENT LIABILITIES

At 31 December, the Group issued the following guarantees:

(i) Guarantees of financial liabilities to banks in respect of the bank loans granted to certain related parties are set forth below:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Associates | 85,490 | 108,590 |

As at 31 December 2020, the banking facilities guaranteed by the Group to the associates were utilised to the extent of approximately RMB85,490,000 (2019: RMB108,590,000).

(ii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司), which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a banking facility granted to the associate. As at 31 December 2020, the balance counter-guaranteed by the Company amounted to RMB8,556,000 (31 December 2019: RMB8,711,000).

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 39 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The Group is part of a large group of companies under CHN Energy and has significant transactions and relationships with the subsidiaries of CHN Energy.

The principal transactions are as follows:

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| *Sales of goods and provision of services to* | (i) | | |
| CHN Energy | | **178** | 262 |
| Fellow subsidiaries | | **32,049** | 40,727 |
| Associates and joint ventures | | **96,683** | 103,387 |
| *Purchase of goods and receipt of services from* | (ii) | | |
| Fellow subsidiaries | | **2,397,319** | 1,524,028 |
| Associates and joint ventures | | **2,475,540** | 2,471,581 |
| *Working capital received from/ (provided to)* | (iii) | | |
| CHN Energy | | **2,073** | 1,300 |
| Fellow subsidiaries | | **22,558** | (13,841) |
| Associates and joint ventures | | **–** | 26,608 |
| *Loan guarantees revoked from* | (iv) | | |
| CHN Energy | | **(2,106,406)** | (86,140) |
| *Loan guarantees revoked from* | (v) | | |
| Associates and joint ventures | | **(23,100)** | (33,540) |
| *Loans provided to/(repaid from)* | (vi) | | |
| Associates | | **25,500** | (485,000) |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

| | Notes | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| *Loans provided by* | (vii) | | |
| Fellow subsidiaries | | **27,544** | 86,078 |
| Associates and joint ventures | | **100,000** | – |
| *Interest expenses* | (viii) | | |
| Fellow subsidiaries | | **23,350** | 16,759 |
| Associates and joint ventures | | **430** | |
| *Interest income* | (ix) | | |
| Fellow subsidiaries | | **10,509** | 6,707 |
| Associates and joint ventures | | **17,707** | 43,681 |
| *Lease payments* | | | |
| Associates and joint ventures | | **2,343** | – |
| *Lease income* | | | |
| Fellow subsidiaries | | **3,156** | – |
| *Deposits withdrawn from* | (x) | | |
| Fellow subsidiaries | | **211,522** | 147,615 |
| *Increase investment to* | | | |
| Associates | | **8,600** | 8,999 |

## 39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

*Notes:*

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the related parties were made according to the published prices and conditions offered by the fellow subsidiaries and associates to their major customers.

(iii) The working capital provided to and received from the related parties are unsecured and interest-free.

(iv) CHN Energy has guaranteed certain bank loans made to the Group as at the end of the reporting period, as further detailed in note 28(a) to the financial statements.

(v) As at 31 December 2020, the Group provided a guarantee of RMB85,490,000 (2019: RMB108,590,000) for bank loans of associates (note 38).

(vi) The Group provided loans to the related parties, as further detailed in notes 21 and 24 to the financial statements.

(vii) The Group received loans from the related parties, as further detailed in note 28 to the financial statements.

(viii) The amount represented the interest expenses incurred for the loans received from the follow subsidiaries.

(ix) The amount represented the interest income received for the loans provided to the follow subsidiaries, associates and joint ventures.

(x) The amount represented the withdrawal of a deposit from a fellow subsidiary, as further detailed in note 39(b) to the financial statements.

## 39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB1,598,907,000 as at 31 December 2020 (2019: RMB1,810,429,000). Details of the other outstanding balances with related parties are set out in notes 21, 23, 24, 28, 29 and 30.

The long-term warranty deposit payable to fellow subsidiaries and associates amounted to RMB418,144,000 (2019: RMB437,821,000).

### (c) Transactions with other state-controlled entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as “state-controlled entities”).

Apart from the transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities include, but are not limited to, the following:

– Sale of electricity;

– Depositing and borrowing money;

– Purchase of materials and receipt of construction work services; and

– Service concession arrangements.

The tariff of electricity is regulated by the relevant government authorities. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for the sale of electricity, purchase of products and services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Transactions with other state-controlled entities in the PRC (Continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval process and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as transactions with other state-controlled entities:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Sales of electricity | 22,858,363 | 21,710,028 |
| Sales of other products | 1,260,136 | 1,294,605 |
| Interest income | 17,342 | 11,173 |
| Interest expenses | 2,694,510 | 2,925,959 |
| Loans (repaid)/received | 8,377,453 | (2,026,128) |
| Deposits placed with | 2,291,722 | 390,688 |
| Purchase of materials and receipt of construction services | 2,872,250 | 3,108,013 |
| Service concession construction revenue | 312,741 | 117,771 |

The balances of transactions with other state-controlled entities are as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Receivables from sales of electricity | 20,741,895 | 15,497,033 |
| Receivables from sales of other products | 333,525 | 189,990 |
| Bank deposits (including restricted deposits) | 3,451,872 | 1,160,150 |
| Borrowings | 51,034,995 | 42,657,542 |
| Payable for purchase of materials and receiving construction work services | 1,311,987 | 1,149,451 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10, and certain of the highest paid employees as disclosed in note 11, is as follows:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Salaries and other emoluments | 2,766 | 3,449 |
| Discretionary bonuses | 4,915 | 5,473 |
| Retirement scheme contributions | 497 | 961 |
| | 8,178 | 9,883 |

### (e) Commitment with related parties

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| *Capital commitment with* | | |
| Associates | 1,737,612 | 2,590,356 |

### (f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sales and purchase of goods, the provision of and receipt of services to and from CHN Energy and its subsidiaries, and loans from and deposits placed with CHN Energy and its subsidiaries as detailed in note 39(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Connected transactions" in the Director's Report of the Group for the year ended 31 December 2020.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 232,289 | 270,496 |
| Investment properties | 87,336 | 89,326 |
| Intangible assets | 1,809 | 2,473 |
| Investments in subsidiaries | 38,556,013 | 33,974,669 |
| Investments in associates and joint ventures | 1,046,124 | 1,046,124 |
| Other assets | 4,132,527 | 4,789,711 |
| **Total non-current assets** | 44,056,098 | 40,172,799 |
| **Current assets** | | |
| Inventories | 542 | 1,948 |
| Trade and bills receivables | 3,820 | 6,625 |
| Prepayments and other current assets | 69,366,059 | 62,100,312 |
| Restricted deposits | 66,015 | 355,577 |
| Cash at banks and on hand | 2,734,490 | 2,380,520 |
| **Total current assets** | 72,170,926 | 64,844,982 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 40 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Current liabilities** | | |
| Borrowings | **18,300,000** | 12,230,000 |
| Trade and bills payables | **29,514** | 6,820 |
| Other payables | **13,038,977** | 16,528,083 |
| **Total current liabilities** | **31,368,491** | 28,764,903 |
| **Net current assets** | **40,802,435** | 36,080,079 |
| **Total assets less current liabilities** | **84,858,533** | 76,252,878 |
| **Non-current liabilities** | | |
| Borrowings | **40,297,687** | 34,880,523 |
| Deferred income | **71,586** | 19,053 |
| Deferred tax liabilities | **17,574** | 92,047 |
| **Total non-current liabilities** | **40,386,847** | 34,991,623 |
| **NET ASSETS** | **44,471,686** | 41,261,255 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **8,036,389** | 8,036,389 |
| Perpetual medium-term notes and renewable corporate bonds | **6,045,435** | 4,991,000 |
| Reserves | **30,389,862** | 28,233,866 |
| **TOTAL EQUITY** | **44,471,686** | 41,261,255 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 41 DISPOSAL OF A SUBSIDIARY

| | Note | Date of disposal RMB'000 |
|---|---|---|
| **Net Assets disposed of:** | | |
| Property, plant and equipment | | 112,448 |
| Cash and bank balances | | 710 |
| Trade receivables | | 1,186 |
| Inventories | | 735 |
| Other current assets | | 140 |
| Accruals and other payables | | (188,828) |
| Trade and bills payables | | (761) |
| | | (74,370) |
| **Receivables due from the subsidiary** | | 188,145 |
| **Loss on disposal of a subsidiary** | 6 | (66,775) |
| **Satisfied by:** | | |
| Cash | | 47,000 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 41 DISPOSAL OF A SUBSIDIARY (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

| | 2020<br>*RMB'000* |
|---|---|
| Cash consideration | 47,000 |
| Cash and bank balances disposed of | (710) |
| **Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary** | 46,290 |

On 28 October 2020, Nantong Tianshenggang Power Generation Co. Ltd,. entered into a sale and purchase agreement with a third party company to dispose of the entire equity interests in Jiangsu Yuantai Ocean Carriage Co. Ltd., ("Yuantai Ocean Carriage") as well as the creditor's rights of receivable due from Yuantai Ocean Carriage for a consideration of RMB47,000,000. Yuantai Ocean Carriage was not consolidated by the Group since then. The Group recognised a net loss of RMB66,775,000 upon the deconsolidation of Yuantai Ocean Carriage.

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 42 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

| | Borrowings<br>*RMB'000* | Lease liabilities<br>*RMB'000* | Other current liabilities<br>*RMB'000* |
|---|---|---|---|
| At 1 January 2020 | 77,846,209 | 835,959 | 1,167,283 |
| Changes from financing cash flows | 13,047,221 | (431,597) | (4,632,909) |
| Foreign exchange movement | (434,974) | (923) | – |
| Distribution for dividends | – | – | 1,511,337 |
| Interest expense | 14,758 | 25,570 | 3,443,907 |
| New leases | – | 171,872 | – |
| Distribution for perpetual medium-term notes | – | – | 242,000 |
| Interest expenses classified into investment activities | – | – | (501,950) |
| At 31 December 2020 | 90,473,214 | 600,881 | 1,229,668 |

(FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in thousands of Renminbi unless otherwise stated)

## 42 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (a) Changes in liabilities arising from financing activities (Continued)

| | Borrowings | Lease liabilities | Other current liabilities |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 74,980,688 | 719,711 | 855,275 |
| Changes from financing cash flows | 2,642,026 | (110,642) | (4,441,575) |
| Foreign exchange movement | 197,922 | 4,745 | – |
| Distribution for dividends | – | – | 1,334,286 |
| Interest expense | 25,573 | 34,548 | 3,177,297 |
| New leases | – | 187,597 | – |
| Distribution for perpetual medium-term notes | – | – | 242,000 |
| At 31 December 2019 | 77,846,209 | 835,959 | 1,167,283 |

### (b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within operating activities | **50,278** | 34,577 |
| Within financing activities | **431,597** | 125,192 |
| | **481,875** | 159,769 |

## 43 PERPETUAL MEDIUM-TERM NOTES

On 24 November 2015, the Company issued a perpetual medium-term note amounting to RMB3,000,000,000. The medium-term note was issued at par value with an initial interest rate of 4.44% and recorded as equity. The interest of the medium-term notes were recorded as distributions, which were paid annually in arrears in November in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of a lower rank) have occurred. The medium-term notes had no fixed maturity date and were callable at the Company's option in November 2020 (the "First Call Date") or on any distribution payment date falling after the first call date at their principal amount together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset, on the first call date and each renewal period after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. On the first call date of the medium-term note in November 2020, the Company decided to exercise the callable option. The bond was redeemed in whole in November 2020.

On 17 November 2017, the Company issued a perpetual medium-term note amounting to RMB2,000,000,000. The medium-term note was issued at par value with an initial interest rate of 5.44% and recorded as equity. The interest of the medium-term note was recorded as distributions, which were paid annually in arrears in November in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) have occurred. The medium-term note had no fixed maturity date and was callable at the Company's option in November 2020 or any distribution payment date falling after the first call date at their principal amount together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset, on the first call date and every three years after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. On the first call date of the medium-term note in November 2020, the Company decided to exercise the callable option. The bond was redeemed in whole in November 2020.

## 43 PERPETUAL MEDIUM-TERM NOTES (Continued)

On 28 August 2020, the Company issued the green renewable corporate bonds of the first tranche for the year of 2020 which was recorded as equity. The bonds are fixed interest rate bonds with a term of three plus N years, the issuance size is RMB2 billion and the coupon rate is 4.10%. The interest of the green renewable corporate bonds is recorded as distributions, which are paid annually in arrears in August in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) have occurred. The green renewable corporate bonds have no fixed maturity date and are callable at the Company's discretion in whole in at August 2023, and the payment of the principal may be deferred for each renewal period to 3 years. The applicable distribution rate will be reset, on the first call date and every three years after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

On 16 September 2020, the Company issued a perpetual medium-term note which was recorded as equity. The bonds were fixed interest rate notes with a term of three plus N years, the issuance size is RMB1 billion and the coupon rate is 4.50%. The interest of the medium-term note is recorded as distributions, which are paid annually in arrears in September in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) have occurred. The medium-term note has no fixed maturity date and is callable at the Company's discretion in whole in September 2023 or any distribution payment date falling after the first call date at their principal amount together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset on the first call date and every three years after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

## 43 PERPETUAL MEDIUM-TERM NOTES (Continued)

On 27 October 2020, the Company issued the green renewable corporate bonds of the second tranche for the year of 2020 which was recorded as equity. The bonds are divided into two types, of which type one is fixed interest rate bonds with a term of one plus N years and an issuance size of RMB1 billion and the coupon rate is 3.59%; type two is fixed interest rate bonds with a term of two plus N years and an issuance size of RMB1 billion and the coupon rate is 3.90%. The interest of the green renewable corporate bonds is recorded as distributions, which are paid annually in arrears in October in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) have occurred. The green renewable corporate bonds have no fixed maturity date and are callable at the Company's discretion in whole in October 2021 and October 2022, respectively, and the payment of the principal may be deferred for each renewal period to 1 year and 2 years, respectively. The applicable distribution rate will be reset, on the first call date and each renewal period after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

On 15 December 2020, the Company issued the green renewable corporate bonds of the third tranche for the year of 2020 which recorded as equity. The bonds are fixed interest rate bonds with a term of one plus N years. The issuance size is RMB1 billion and the coupon rate is 3.70%. The interest of the green renewable corporate bonds is recorded as distributions, which are paid annually in arrears in December in each year and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) have occurred. The green renewable corporate bonds have no fixed maturity date and are callable at the Company's discretion in whole in December 2021, and the payment of the principal may be deferred for each renewal period to 1 year. The applicable distribution rate will be reset, on the first call date and every years after the first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

In 2020, the profit attributable to holders of perpetual medium-term notes, based on the applicable interest rate, was RMB298,610,000 (2019: RMB242,000,000). RMB242,000,000 has been paid in 2020 (2019: RMB242,000,000).

## 44 PARENT AND ULTIMATE HOLDING COMPANY

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

## 45 TRANSFERS OF FINANCIAL ASSETS

**Transferred financial assets that are derecognised in their entirety**

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB146,709,000 (31 December 2019: RMB108,178,000) and factored certain bills receivable accepted by banks in Mainland China with a carrying amount of RMB4,710,000 (31 December 2019: nil) (the "Derecognised Bills"). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks in Mainland China default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

In 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The Group endorsed certain bills receivables accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). The Endorsement has been made evenly throughout the period.

## 45 TRANSFERS OF FINANCIAL ASSETS (Continued)

### Transferred financial assets that are derecognised in their entirety (Continued)

In 2020, the Group entered into several trade receivables factoring arrangements (the "Factoring Arrangements") and transferred certain trade receivables to the banks. Under the Factoring Arrangements, the Group is not exposed to default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the arrangement that have not been settled as at 31 December 2020 was RMB3,284,500,000 (31 December 2019: RMB2,304,386,000).

In 2020, under the arrangement of the renewable assets property right trust agreement ("Trust Agreement") with China Resources SDIC Trust Co., Ltd. ("SDIC Trust') which was signed in 2019, the Group completed four recurring sales with the amounts of RMB64,797,000, RMB217,205,000, RMB87,457,000 and RMB4,296,000, respectively, whereby it transferred the trade receivables on a tariff premium of renewable energy to the Trust Agreement established by SDIC Trust. Under the Trust Agreement, the Group is not exposed to default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the arrangement that have not been settled as at 31 December 2020 was RMB896,447,000 (31 December 2019: RMB613,591,000).

## 45 TRANSFERS OF FINANCIAL ASSETS (Continued)

### Transferred financial assets that are derecognised in their entirety (Continued)

In 2020, under the arrangement of the agreement of a single asset management plan (the "Asset Management Plan") with Yingda Securities Co., Ltd. ("Yingda") which was signed in 2019, the Group completed three recurring sales through transferring the trade receivables to the Asset Management Plan established by Yingda with the amount of RMB607,489,000, RMB607,489,000 and RMB607,489,000, respectively. At the end of 2020, the Group entered into another agreement of an Asset Management Plan with Yingda, with an aggregate amount of RMB753,286,000 of trade receivables purchased from the Group through the asset management plan established by Yingda. Under this Asset Management Plan, the Group is not exposed to default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the arrangement that have not been settled as at 31 December 2020 was RMB753,286,000 (31 December 2019: RMB767,353,000).

During the year ended 31 December 2020, the Group recognised a loss of RMB165,632,000 on the date of transfer of the accounts receivable.

### Transferred financial assets that are not derecognised in their entirety

In 2020, under the arrangement of the asset-backed note (the "ABN") which was issued in 2018, the Group completed two ABN recurring issuances with the amounts of RMB507,130,000 and RMB317,587,000, respectively, whereby it transferred the trade receivables on a tariff premium of renewable energy to special purpose entities. The original carrying value of the trade receivables transferred under the arrangement that had not been settled as at 31 December 2020 was RMB886,368,000 (31 December 2019: RMB553,429,000). Since the Group neither transferred nor retained substantially all the risks and rewards of ownership of the trade receivables and retained control of the underlying assets, the Group only recognised the transferred assets to the extent of its continuing involvement amounting to RMB13,356,000 (31 December 2019: RMB10,715,000) as other assets, and also recognised associated liabilities amounting to RMB13,356,000 (31 December 2019: RMB10,715,000) as non-current liabilities, which approximate the maximum exposure to losses from its involvement in such arrangement and the unconsolidated structured entities.

## 45 TRANSFERS OF FINANCIAL ASSETS (Continued)

### Transferred financial assets that are not derecognised in their entirety (Continued)

On 15 January 2020, the first tranche of the asset-backed security of trade receivables on a tariff premium of renewable energy (the "ABS") was issued with an aggregate amount of RMB791,884,000, whereby it transferred the trade receivables on tariff premium of renewable energy to this special project. The original carrying value of the trade receivables transferred under the arrangement that had not been settled as at 31 December 2020 was RMB249,007,000 (31 December 2019: nil). Since the Group neither transferred nor retained substantially all the risks and rewards of ownership of the trade receivables and retained control of the underlying assets, the Group only recognised the transferred assets to the extent of its continuing involvement amounting to RMB64,288,000 (31 December 2019: nil) as other assets, and also recognised associated liabilities amounting to RMB64,288,000 (31 December 2019: nil) as other non-current liabilities, which approximate the maximum exposure to losses from its involvement in such arrangements and the unconsolidated structured entities.

During the year ended 31 December 2020, the Group recognised a loss of RMB110,106,000 on the date of transfer of the accounts receivable.

## 46 SERVICE CONCESSION ARRANGEMENTS

In recent years, the Group has entered into several service concession agreements with local governments (the "Grantor") to construct and operate wind power plants during the concession period, which is normally for 22 to 25 years of operation. The Group is responsible for the construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue (note 5) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

## 46 SERVICE CONCESSION ARRANGEMENTS (Continued)

The Group has recognised intangible assets (note 17) related to the service concession arrangement representing the right that the Group receives to charge a fee for the sale of electricity. The Group has not recognised service concession receivables as the Grantor will not provide any guaranteed minimum payment to the Group for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction services and amortises the intangible assets over the operating period of the service concession projects.

## 47 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 30 March 2021, the Board of the Company proposed a final dividend. Further details are disclosed in note 35(b).

On 15 January 2021, the Company entered into an agreement (the "Agreement") on the Absorption and Merger through a Share Swap, the Asset Disposal Agreement and the agreement on Purchase of Assets through Cash Payment for the possible absorption and merger of Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司) ("Pingzhuang Energy") through a Share Swap and the material asset disposal and purchase of assets through cash payment ("The Transaction").

## 47 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD (Continued)

The Transaction consists of three parts: Absorption and Merger through a Share Swap, Asset Disposal and Purchase through Cash. The details of the Transaction is described as follows: 1) Ordinary shares were issued by the Company to all Conversion Shareholders of Pingzhuang Energy on the Registration Date of Implementation of the Merger, in exchange for the A Shares of Pingzhuang Energy listed and traded on the Shenzhen Stock Exchange ("SZSE") held by them. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. Longyuan Power, as the Surviving Company ("the Surviving Company"), shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the assets to be disposed of). The Company will apply for the listing and trading of its original Domestic Shares and the ordinary shares to be issued for the Merger on the Main Board of SZSE; 2) Pingzhuang Energy will transfer the assets to be disposed of to CHN Energy Inner Mongolia Power Co., Ltd. (國家能源集團內蒙古電力有限公司) ("Inner Mongolia Power") (a wholly-owned subsidiary of CHN Energy) or its subsidiaries at a price as agreed by all parties, the consideration of which shall be paid by Inner Mongolia Power or its subsidiaries to the Surviving Company in cash. On the closing date, the assets to be disposed of will be directly delivered to Inner Mongolia Power or its subsidiaries; 3) Longyuan Power will purchase the assets to be purchased from the other subsidiaries of CHN Energy, the consideration of which shall be paid by the Surviving Company in cash. On the closing date, the assets to be purchased will be directly delivered to the Surviving Company or its subsidiaries.

The Merger, the Asset Disposal and the Purchase through Cash are inter-conditional on each other, if failing in any of which, the other two matters will not be implemented. In the Transaction, the final transaction price of the assets to be disposed of and the assets to be purchased will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by asset valuation agencies with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned asset regulatory authorities. As of the date of 30 March 2021, the audit and valuation on the assets to be disposed of and the assets to be purchased have not yet been completed.

## 48 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2021.

# GLOSSARY OF TERMS

| | |
|---|---|
| "19th CPC National Congress" | the 19th National Congress of the Communist Party of China |
| "Articles of Association" | the articles of association of the Company |
| "attributable installed capacity" | the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by its total installed capacity or total capacity under construction (as the case may be). Both attributable installed capacity and attributable installed capacity under construction include the capacity of both our subsidiaries and associated companies but only to the extent of our equity ownership |
| "Audit Committee" | the audit committee of the Board |
| "average utilisation hours" | the consolidated power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW) |
| "biomass" | plant material, vegetation, or agricultural waste used as a fuel or energy source |
| "Board" | the board of directors of the Company |

# GLOSSARY OF TERMS

| | |
|---|---|
| "CHN Energy" | China Energy Investment Corporation Limited, formerly known as Shenhua Group Corporation Limited (神華集團有限責任公司). CHN Energy and Guodian Group entered into the Agreement on the Merger of China Energy Investment Corporation Limited and China Guodian Corporation on 5 February 2018. The implementation of the merger has been completed and the controlling Shareholder of the Company has been changed from Guodian Group into CHN Energy. As at the Latest Practicable Date, CHN Energy directly and indirectly held a total of 4,696,360,000 domestic shares of the Company, representing approximately 58.44% in the total issued share capital of the Company |
| "clean development mechanism" | an arrangement under the Kyoto Protocol, allowing industrialised countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits |
| "Code provisions" | as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "consolidated installed capacity" | the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Both consolidated installed capacity and consolidated capacity under construction do not include the capacity of our associated companies |

# GLOSSARY OF TERMS

| | |
|---|---|
| "consolidated power generation" | the aggregate power generation or net electricity sales (as the case may be) of our project companies that we fully consolidate in our financial statements for a specified period |
| "Director(s)" | the directors of the Company |
| "electricity sales" | the actual amount of electricity sold by a power plant in a particular period of time, which is equivalent to gross power generation less comprehensive auxiliary electricity |
| "Financial Service Agreement" | the financial services agreement entered into between Guodian Finance and the Company on 30 October 2018 |
| "Group" | China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and its subsidiaries |
| "Guodian Finance" | Guodian Finance Co., Ltd. (國電財務有限公司) |
| "Guodian Group" | China Guodian Corporation Ltd. (中國國電集團有限公司)(formerly known as China Guodian Corporation (中國國電集團公司)), which signed the Agreement on the Merger of China Energy Investment Corporation Limited and China Guodian Corporation Ltd. on 5 February 2018 with CHN Energy. The merger has been implemented and completed, and CHN Energy continues to exist as a merged company. The controlling Shareholder of the Company has been changed from Guodian Group to CHN Energy |
| "GW" | unit of energy, gigawatt. 1 GW = 1,000 MW |
| "GWh" | unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour |

* *For identification purpose only*

# GLOSSARY OF TERMS

| | |
|---|---|
| "Hero Asia Company" | Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "kW" | unit of energy, kilowatt. 1 kW = 1,000 watts |
| "kWh" | unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour |
| "Latest Practicable Date" | 21 April 2021, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "load factor" | the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of the number of hours in the given period multiplied by the plant's installed capacity |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| "MW" | unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW |
| "MWh" | unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour |

# GLOSSARY OF TERMS

| | |
|---|---|
| "NDRC" | the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會) |
| "New Financial Service Agreement" | the financial services agreement entered into between Guoneng Finance and the Company on 27 October 2020 |
| "New Guodian Master Agreement" | the master agreement on mutual supply of materials, products and services entered into between the Company and the former Guodian Group on 9 November 2017 |
| "our Company", "the Company", "we", "us", "our" or "Longyuan Power" | China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) |
| "Pingzhuang Energy" | Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司), a joint stock limited company incorporated and validly existing under the laws of the PRC, whose shares are listed and traded on the Shenzhen Stock Exchange with stock code 000780.SZ. Pingzhuang Energy is mainly engaged in the business of production, preparation, processing and sales (limited to operation by branches) of coal, sales of mine equipment, materials, accessories and disposal materials, catering services, accommodation and other businesses. As at the Latest Practicable Date, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), and is an indirect controlling shareholder of Pingzhuang Energy |
| "PRC" or "China" | the People's Republic of China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan |

# GLOSSARY OF TERMS

| | |
|---|---|
| "renewable energy" | sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight |
| "Reporting Period" | from 1 January 2020 to 31 December 2020 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Shareholder(s)" | holder(s) of shares of the Company |
| "Southbound Trading" | Investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange |
| "Stakeholder" | Any constituencies in the organization's environment that are affected by an organization's decisions and actions. It may be the internal of the Group (shareholder or staff etc.) or external of the Group (supplier or customer etc.) |
| "subsidiary(ies)" | has the meaning ascribed thereto under the Listing Rules |
| "Supervisory Board" | the supervisory board of the Company |

# CORPORATE INFORMATION

## THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

## THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group Corporation Limited*

## REGISTERED OFFICE

Room 2006, 20th Floor
Block c, 6 Fuchengmen North Street
Xicheng District
Beijing
PRC

## HEAD OFFICE IN THE PRC

Block c, 6 Fuchengmen North Street
Xicheng District
Beijing
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## BOARD OF DIRECTORS

### Executive Directors

Mr. Jia Yanbing *(Chairman of the Board)*
Mr. Sun Jinbiao

### Non-executive Directors

Mr. Liu Jinhuan
Mr. Zhang Xiaoliang
Mr. Yang Xiangbin

### Independent Non-executive Directors

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

## THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Jia Yanbing

## AUTHORIZED REPRESENTATIVES

Mr. Jia Yanbing
Mr. Jia Nansong
Mr. Zhang Songyi (as Mr. Jia Yanbing's alternate)
Ms. Chan Sau Ling (as Mr. Jia Nansong's alternate)

## JOINT COMPANY SECRETARIES

Mr. Jia Nansong
Ms. Chan Sau Ling

* *For identification purpose only*

# CORPORATE INFORMATION

## AUDITORS

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Baker Tilly China Certified Public Accountants LLP
Building 12, Foreign Cultural and Creative Garden
No. 19 Chegongzhuang West Road
Haidian District
Beijing
PRC

## LEGAL ADVISERS

**as to Hong Kong law**

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

**as to PRC law**

Jia Yuan Law Offices, Beijing
F407–F408, Ocean Plaza
No.158 Fuxing Men Nei Street
Xicheng District, Beijing
PRC

## PRINCIPAL BANKERS

China Development Bank
No.29 Fuchengmenwai Avenue
Xicheng District
Beijing
PRC

China Construction Bank Corporation
Beijing Branch
Building No. 28
Xuanwumenxi Street
Xicheng District
Beijing
PRC

Bank of Communications Co., Ltd.
Beijing Branch
No. 33 Financial Street
Xicheng District
Beijing
PRC

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## STOCK CODE

00916

## FOR INVESTOR ENQUIRIES

Investor hotline: 86 10 6657 9988
Fax: 86 10 6388 7780
Website: www.clypg.com.cn
Email: lyir@chnenergy.com.cn


龍 源 電 力 集 團 股 份 有 限 公 司
China Longyuan Power Group Corporation Limited*
* For Identification Purpose Only