



四川能投發展股份有限公司

Sichuan Energy Investment Development Co., Ltd.

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

Stock Code: 1713



2023

Annual Report



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DEFINITIONS

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

“14th Five-year Period”	the 14th five-year period for the PRC national economic and social development, being year 2021 to 2025
“AGM”	the annual general meeting to be convened by the Company on 13 June 2024
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 May 2017 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“China Accounting Standards for Business Enterprises” or “CASBE”	the accounting standards for business enterprises issued by the Ministry of Finance of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “Sichuan Energy Investment Development”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary shares in the Company’s registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC-incorporated entities, and are not listed or traded on any stock exchange
“EECS business”	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials

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“Energy Investment Group”	Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a company established in China on 21 February 2011 with limited liability, one of our controlling shareholders
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a company established in China on 17 December 2004 with limited liability, one of the controlling shareholders of the Company
“Listing”	listing of the H Shares of the Company on the Main Board of the Stock Exchange
“Listing Date”	28 December 2018, the date on which the H Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Prospectus”	the prospectus dated 13 December 2018 in relation to the initial public offering of H Shares
“Reporting Period”	the period from 1 January 2023 to 31 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares and Domestic Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Sichuan Development”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly state-owned company established on 24 December 2008 under the laws of the PRC with limited liability, one of our controlling shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent.

CHAIRMAN'S STATEMENT

The year of 2023 marked the fifth anniversary of our listing in HKEX. The past five years were extremely uncommon and unusual five years in the development progress of the Company, but also the reviving and flying five years of the Company, in which, under the firm leadership of Sichuan Energy Investment Group Co., Ltd. (四川省能源投資集團有限責任公司), with cares and supports from vast shareholders and social communities, the entire executives and employees endeavored in setbacks, persisted in challenges, broke through difficulties, explored with efforts, advanced in expansions, completed the "Thirteenth Five-Year Plan" successfully, and achieved a good start of the "Fourteenth Five-Year Plan", laying a solid foundation for high quality and stable development of the Company in the long run!

In particular, in 2023, in face of power supply shortage and upgrading challenges, we focused on the five chains (i.e. larger source, stronger grid, better capital, green energy layout, better service and capability), creatively proposed the working keynotes (i.e. life, security, supply, innovation, high quality development), improved development strength continuously, optimized development climate continuously, stabilized development profile continuously, and recorded annual operating revenue of RMB4.16 billion, representing a year-on-year increase of 25.6%; net profit attributable to shareholders of the parent company of RMB340 million, representing a year-on-year increase of 12.5%. In the year, we were committed to meeting the electricity requirements of local people's life and local socioeconomic development, collectively planning for source, grid and load, to erect a regional green novel power system with green grids as the core, with virtual power plants as the platform, and with superior power grids as the support, and the maximum power supply capacity improved to 1,950,000 kW, increasing the sense of gain, happiness and security of local residents substantially in the accessibility to electric power. In the year, we solidly grasped the strategic opportunity of "carbon peaking and neutrality", powerfully promoted green energy programs, like natural gas power generation, distributed photovoltaic, and smart integrated energy stations, built the first "carbon neutrality substation" in Sichuan Province and the largest scaled, most concentrated distributed photovoltaic base in Yibin City, and thus the Company was listed as "AAA Low Carbon Enterprise" throughout the province. In the year, we strictly followed the capital market operating rules, invested strategically to acquire 15% equity interests of Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司), successfully realized the "full circulation" of H shares, which further optimized the equity structure and enhanced the market value of the Company.

Endeavour is the best farewell. In 2024, we will focus on the primary task of "promoting the high quality transformation and development of the Company", and take the initiative to adapt to the new normal of economic development, the new pattern of energy development, and the new trend of innovation and development, make unremitting efforts in "strengthening foundation, expanding industries, preventing risks, making improvement", and actively cultivate new productive forces, accelerate the construction of a regional green novel power system supported by the superior power grids, with virtual power plants as the platform and with green power sources and power grids as the core, to maximize the benefits for our shareholders and investors.

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

He Jing

Chairman

Chengdu, 14 March 2024

COMPANY PROFILE

As at the date of this report

1. CORPORATE INFORMATION

Chinese Name:

四川能投發展股份有限公司

English Name:

Sichuan Energy Investment Development Co., Ltd.*

Registered Address:

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

Headquarters/Principal Place of Business in the PRC:

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

Principal Place of Business in Hong Kong:

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

Company Website:

<http://www.scntgf.com>

Tel:

+86 (28) 86299666

Fax:

+86 (28) 86299666

E-mail:

db@scntgf.com

2. STOCK PROFILE OF THE COMPANY

Classes of Shares:

H Shares and Domestic Shares

Stock Exchange of H Shares:

Main Board of The Stock Exchange of Hong Kong Limited

Stock Abbreviation of H Shares:

SICHUAN EN INV

Stock Code of H Shares:

1713

3. EXECUTIVE DIRECTORS

Mr. He Jing (*Chairman*)

Mr. Wang Yuanchun

Ms. Xie Peixi

4. NON-EXECUTIVE DIRECTORS

Ms. Han Chunhong

Mr. Tao Xueqing

Ms. Liang Hong

Ms. Lv Yan

Mr. Kong Ce

5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Kwong Kwok Gary

Ms. He Zhen

Mr. Wang Peng

Prof. Li Jian

Ms. He Yin

6. SUPERVISORS

Ms. Deng Ruipu (*Chairlady*)

Ms. Fu Ruoxue

Mr. Su Lijiang

Ms. Tian Wenwei

Ms. Wang Meng

Ms. Sun Hui

7. AUTHORIZED REPRESENTATIVES

Mr. He Jing

Mr. Wang Yuanchun

8. AUDIT COMMITTEE

Mr. Kin Kwong Kwok Gary (*Chairman*)

Ms. Han Chunhong

Prof. Li Jian

9. REMUNERATION AND EVALUATION COMMITTEE

Mr. Wang Peng (*Chairman*)

Ms. He Zhen

Ms. Lv Yan

* For identification purposes only

COMPANY PROFILE

As at the date of this report

10. NOMINATION COMMITTEE

Mr. He Jing (*Chairman*)
Ms. He Zhen
Mr. Wang Peng

11. RISK CONTROL COMMITTEE

Prof. Li Jian (*Chairman*)
Mr. Tao Xueqing
Mr. Kin Kwong Kwok Gary

12. JOINT COMPANY SECRETARIES

Ms. Li Jia
Ms. Wong Wai Ling

13. H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

14. AUDITOR

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

15. LEGAL ADVISORS

As to Hong Kong law:

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

As to PRC law:

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

16. PRINCIPAL BANKS

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

FINANCIAL HIGHLIGHTS

Summary of consolidated statement of profit or loss	Year ended 31 December				
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
Revenue	4,160,193	3,313,256	3,171,674	3,025,304	2,477,429
Total profit	409,190	361,546	321,195	305,705	213,308
Income tax expense	67,190	58,997	50,278	48,503	38,451
Net profit	342,000	302,549	270,917	257,202	174,857
Attributable to:					
Equity Shareholders of the Company	339,000	301,442	269,558	256,028	173,673
Non-controlling interests	3,000	1,107	1,359	1,174	1,184
Basic earnings per Share (RMB)	0.32	0.28	0.25	0.24	0.16

Summary of consolidated statement of profit or loss	As at 31 December				
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)
Total non-current assets	4,761,837	3,775,182	3,461,642	3,289,669	3,214,344
Total current assets	1,562,998	1,372,829	1,169,811	1,201,949	1,265,794
Total assets	6,324,835	5,148,011	4,631,453	4,491,618	4,480,138
Total current liabilities	1,907,038	1,511,576	1,432,774	1,465,266	1,468,003
Total non-current liabilities	1,013,960	451,217	202,780	171,892	320,103
Total liabilities	2,920,998	1,962,793	1,635,554	1,637,158	1,788,106
Net assets	3,403,837	3,185,218	2,995,899	2,854,460	2,692,032
Including:					
Equity attributable to equity Shareholders of the Company	3,355,294	3,147,366	2,979,660	2,839,580	2,678,053
Equity attributable to non-controlling interests	48,543	37,852	16,239	14,880	13,979

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW

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

In 2023, total power consumption in China reached 9.2241 trillion kWh, representing a year-on-year increase of 6.7%. In particular, power consumption in the primary sector reached 127.8 billion kWh, representing a year-on-year increase of 11.5%; power consumption in the secondary sector reached 6.0745 trillion kWh, representing a year-on-year increase of 6.5%; power consumption in the tertiary sector reached 1,669.4 billion kWh, representing a year-on-year increase of 12.2%; urban and rural household consumption reached 1,352.4 billion kWh, a year-on-year growth of 0.9%. The total power consumption in Sichuan Province reached 371.1 billion kWh, representing a year-on-year increase of 7.7%, and benefiting from the superior transportation and economic geographical location, the total power consumption in Yibin City this year reached 20.1 billion kWh, representing a year-on-year increase of 21.64%.

As Sichuan Province is expediting the construction of the dual-city economic circle in Chengdu-Chongqing area to drive the regional coordinated development, Yibin was awarded the "China Power Battery Capital of China", and was selected as one of the top 100 cities in the national advanced manufacturing industry. We believe that the Company will embrace further development opportunities in electricity sales, distributed energy, engineering construction and comprehensive energy services.

2. BUSINESS OVERVIEW

2.1 Overview

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

In 2023, the Company realized operating revenue of approximately RMB4,160.2 million, representing a year-on-year increase of approximately 25.6%. Our total profit was approximately RMB409.2 million, representing a year-on-year increase of approximately 13.2%. In the same year, the Company achieved net profit of approximately RMB342.0 million, representing a year-on-year increase of approximately 13.0%, and net profit attributable to equity shareholders of the parent company of approximately RMB339.0 million, representing a year-on-year increase of approximately 12.5%.

As of the end of 2023, we had and operated an aggregate of 6 hydropower plants with a total installed capacity of 127,030 kW. We also had 3 units of 220 kV substations with an aggregated capacity of 1,080,000 kVA, 21 units of 110 kV substations with an aggregated capacity of 1,379,400 kVA, and 59 units of 35 kV substations with an aggregated capacity of 626,900 kVA.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operating Results

The following table sets forth the breakdown of the revenue, cost and gross profit of the principal business by segment for the years ended 31 December 2022 and 2023, and the percentage of changes.

Principal business	Year ended 31 December 2023			Year ended 31 December 2022			Percentage of changes		
	Revenue (RMB)	Cost (RMB)	Gross profit (RMB)	Revenue (RMB)	Cost (RMB)	Gross profit (RMB)	Revenue (%)	Cost (%)	Gross profit (%)
General power supply business	3,322,959,805.99	2,758,587,553.15	564,372,252.84	2,524,319,212.99	2,052,839,170.23	471,480,042.76	31.6	34.4	19.7
Incremental power transmission and distribution business	358,824,416.55	336,403,647.92	22,420,768.63	384,440,007.61	376,750,248.89	7,689,758.72	(6.7)	(10.7)	191.6
EECS business ⁽¹⁾	469,973,864.49	388,945,805.00	81,028,059.49	400,866,025.70	311,293,742.90	89,572,282.80	17.2	24.9	(9.5)
Total	4,151,758,087.03	3,483,937,006.07	667,821,080.96	3,309,625,246.30	2,740,883,162.02	568,742,084.28	25.4	27.1	17.4

Note:

- (1) Includes revenue from the sales of electric equipment and materials of approximately RMB22.4 million for the year ended 31 December 2023.

2.2.1 General Power Supply Business

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

Customer	Year ended 31 December					
	2023		2022		Percentage of changes	
	Electricity Sales (MWh)	Revenue (RMB)	Electricity Sales (MWh)	Revenue (RMB)	Electricity Sales (%)	Revenue (%)
Household	1,696,378	891,990,488.50	1,520,280	841,312,565.25	11.6	6.0
General industrial and commercial	1,222,331	668,591,745.99	1,200,165	664,402,049.54	1.8	0.6
Large industrial	3,202,129	1,699,788,921.94	1,620,478	953,164,185.37	97.6	78.3
State Grid	20,431	3,719,228.21	114,598	32,202,452.88	-82.2	-88.5
Others	179,390	58,869,421.35	94,839	33,237,959.95	89.2	77.1
Total	6,320,659	3,322,959,805.99	4,550,360	2,524,319,212.99	38.9	31.6

Most of our revenue for the year ended 31 December 2023 was derived from general power supply business, including generation, distribution and sales of power. We generated revenue of approximately RMB3,323.0 million from our general power supply business, which accounted for approximately 80.0% of revenue from principal business.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.2 Incremental Power Transmission and Distribution Business

Our revenue from incremental power transmission and distribution business mainly consists of electricity retail business outside our normal power supply service area and other power distribution business related to new-energy vehicles. By implementing measures to diversify the industry chain, we generated revenue of approximately RMB358.8 million from incremental power transmission and distribution business for the year ended 31 December 2023, which accounted for approximately 8.6% of revenue from principal business.

2.2.3 EECS Business

We also derived revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the year ended 31 December 2023, we generated revenue of approximately RMB470.0 million from our EECS business, which accounted for approximately 11.3% of revenue from principal business.

2.3 Major Operational Measures

2.3.1 Enhanced Power Supply Security

Firstly, the Company accelerated the construction of a new type of power grid integrating source, grid, load and storage, and under the severe challenge of a 17.76% year-on-year increase in the maximum daily load of power grid, we successfully ensured the power supply for major events such as the Chengdu Universiade and the World Power Battery Conference. There were no large-scale power outage accidents throughout the year, providing a strong and reliable power security for local socioeconomic development and the people's productive and living requirements. Secondly, the Company insisted on increasing power sources, actively drove forward the construction of Xuzhou District Pumped Storage Project and Xingwen County Natural Gas Power Generation Project, fully completed the investment, construction and networking of rooftop distributed photovoltaic projects such as the Yangtze River Industrial Park, the High-tech Jinyun Industrial Park and the Xingwen Bamboo Industrial Park, and our local power supply capacity was further enhanced. Thirdly, the Company insisted on strengthening power grid, added 7 lines connected with State Grid, and completed the capacity increase and transformation of the twin main transformers of 7 substations. Besides, the Company increased the maximum power supply capacity to 1.95 million kW, and further improved the distribution network structure. Finally, we insisted on sci-tech innovation, proactively promoted the construction of hydropower station basin integrated controlling centers, generalized the application of new equipment such as primary/secondary fusion intelligent circuit breakers, skylight lightning protectors, and line monitoring systems, and piloted the use of laser cannon technology to clean up obstacles in line passages, so as to effectively improve the safe operation level of power grid.

2.3.2 Improved the Quality of Services

On the one hand, the Company focused on the power supply "urgent needs, difficulties, worries and expectations" of the public, continued to solidify the service basis, optimize the service approach, and innovate the service manner. We prepared and printed the 12398 Complaint & Whistle-blowing "Clear Statement" Themed Reporting System, listened to 30,916 hotline calls, effectively solved various user complaints in time, and implemented complaint sorting, classification, disciplinary control, with the number of complaints recorded last year decreasing by 19.35% on a year-on-year basis. On the other hand, we continued to optimize electricity business climate, and throughout the year, we proceeded with cumulatively 525 business expansion applications from 10kV and above clients, and the Company as the second largest power supplier of Yibin City took the third place in the yearly business environment online evaluation and field examination of Sichuan Province, within which we ranked the first in terms of power supply convenience, which promoted the ranking of Yibin City to 12th from the previous 17th in "Access to Electricity" business environment evaluation in Sichuan Province. In particular, we solved power-using difficulties for 13 tea plants, and were invited to share our experience at the Hubei 2023 Power Empowering Rural Revitalization Exchange Meeting, marking the first time for local power representatives to speak at national meeting, which greatly improved the image and influence of the Company or even local power industry.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.3 Strictly Controlled Risks in Key Areas

Firstly, the Company strictly prevented capital risks, continued to enhance compliance management, and completed the settlement audit on Xingwen County Lianhua 220 kV New Substation Project, Pingshan County Wangchang-Chaxiang 110 kV New Transmission Line Project and other projects, which saved the cost of construction, and effectively ensured the safe and efficient application of corporate funds. Secondly, we strictly prevented against safety risks, conducted “Year of Safety Management Enhancement” activity in depth, built and enhanced the risk classified control and risk governance dual prevention mechanism, to ensure all risks are under control; we hosted the Sichuan Energy Investment 2023 Peak Summer Power Supply Security Emergency Drill, hosted the Fifth Workers “Ankang Cup” Safety Knowledge Competition, continued the production safety profile stably, with no accidents of general or serious personal injuries or casualties, equipment safety, occupational health and environmental protection occurred. Thirdly, we strictly prevented debt risks, continued to improve cost & expense accounting system, enhanced debt risk dynamic monitoring, and realized full process monitoring and management analysis on accounts receivable and inventories by establishing the dynamic qualitative management mechanism for the “balance of inventories and accounts receivable”.

2.3.4 Promoted Transformation and Upgrading Development

Firstly, the Company greatly promoted green energy project construction, and completed 19 charging stations, 2 heavy truck replacement stations and 1 energy storage project throughout the year, and established 3 green energy limited liability companies with Junlian County, Xingwen County, and Changning County of Yibin City, of which, Wangchang 220 kV Transformer Substation became the first “carbon neutrality substation” of Sichuan Province. The Company was rated as “AAA Low Carbon Enterprise” of the province, and the regional green novel power system was in initial form, with superior grid as the support, with virtual power plants as the platform, and with green power grid as the core. Secondly, we took full advantage of listing on the Stock Exchange strategically acquired 15% equity interests of Shenzhen CEGN Co., Ltd* (深圳市車電網絡有限公司) and completed the “full circulation” of H shares, which further improved the capital attraction and market value influence of the Company.

2.3.5 Strengthened Communist Construction

Firstly, the Company learned and practised Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, insisted on theoretical study, survey, promotion, review integrated with rectification, and practically translated educative outcome into high quality development of the Company. Secondly, we fully strengthened the construction of the Party, strictly performed communist committee theoretical study central team learning and “First Topic” learning system, conducted “Five First-Class” innovation program, and erected three demonstrative benchmarks, namely, first-class communist construction brand, first-class communist-mass position, and first-class communist team. Thirdly, we insisted on joint research, joint deployment, joint implementation, joint assessment of Party conduct and integrity and corporate reform, regularly carried out special surveillance and efficiency supervision, and promoted continuous shift of the mindset and work style of all staff and employees.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL REVIEW

Analysis of key items in the consolidated income statement

Operating revenue

Principal business	Year ended 31 December	
	2023 (RMB)	2022 (RMB)
General power supply business	3,322,959,805.99	2,524,319,212.99
Incremental power transmission and distribution business	358,824,416.55	384,440,007.61
EECS business ⁽¹⁾	469,973,864.49	400,866,025.70
Total	4,151,758,087.03	3,309,625,246.30

Note:

- (1) Includes revenue from the sales of electric equipment and materials of approximately RMB22.4 million for the year ended 31 December 2023.

Operating revenue from principal business increased by approximately 25.4% from approximately RMB3,309.6 million for the year ended 31 December 2022 to approximately RMB4,151.8 million for the year ended 31 December 2023, primarily due to an increase in revenue from the general power supply business and EECS business.

General Power Supply Business

Revenue generated from general power supply business increased by approximately 31.6% from approximately RMB2,524.3 million for the year ended 31 December 2022 to approximately RMB3,323.0 million for the year ended 31 December 2023, primarily due to an increase in the scale of electricity demands of large industrial customers in 2023 as compared with 2022. For the years ended 31 December 2022 and 2023, revenue from the general power supply business accounted for approximately 76.3% and 80.0% of revenue from our principal business, respectively.

Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business decreased by approximately 6.7% from approximately RMB384.4 million for the year ended 31 December 2022 to approximately RMB358.8 million for the year ended 31 December 2023, primarily due to a reduction in the scale of our incremental power transmission and distribution business in 2023.

EECS Business

Revenue generated from the EECS business increased by approximately 17.2% from approximately RMB400.9 million for the year ended 31 December 2022 to approximately RMB470.0 million for the year ended 31 December 2023, primarily due to an increase in the scale of our EECS business after strengthening market expansion in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Costs

Principal business	Year ended 31 December	
	2023 (RMB)	2022 (RMB)
General power supply business	2,758,587,553.15	2,052,839,170.23
Incremental power transmission and distribution business	336,403,647.92	376,750,248.89
EECS business	388,945,805.00	311,293,742.90
Total	3,483,937,006.07	2,740,883,162.02

Operating costs of principal business increased by approximately 27.1% from approximately RMB2,740.9 million for the year ended 31 December 2022 to approximately RMB3,483.9 million for the year ended 31 December 2023, mainly due to an increase in the scale of general power supply business and a greater decrease in power generation of its own power stations and grid-connected hydropower stations due to the impact of adverse weather conditions, resulting in increased procurement of electricity from third party suppliers at higher prices.

General Power Supply Business

Operating costs associated with our general power supply business increased by approximately 34.4% from approximately RMB2,052.8 million for the year ended 31 December 2022 to approximately RMB2,758.6 million for the year ended 31 December 2023, primarily due to an increase in the scale of general power supply business, and a greater decrease in power generation of its own power stations and grid-connected hydropower stations due to the impact of adverse weather conditions, resulting in increased procurement of electricity from third party suppliers in 2023. For the years ended 31 December 2022 and 2023, operating costs of general power supply business accounted for approximately 74.9% and 79.2% of the operating costs of our principal business, respectively.

Incremental Power Transmission and Distribution Business

Operating costs associated with our incremental power transmission and distribution business decreased by approximately 10.7% from approximately RMB376.8 million for the year ended 31 December 2022 to approximately RMB336.4 million for the year ended 31 December 2023, primarily due to a reduction in the scale of our incremental power transmission and distribution business in 2023.

EECS Business

Operating costs associated with our EECS business increased by approximately 24.9% from approximately RMB311.3 million for the year ended 31 December 2022 to approximately RMB388.9 million for the year ended 31 December 2023, primarily due to an increase in the scale of our EECS business.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

	Year ended 31 December			
	2023		2022	
Principal business	Gross Profit (RMB)	Gross Profit Margin %	Gross Profit (RMB)	Gross Profit Margin %
General power supply business	564,372,252.84	17.0	471,480,042.76	18.7
Incremental power transmission and distribution business	22,420,768.63	6.2	7,689,758.72	2.0
EECS business	81,028,059.49	17.2	89,572,282.80	22.3
Total	667,821,080.96	16.1	568,742,084.28	17.2

Our gross profit from principal business increased by 17.4% from approximately RMB568.7 million for the year ended 31 December 2022 to approximately RMB667.8 million for the year ended 31 December 2023. Our gross profit margin was recorded at 16.1% and 17.2% for the years ended 31 December 2023 and 2022, respectively.

General Power Supply Business

The gross profit of general power supply business increased by approximately 19.7% from approximately RMB471.5 million for the year ended 31 December 2022 to approximately RMB564.4 million for the year ended 31 December 2023. The gross profit margin of general power supply business decreased by approximately 1.7 percentage points from 18.7% for the year ended 31 December 2022 to 17.0% for the year ended 31 December 2023, primarily due to the increase in scale of general power supply business, and a greater decrease in power generation of our own power stations and grid-connected hydropower stations due to the impact of adverse weather conditions, resulting in an increase in the proportion of electricity procurement suppliers at higher price.

Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business increased by approximately 191.6% from approximately RMB7.7 million for the year ended 31 December 2022 to RMB22.4 million for the year ended 31 December 2023, primarily due to our addition of incremental power transmission and distribution business with higher gross profit in 2023.

EECS Business

The gross profit of EECS business decreased by approximately 9.5% from approximately RMB89.6 million for the year ended 31 December 2022 to approximately RMB81.0 million for the year ended 31 December 2023, mainly due to the reduction of profits from some projects for business expansion purposes during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gains on asset disposal

The gains on asset disposal in 2023 were approximately RMB15.5 million, mainly due to the economic compensation received for the demolition of a property in 2023.

Credit Impairment Losses

Credit impairment losses increased from approximately RMB3.1 million for the year ended 31 December 2022 to approximately RMB20.1 million for the year ended 31 December 2023, mainly due to an increase in the expected credit loss rate of the account receivables of electrical engineering construction service projects resulting from the uncertainty caused by market fluctuations to the operating and financial position of certain customers.

Finance Costs

Finance costs increased from approximately RMB8.6 million for the year ended 31 December 2022 to approximately RMB13.3 million for the year ended 31 December 2023, primarily due to an increase in bank loans resulting from the Company's increased investment in power grid assets in 2023, with a corresponding increase in interest expenses of approximately RMB5.0 million.

Asset Impairment Losses

Asset impairment losses increased from approximately RMB0.7 million for the year ended 31 December 2022 to approximately RMB9.8 million for the year ended 31 December 2023, mainly due to the write-off of the book value of some micro-hydropower stations which the Group had terminated their operation due to policy factors, insufficient economic efficiency and safety factors in 2023.

Income from Investment in Associates

Income from investment in associates decreased from approximately RMB11.9 million for the year ended 31 December 2022 to approximately RMB4.6 million for the year ended 31 December 2023, mainly due to the fact that the properties of a real estate company that made largest contributions to investment income in 2022 were substantially sold in 2022.

Income Tax

Income tax expenses were approximately RMB59.0 million and RMB67.2 million for the years ended 31 December 2022 and 2023, respectively, at effective tax rates of 16.3% and 16.4%, respectively. The increase in income tax was primarily attributable to an increase in total profit.

Net Profit

As a result of the above, net profit increased from approximately RMB302.5 million for the year ended 31 December 2022 to approximately RMB342.0 million for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of key items in the consolidated balance sheet

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

	As at 31 December	
	2023 (RMB)	2022 (RMB)
Fixed assets	3,888,494,489.50	3,062,952,630.19
Construction in progress	277,005,824.43	272,105,986.58
Right-of-use assets	6,889,472.80	6,597,730.52
Total	4,172,389,786.73	3,341,656,347.29

Fixed assets, construction in progress and right-of-use assets (mainly including plant and buildings, machinery, vehicles, office equipment, projects under construction and right-of-use assets) increased from approximately RMB3,341.7 million as at 31 December 2022 to approximately RMB4,172.4 million as at 31 December 2023, mainly due to an increase in purchase of fixed assets and an increase in the number of construction in progress completed in 2023, and the increase in the number of rural grid consolidation and improvement projects secured in 2022 and commencing construction during the year.

Intangible Assets

Our intangible assets were approximately RMB149.5 million and RMB156.3 million as at 31 December 2022 and 2023, respectively, primarily due to the addition of a centralized control system for hydropower plants.

Accounts Receivable

Our accounts receivable were approximately RMB363.5 million and RMB693.2 million as at 31 December 2022 and 2023, respectively, primarily due to the fact that the payment for purchase of electricity was usually made at the beginning of the following month after the adjustment of the reading cycle of statements.

Excluding certain accounts receivable for which bad debts have been provided, the average turnover days of our accounts receivable (calculated by using the average value of the opening and closing balance of the accounts receivable of the relevant period divided by the revenue for the period, and then multiplied by the number of days in the period) were approximately 46.9 days and 52.6 days as at 31 December 2022 and 2023, respectively. The increase in turnover days of accounts receivable during the year was mainly due to the increase in accounts receivable resulting from the adjustment of the reading cycle of statements.

Notes Payable

As at 31 December 2023, we utilized an aggregate of approximately RMB150.0 million in bank acceptance bills and letters of credit to settle the electricity charges from upstream suppliers, which reduced the integrated finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Accounts Payable

Our accounts payable were approximately RMB598.9 million and RMB786.7 million as at 31 December 2022 and 2023, respectively. The increase in accounts payable was mainly due to the fact that the payment for purchase of electricity was usually made at the beginning of the following month after the adjustment of the reading cycle of statements.

The average turnover days of our accounts payable (calculated by using the average value of opening and closing balance of the accounts payable of the relevant period divided by the cost for the period, and then multiplied by the number of days in the period) decreased from approximately 78.9 days as at 31 December 2022 to approximately 71.6 days as at 31 December 2023, mainly due to the accelerated settlement of construction costs after the expansion of power engineering construction services in 2023.

Liquidity and Financial Resources

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

As at 31 December 2023, our cash and cash equivalents amounted to approximately RMB490.2 million (31 December 2022: approximately RMB757.9 million), among which, the amount for daily operating purpose is approximately RMB240 million, and the remaining consists of unused proceeds and special funds for rural grid consolidation and improvement projects. The decrease of the balance of cash and cash equivalents was mainly due to the strengthening of the centralized management of funds in 2023, and the use of the proceeds of approximately RMB115.2 million for the acquisition of the equity interests of Shenzhen CEGN Co., Ltd* (深圳市車電網絡有限公司). For details, please see 6. SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS under MANAGEMENT DISCUSSION AND ANALYSIS.

As at 31 December 2023, the total borrowings of the Group amounted to approximately RMB657.4 million (31 December 2022: approximately RMB314.2 million), including bank loans, bank acceptance remittances, letter of credit and other borrowings. Among them, short-term borrowings amounted to RMB150.0 million, long-term borrowings due within one year amounted to RMB33.9 million and long-term borrowings (excluding those due within one year) amounted to RMB323.5 million. All of our bank and other borrowings bear interest at a floating rate, and are denominated in Renminbi.

Gearing Ratio

As at 31 December 2023, the gearing ratio of the Group was approximately 19.3% (31 December 2022: approximately 9.9%). Gearing ratio is calculated based on our total interest-bearing liabilities divided by total equity as of the same date.

4. DIVIDEND

The Board proposed to declare a final dividend of RMB0.13 per Share (tax inclusive) for the year ended 31 December 2023 to Shareholders whose names appear on the register of members of the Company on 9 July 2024 (the "**Record Date**"), with the total amount of dividend amounting to approximately RMB139,666,501.00. Subject to approval of the declaration of dividend by Shareholders at the AGM, the final dividend is expected to be distributed on 25 July 2024. For more details, please refer to "Dividends and Distribution" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

5. GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Stock Exchange on 28 December 2018 and 268,800,000 H Shares with a nominal value of RMB1.00 each was issued at a price of HK\$1.77 per Share (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately RMB380.5 million. The Group has utilized approximately RMB340.9 million of such proceeds from the Global Offering according to purposes disclosed in the Prospectus as at 31 December 2023. The remaining approximately RMB39.6 million has not been used. The use of proceeds is as follows:

Use of proceeds as disclosed in the Prospectus	Percentage of net proceeds from initial public offering (as set out in the Prospectus)	Planned usage of net proceeds from initial public offering (as set out in the Prospectus) (RMB'000)	Amount unused as at 1 January 2023 (RMB'000)	Amount used for the Reporting Period (RMB'000)	Amount unused as at 31 December 2023 (RMB'000)	Estimated schedule
Acquisition of power-related assets	40%	152,193	152,193	115,200	36,993	2024
Construction and optimization of power grid	30%	114,145	-	-	-	N/A
Establishment of centralized power dispatching and control center and promotion of smart grid system	20%	76,097	-	-	-	N/A
Working capital	10%	38,048	2,989	364	2,625	2030
Total	100%	380,483	155,182	115,564	39,618	

Note:

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

As at 31 December 2023, the unused net proceeds from the Global Offering for each business strategy mentioned in the above table have been deposited as deposits in licensed banks in China and will be used in accordance with the progress of the Company's investment projects. As stated in the Prospectus, the Company intends to use 40% of the net proceeds in the acquisition of power-related assets, which was expected to be fully utilized by 2023 pursuant to the 2022 annual report of the Company. As at 31 December 2023, there remained an unutilized sum of approximately RMB37.0 million allocated for the acquisition of power-related assets which is expected to be fully utilized in 2024, given that the Company had already utilized approximately RMB115.2 million of the net proceeds for the acquisition of power-related assets as stated in the prospectus during the year ended 31 December 2023, and the Company is still in the process of identifying suitable potential targets for acquisition. The Company shall strive to accelerate the progress of the projects and improve the efficiency of the use of the remaining sum of net proceeds from the Global Offering.

The net proceeds from the Global Offering have been and are expected to be used as previously disclosed in the Prospectus. As at 31 December 2023, save for the delay in the acquisition of power-related assets as aforementioned, there have been no major changes or delays in the usage or use of the net proceeds of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

6. CAPITAL COMMITMENTS

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

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

	As at 31 December	
	2023 (RMB)	2022 (RMB)
Contracted for	73,852,517.30	104,883,250.10

7. SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS

On 17 March 2023, the Company entered into the Share Transfer Agreement with Shenzhen Yuanzhi Huaxin Emerging Industry Equity Investment Fund Partnership (L.P.)* 深圳市遠致華信新興產業股權投資基金合夥企業(有限合夥), Shenzhen Jianyuan Investment Loan Linkage Equity Investment Fund Partnership (L.P.)* (深圳建遠投貸聯動股權投資基金合夥企業(有限合夥)) and Shenzhen Xinfuhui No.2 Investment Partnership (Limited Partnership)* (深圳市信福匯二號投資合夥企業(有限合夥)), pursuant to which the Company has agreed to purchase and the above parties agreed to sell the Sale Shares, representing 15% of the equity interest in Shenzhen CEGN Co., Ltd* (深圳市車電網絡有限公司), at the total consideration of approximately RMB115.2 million. For further details of the aforesaid acquisition, please refer to the announcement of the Company dated 17 March 2023. As at 31 December 2023, the aforesaid acquisition has been completed.

For the year ended 31 December 2023, the Group did not have any material investments. Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries, associates or joint ventures.

8. PLEDGES OF THE GROUP'S ASSETS

No property, plant and equipment were pledged to banks as at 31 December 2023 (31 December 2022: nil).

9. FOREIGN EXCHANGE RISK

The Group does not currently hedge its exposure to foreign currencies and recognizes the profits and losses resulting from fluctuations as and when they arise. The Group carries out business in the PRC and receives revenue and pays its costs/expenses in RMB and the dividend paid by the Company to H Shareholders is paid in Hong Kong dollars.

10. CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

11. MAJOR INVESTMENT PLAN

The planned investment in 2024 is approximately RMB2,119.7 million, including (i) investment in infrastructure of approximately RMB624.1 million; (ii) investment in renovation of fixed assets of approximately RMB438.1 million; (iii) investment in acquisition of fixed assets of approximately RMB99.3 million; (iv) investment in other fixed assets of approximately RMB3.9 million; (v) other investments (new supporting power grid projects) of approximately RMB204.1 million; (vi) equity investment of approximately RMB98.5 million; (vii) annual planned investment in rural power grid projects of approximately RMB617.6 million; and (viii) intangible assets investment of RMB341,000.

MANAGEMENT DISCUSSION AND ANALYSIS

These investment plans are to support the growth of business in the region. In addition to the Company's net operating cash inflow, which will be gradually invested in asset investment, it is expected that in 2024, additional bank loans of RMB800 million will be gained to support the sustained and rapid development of the Company. Such facilities will be mainly bank loans, supplemented by letters of credit, bank acceptances and bonds, depending on the market interest rates.

12. EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 2,749 full-time employees (31 December 2022: 2,828). The related employee costs (including Directors' fees) for the year were approximately RMB477.4 million. The Group believes that attracting, recruiting and retaining high-quality employees is essential to the success of the Company. Our employee compensation is determined based on current industry practices and employees' educational background, experience and performance. The Group has contributed to a number of employee social security plans managed by local governments for employees as required by PRC laws and regulations, including housing provident funds, enterprise annuity, medical insurance, pension insurance, maternity insurance and unemployment insurance, etc., which are vested in the employees and will not be confiscated by the Group when they leave the Group. Accordingly, there are no forfeited contributions under the employee social security plans which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2023. The Group has also provided employees with adequate job training, and has formulated annual training plan for the Company at different levels and categories in terms of the Party building and discipline inspection, safety education, production technologies, business knowledge, continuing education, and comprehensive management, and has studied and revised the Measures for the Management of Education and Training of Sichuan Energy Investment Development Co., Ltd. to ensure the orderly implementation of training programs according to the plan, continuously strengthen the investment in staff training and education, and promote the individual growth and capacity improvement of employees. To attract outstanding employees, the remuneration committee under the Board regularly reviews employees' remuneration policies and benefits.

13. SUBSEQUENT EVENTS

Except for the declaration of dividends, there are no material events affecting the Company or any of its subsidiaries after 31 December 2023 and up to the date of this report.

14. OUTLOOK

(1) Strengthen Business Expansion, and Promote Quality Development

Firstly, the Company will further increase power sources. We will proactively seek supports from Sichuan Energy Investment Group Co., Ltd.* and local communist committees, accelerate the construction of Xuzhou District Pumped Storage Project and Xingwen County Natural Gas Power Generation Project, and plan new energy power generation projects in Junlian County, Gong County and other places, to increase the scale of self-owned power source points; meanwhile, we conducted global power source layout research based on regional economic development planning and energy resource advantages, with assistance of research institutes, to promote the construction of a diversely developed, sufficient, reliable power supply system. Secondly, we will further strengthen power grid. We will largely promote the major grid project construction and key grid equipment upgrading/renovation, continue to promote the approval for three 220 kV projects in Xuzhou of Yibin, Wangzhong of Gao County, and Yunlong Temple of Junlian County, among other preliminary efforts; accelerate grid digitization, intelligent transformation, and fully construct a regional smart green power system with operating safety and stability, and with sufficient capacity to meet the load requirements. Thirdly, we will further optimize the capital. We will take full advantage of listing on the Stock Exchange and our managerial experience and technical edges, positively merger and acquire quality clean energy power source projects and new energy projects, to maximize the profit, owner's equity and corporate value. Finally, we will further deploy in green energy. We will accelerate the green energy projects such as integrated energy stations, distributed photovoltaic, recharging & replacement infrastructure, and energy storage, and fully build a novel power grid industry chain integrating "source, grid, load and storage".

MANAGEMENT DISCUSSION AND ANALYSIS

(2) Adhere to User Centered, and Constantly Improve Service Quality and Service Capability

Firstly, the Company will continue optimizing service approach. We will further implement the National Energy Administration's requirements for improving "power acquisition" service level, insist on benchmark against State Grid and Southern Power Grid, further regulate power business service behaviors, improve reporting, installing and connecting service efficiency, regulate business expansion reporting and installing service, accelerate power supply stations reform piloting, make efforts in "zero distance" service, "zero delay" efficiency, "zero obstacle" power transaction. Secondly, we will continue improving power supply reliability. We will improve rural power grid renovation and upgrading, continue specific rectification on frequent power outages against the weak points in transmission & distribution grid structure, equipment & facilities, technologies and management etc. To solve outstanding problems reflected strongly by the people; actively generalize the primary and secondary fusion circuit breakers, fault indicators and other "four new" technical equipment, to further shorten fault scope, mitigate troubleshooting time, and practically improve grid safe operation & maintenance level. Thirdly, we will continue optimizing grid operation style. We will scientifically optimize grid running style, according to local load features, key users distribution, safety requirements and other conditions, as well as historical running experience and load prompt development, to ensure work system efficiency and measures execution; collectively develop annual power outage plans, gradually promote non-outage operation, and do the best to prevent outage without force majeure and prevent unplanned outage.

(3) Consolidate Bottom Line Mindset, and Enhance Corporate Safety Level

Firstly, the Company will continue strengthening internal risk prevention. We will promote the operational philosophy transformation from focus on front end investment to more focus on project full life cycle operation management, and greatly increase our overall profitability. We will practically change the mind of emphasizing on investment yet neglecting management, or emphasizing construction yet neglecting operation, make great efforts in tapping the potential of existing projects, largely reduce cost and increase efficiency, reduce or stop loss, enhance productive factors security and productive cost control, reduce low-effect/zero-effect asset percentage, and increase the overall profitability. Meanwhile, we will strictly perform the comprehensive risk management reporting system, regularly evaluate management status and risk tolerance, continuously increase the standardization level of financial management, effectively prevent capital and asset risks, establish the accountability system for non-compliant operation and investment, and ensure the safety and stability of internal operating conditions. Secondly, we will continue persisting in the bottom line of safety production. We will insist on people first, strictly perform the "Three Managements and Three Musts" and "responsible persons to be accountable" principles, and the "Two 'do not's, Three 'in place's" requirements, rapidly form a safety product profile with strong measures, solid responsibilities and penetrated pressure; continue collective governance on "risk removal", in particular, solve the problems in casualty risk, equipment risk and power line/channel risk, effectively control and solve the risks in production and environment, and create a sound and safe environment for the high quality development of the Company.

(4) Deepen and Promote Party Building in an All-round and Strict Manner

Firstly, the Company will firmly insist on communist leadership, and that the communist committee shall plan for the big picture, discuss on the big events, and grasp the key points, fully implement various decisions and tasks from the corporate communist committee, and form a corporate governance mechanism with transparent rights and responsibilities, efficient coordination, and effective balancing. Secondly, we will always enhance our political mindset, deeply learn Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, solidify our political loyalty, harden our faith, and converge the strong energy in work. Thirdly, we will emphasize on grassroots direction, fully enhance grassroots political function and organization through "basic education, basic organization, basic team, basic system, and basic security", to erect the fortress that leads the development of various business operations. Fourthly, we will continue disciplinary control, insist on "strict" keynote without shaking, make artistic use of "four forms", promote "three non-corruptions" simultaneously, and use strict disciplines to solidify and grow a clean, good political ecosystem. Finally, we will insist on communist control over publicity and political ideology, continue perfecting the ideological work study and exam mechanisms, make outstanding efforts in news publicity, theory telling, public opinion guidance and cultural construction, and create a sound public opinion atmosphere and cultural environment for the corporate reform and development.

REPORT OF THE BOARD OF DIRECTORS

In 2023, the Board, in strict accordance with the Company Law, the Listing Rules, the Articles of Association and other relevant laws and regulations, performed its duties in a diligent and faithful manner, carried out the decisions passed at the general meeting, formulated plans for operations and development and focused on the power system reform. All Directors offered suggestions to the Company by leveraging their expertise, providing support for the steady and rapid development of the Company. The work of the Board in 2023 is reported as follows:

PRINCIPAL BUSINESS

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

DIVIDEND POLICY

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

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

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

DIVIDENDS AND DISTRIBUTION

As at the date of this report, the Board proposed to declare a final dividend of RMB0.13 per Share (tax inclusive) for the year ended 31 December 2023 to Shareholders whose names appear on the register of members of the Company on 9 July 2024, with the total amount of dividend amounting to approximately RMB139,666,501.00. The declaration of dividend shall be subject to approval by Shareholders at the AGM, and the final dividend is expected to be paid on 25 July 2023. As at the date of this annual report, the Company was not aware of any arrangements pursuant to which any Shareholder had waived or agreed to waive any dividends.

REPORT OF THE BOARD OF DIRECTORS

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

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

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

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

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

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

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

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

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

REPORT OF THE BOARD OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2024 to 13 June 2024 (both days inclusive), during which period no transfer of Shares will be effected. In order to be qualified to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares no later than 4:30 p.m. on 6 June 2024.

In order to determine the entitlement of Shareholders for the final dividend, subject to the approval of the Shareholders at the AGM, the register of members of the Company will be closed from 4 July 2024 to 9 July 2024 (both days inclusive), during which period no transfer of Shares of the Company will be effected. The Company will distribute final dividends to Shareholders whose names appear on the register of members of the Company on 9 July 2024. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares no later than 4:30 p.m. on 3 July 2024.

BUSINESS REVIEW

The business review and performance of the Company for the year ended 31 December 2023 are set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of this Report of the Board of Directors.

FINANCIAL REVIEW

The financial review of the Company for the year ended 31 December 2023 is set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of the Report of the Board of Directors.

CORPORATE GOVERNANCE

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

SHARE CAPITAL

Details of the changes in the share capital of the Company during the year ended 31 December 2023 are set out in note V.28 to the consolidated financial statements of this annual report.

CAPITAL RESERVE, SPECIFIC RESERVE AND SURPLUS RESERVE

Details of the changes in the Company's capital reserve, specific reserve and surplus reserve during the year ended 31 December 2023 are set out in notes V.29, 30 and 31 to the consolidated financial statements of this annual report.

RETAINED EARNINGS

As at 31 December 2023, the Company's retained earnings are approximately RMB1,023.1 million.

FIXED ASSETS

Details of the changes in the Company's property, plant and equipment during the year ended 31 December 2023 are set out in note V.10 to the consolidated financial statements of this annual report.

REPORT OF THE BOARD OF DIRECTORS

DONATION

During the year ended 31 December 2023, the Company's outward donations were RMB4,540,494.29.

DIRECTORS

During the year ended 31 December 2023 and up to the date of this annual report, the Board is composed of:

He Jing	Chairman and executive Director (appointed on 6 April 2023)
Xiong Lin	Chairman and Executive Director (resigned on 6 April 2023)
Wang Yuanchun	Deputy Chairman, Executive Director and General Manager (Deputy Chairman and Executive Director: appointed on 19 March 2024; General Manager: appointed on 26 February 2024)
Li Hui	Deputy Chairman, Executive Director and General Manager (Deputy Chairman and Executive Director: resigned on 19 March 2024; General Manager: resigned on 26 February 2024)
Xie Peixi	Executive Director
Han Chunhong	Non-executive Director
Tao Xueqing	Non-executive Director (appointed on 6 April 2023)
Li Yu	Non-executive Director (resigned on 6 April 2023)
Lv Yan	Non-executive Director
Liang Hong	Non-executive Director
Kong Ce	Non-executive Director (appointed on 6 April 2023)
Kin Kwong Kwok Gary	Independent Non-executive Director
Li Jian	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director
He Yin	Independent Non-executive Director (appointed on 6 April 2023)

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

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2023, except for the service contracts, there was no transaction, arrangement or contract of significance to the Company's business in which the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which none of the Directors, Supervisors or entities connected with them have or had directly or indirectly material interests.

MANAGEMENT CONTRACT

During the year ended 31 December 2023, the Company did not enter into nor did the Company have any existing contracts for the management and operation of all or part of the Company's material businesses.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2023, none of the Company, controlling shareholders or the companies under the same controlling shareholders with the Company was a party of any arrangement to entitle the Directors and Supervisors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of them.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

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

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

During the year of 2023, none of the Directors or Supervisors has entered into any service contract with the Company which does not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

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

As at 31 December 2023, there were 13 Directors in the Company, including five non-executive Directors who did not receive remuneration from the Company; five independent non-executive Directors, among whom Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng, Prof. Li Jian and Ms. He Yin received remuneration from the Company, for which the remuneration shall be subject to the remuneration standards approved by the general meeting; and three executive Directors, including Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi who did not receive separate directors' fees for their office as executive Directors while receiving the corresponding remuneration for their management-level positions in the Company. The emoluments of the Directors are determined based on the responsibilities and experience, prevailing market conditions and the remuneration policy of the Company as determined by the Board or its delegated committee.

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

Annual remuneration system is applied for the senior management of the Company, where their remuneration consists of basic remuneration, annual performance pay, tenure incentives, medium-and-long-term incentives and bonuses. Details of the remunerations of the Directors and five highest paid individuals during the Reporting Period are disclosed in note XIV.2 and note XIV.3 of the notes to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, to the best knowledge of the Board, none of the Directors of the Company and their respective associates was interested in any business which competed or was likely to compete with the business of the Group, or caused or was likely to cause any other conflict of interest to the Group.

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

As at 31 December 2023, according to the information obtained by the Company and to the best knowledge of the Company, none of our Directors, Supervisors or chief executives of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Group or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be registered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2023, within the knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Class of Shares	Number of Shares (Note 1)	Long position/ short position	Percentage of total Shares (%)	Percentage of Shares of the same class issued (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (Note 2)	Interest of controlled corporations Beneficial owner and interest of controlled corporations	Domestic Shares H Shares	286,960,942 132,375,058	Long	26.71 12.32	100.00 16.81
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司) (Note 2)	Interest of controlled corporations Interest of controlled corporations	Domestic Shares H Shares	286,960,942 107,437,458	Long	26.71 10.00	100.00 13.64
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner Beneficial owner	Domestic Shares H Shares	286,960,942 107,437,458	Long	26.71 10.00	100.00 13.64
China Power International Development Limited (中國電力國際發展有限公司)	Beneficial owner	H Shares	98,039,200	Long	9.13	12.45
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 3)	Interest of controlled corporations	H Shares	98,039,200	Long	9.13	12.45
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限公司)	Beneficial owner	H Shares	98,039,200	Long	9.13	12.45
Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	H Shares	92,406,000	Long	8.60	11.74
Tianqi Lithium HK CO., Ltd (天齊鋰業香港有限公司)	Beneficial owner	H Shares	77,500,000	Long	7.21	9.84
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	Beneficial owner	H Shares	65,359,500	Long	6.08	8.30
Tian Qiu (田秋) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	7.95
Wang Wenxiang (王文香) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	7.95
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司) (Note 4)	Interest of controlled corporations	H Shares	62,570,000	Long	5.82	7.95
Jinneng Holding (Hong Kong) Limited	Beneficial owner	H Shares	62,570,000	Long	5.82	7.95
Beijing Forever Technology Company Limited* (北京恆華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	Long	5.15	7.03

REPORT OF THE BOARD OF DIRECTORS

Notes:

1. As at 31 December 2023, the Company has issued 286,960,942 Domestic Shares and 787,396,758 H Shares. The total number of issued Shares was 1,074,357,700 shares.
2. As at 31 December 2023, Hydropower Group held 286,960,942 Domestic Shares and 107,437,458 H Shares, and Hydropower Group is held as to 77.74% of equity interest by Energy Investment Group which is in turn wholly owned by Sichuan Development. Therefore, Energy Investment Group is deemed to be interested in 286,960,942 Domestic Shares and 107,437,458 H Shares held by Hydropower Group pursuant to Part XV of the SFO; Sichuan Development is also deemed to be interested in the said 286,960,942 Domestic Shares and 107,437,458 H Shares. In addition, Sichuan Development directly held 24,937,600 Domestic Shares of the Company, thus Sichuan Development was deemed to hold a total of 286,960,942 Domestic Shares and 132,375,058 H Shares.
3. As at 31 December 2023, Three Gorges Capital Holdings Company Limited held 98,039,200 H Shares. Three Gorges Capital Holdings Company Limited is directly wholly-owned by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation is deemed to be interested in 98,039,200 H Shares.
4. As at 31 December 2023, Jinneng Holding (Hong Kong) Limited held 62,570,000 H Shares. Jinneng Holding (Hong Kong) Limited is directly wholly-owned by Sichuan Jinneng Energy Group Co., Ltd., which was owned as to 70% and 30% by Mr. Tian Qiu and Ms. Wang Wenxiang, respectively. In addition, Mr. Tian Qiu and Ms. Wang Wenxiang are couples. Therefore, according to Part XV of the SFO, Sichuan Jinneng Energy Group Co., Ltd. is deemed to be interested in 62,570,000 H Shares held by Jinneng Holding (Hong Kong) Limited. Mr. Tian Qiu and Ms. Wang Wenxiang are also deemed to be interested in the 62,570,000 H Shares above.

Save as disclosed above, as of 31 December 2023, the Company was not aware of any other persons (other than the Directors, Supervisors or chief executive of the Company) have an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CHANGES IN INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

According to Rule 13.51B(1) of the Listing Rules, changes in information of Directors, Supervisors and chief executive during the period from the date of the 2023 interim report up to the date of this report are as follows:

1. Ms. Han Chunhong has been the Director of Capital Operations and General Manager of Capital Operations Department of China Power International Development Limited (Stock code: 2380.hk) since September 2023.
2. Ms. Lv Yan graduated from the Party School of Sichuan Provincial Committee of the Communist Party of China CPC majoring in economic management with on-the-job postgraduate education in June 2023.
3. Ms. Liang Hong ceased to be the executive director, general manager and legal representative of Yibin State-owned Enterprise Service Management Co., Ltd (宜賓國企服務管理有限公司) with effect from December 2023.
4. Professor Li Jian has been the deputy director of Sichuan Provincial Key Laboratory of Low-carbon and Smart Power Energy System since December 2023.
5. Ms. He Zhen ceased to be an independent non-executive director of Chengdu Dahongli Machinery Co., Ltd. (成都大宏立機器股份有限公司) from December 2023; and ceased to be an independent non-executive director of Sichuan Languang Development Co., Ltd. (Stock code: 600466.SH) from September 2023.
6. On 29 January 2024, Ms. Li Jia and Mr. Liao Jun resigned as the employee representative supervisors of the Company due to change in work arrangements, and Mr. Su Lijiang and Ms. Tian Wenwei were elected as the Employee Representative Supervisors at the employee representative meeting of the Company. For more details, please refer to the announcement of the Company dated 29 January 2024.
7. Mr. Li Hui tendered his resignation as the deputy chairman, an executive Director, the general manager, a joint company secretary and the authorised representative (under Rule 3.05 of the Listing Rules) of the Company due to retirement, the resignation as the general manager became effective on 26 February 2024 and others became effective on 19 March 2024.
8. Ms. Deng Ruipu has served as the deputy general manager of the investment management department and presided over the work since April 2023.

REPORT OF THE BOARD OF DIRECTORS

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

NON-EXEMPT CONNECTED TRANSACTIONS

For the year ended 31 December 2023, the Group had the following connected transactions with its controlling shareholders or subsidiaries. As all of the applicable percentage ratios of the transactions contemplated under agreements (3) to (6) below on an aggregated basis exceed 5% but are lower than 25% and the total consideration exceeds HK\$10,000,000, the transactions contemplated thereunder constitute (i) disclosable transactions, which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) connected transactions which are subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(1) Connected Transaction in Relation to the PC Contract

On 28 March 2023, Shuifu Yangliutan Power Generation Co., Ltd.* (水富楊柳灘發電有限公司)(“**Shuifu Yangliutan**”), a wholly-owned subsidiary of the Company, entered into the PC Contract with Sichuan Nengtou Yundian Technology Co., Ltd.* (四川能投雲電科技有限公司) (“**Yundian Technology**”), a connected person, pursuant to which Yundian Technology agreed to provide procurement and construction services to the Company for the Project. The contract price is a fixed lump-sum price amounted to RMB10,857,499.71. Yundian Technology is an indirect non-wholly owned subsidiary of Sichuan Province Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司) (“**Energy Investment Group**”). Accordingly, Yundian Technology is an associate of the Energy Investment Group and a connected person of the Company under Rule 14A.07 of the Listing Rules and the entering into of the PC Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio with respect to the PC Contract is less than 5% but the contract price exceeds HK\$3 million, the PC Contract shall be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 28 March 2023.

(2) Connected Transaction in Relation to the Acquisition of Properties

On 11 April 2023, Sichuan Energy Power Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司)(“**Pingshan Electricity**”), a wholly-owned subsidiary of the Company, entered into the Property Purchase Agreement with Pingshan Jinping Real Estate Development Co., Ltd.* (屏山金屏房地產開發有限公司)(“**Pingshan Jinping**”), a connected person of the Company, pursuant to which Pingshan Electricity agreed to purchase and Pingshan Jinping agreed to sell the Properties at a consideration of RMB35,500,000. As at 11 April 2023, Pingshan Jinping is indirectly held as to more than 30% by Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司) (“**Hydropower Group**”) and Energy Investment Group, which are the controlling shareholders. Accordingly, Pingshan Jinping is an associate of Hydropower Group and Energy Investment Group, respectively, and therefore a connected person of the Company under Rule 14A.07, and the Acquisition constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio with respect to the Acquisition is less than 5% but the consideration exceeds HK\$3 million, the Acquisition shall be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details are set out in the Company's announcement dated 11 April 2023 and supplemental announcement dated 18 April 2023.

REPORT OF THE BOARD OF DIRECTORS

(3) EPC Contract for 10kV and below Project

As at 21 April 2023, Sichuan Energy Investment Yibin City Xuzhou Electricity Co., Ltd.* (四川能投宜賓市敘州電力有限公司) (“**Xuzhou Electricity**”), Sichuan Energy Investment Gao County Electricity Co., Ltd.* (四川能投高縣電力有限公司) (“**Gao County Electricity**”), Sichuan Energy Investment Gong County Electricity Co., Ltd.* (四川能投珙縣電力有限公司) (“**Gong County Electricity**”), Sichuan Energy Investment Junlian Electricity Co., Ltd.* (四川能投筠連電力有限公司) (“**Junlian Electricity**”), Pingshan Electricity, Sichuan Energy Investment Xingwen Electricity Co., Ltd.* (四川能投興文電力有限公司) (“**Xingwen Electricity**”) (as the Implementation Units) and other implementation units entered into the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Investment Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司) (“**Sichuan Energy Construction**”) and Sichuan Energy Investment Integrated Energy Co., Ltd.* (四川能投綜合能源有限責任公司) (“**Sichuan Energy Investment Integrated Energy**”), pursuant to which Sichuan Energy Construction and Sichuan Energy Investment Integrated Energy agreed to provide engineering, procurement and construction services for the 10kV and Below Project. The contract price is RMB556,200,807 (tax inclusive) which comprises (i) the survey and design fee of RMB34,692,754 (tax inclusive); (ii) the construction fee of RMB517,810,946 (tax inclusive); and the materials fee of RMB3,697,107 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the total estimated contract price of RMB556,200,807 (tax inclusive), it is envisaged that the Implementation Units shall share and be responsible for the payment of RMB154,773,350 (tax inclusive). Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price. Hydropower Group is one of the controlling shareholders of the Company and certain other implementation units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Investment Integrated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Investment Integrated Energy and certain other implementation units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 10kV and Below Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Further details are set out in the Company’s announcement dated 21 April 2023 and the circular dated 5 July 2023.

(4) Equipment and Materials Procurement Contract

On 21 April 2023, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity (as the Implementation Units), all of which are wholly-owned subsidiaries of the Company, and other implementation units entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Sichuan Energy Investment Materials Industry Group Co., Ltd.* (四川能投物資產業集團有限公司) (“**Materials Industry Group**”), pursuant to which Materials Industry Group agreed to provide procurement of equipment and materials services for the 10kV and Below Project. The contract price is RMB550,528,455.16 (tax inclusive) (out of which the Implementation Units shall share and be responsible for the payment of RMB152,450,790.20 (tax inclusive)), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 5% of the estimated contract price. Hydropower Group is one of the controlling shareholders of the Company and certain other implementation units are associates of Hydropower Group. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Materials Industry Group and certain Other Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment and Materials Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Further details are set out in the Company’s announcement dated 21 April 2023 and the circular dated 5 July 2023.

REPORT OF THE BOARD OF DIRECTORS

(5) Construction Supervision Contract

On 21 April 2023, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity (as the Implementation Units), all of which are wholly-owned subsidiaries of the Company, entered into the Construction Supervision Contract with, among others, Hydropower Group and Showsolid International Engineering Consulting Group Co., Ltd.* (首盛國際工程諮詢集團有限公司) (“**Showsolid International**”), pursuant to which, Showsolid International agreed to provide construction supervision service for the Rural Power Grid Consolidation and Improvement Project. The contract price is RMB4,187,986 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 5% of the estimated contract price. Hydropower Group is one of the controlling shareholders of the Company. Accordingly, Hydropower Group is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Construction Supervision Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Further details are set out in the Company’s announcement dated 21 April 2023 and the circular dated 5 July 2023.

(6) EPC Contract for 35kV and Above Project

On 21 April 2023, Sichuan Energy Investment Development and Construction Co., Ltd.* (四川能投發展建設有限公司) (“**Sichuan Energy Investment Development and Construction**”) (formerly Sichuan Energy Yibin Electricity Engineering Co. Ltd.* (四川能投宜賓電力工程建設有限公司)), a wholly-owned subsidiary of the Company, and Xuzhou Electric Power entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Sichuan Province Xingneng Hydropower Design Co., Ltd.* (四川省興能水利電力設計有限公司) (“**Xingneng Hydropower**”) and Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司) (“**Zizhong Longyuan Electricity**”), pursuant to which, Sichuan Energy Investment Development and Construction and Xingneng Hydropower agreed to provide engineering, procurement and construction services for the 35kV and Above Project. The contract price is RMB32,943,497 (tax inclusive) which comprises (i) the survey and design fee of RMB1,174,628 (tax inclusive); (ii) the construction and installation fee of RMB11,319,166 (tax inclusive); and (iii) the equipment procurement fee of RMB20,449,703 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the said estimated total contract price of RMB32,943,497 (tax inclusive), it is envisaged that (i) Sichuan Energy Investment Development and Construction, as one of the contractors, will receive RMB31,768,869 (tax inclusive) for the services to be rendered; and (ii) Xuzhou Electricity, as one of the implementation units, shall share and be responsible for the payment of RMB16,276,100 (tax inclusive). Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price. Hydropower Group is one of the controlling shareholders of the Company. Zizhong Longyuan Electricity is a direct subsidiary of Hydropower Group and therefore an associate of Hydropower Group. Accordingly, Hydropower Group and Zizhong Longyuan Electricity are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 35kV and Above Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Further details are set out in the Company’s announcement dated 21 April 2023 and the circular dated 5 July 2023.

(7) Equipment Procurement Contract

On 21 April 2023, in furtherance to the procurement of equipment under the EPC Contract for 35kV and above project, Sichuan Energy Investment Development and Construction, a wholly-owned subsidiary of the Company, intended to enter into the Equipment Procurement Contract with Materials Industry Group, pursuant to which, Sichuan Energy Investment Development and Construction shall procure and Materials Industry Group shall sell power distribution equipment. The contract price is RMB19,620,540.38 (tax and delivery fee inclusive), subject to actual amount of equipment delivered and accepted by Sichuan Energy Investment Development and Construction. Based on the Company’s past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Materials Industry Group is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As all applicable percentage ratios of the transactions contemplated under the Equipment Procurement Contract exceed 0.1% but are less than 5%, the transactions contemplated under the Equipment Procurement Contract are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and independent shareholders’ approval requirements. Further details are set out in the Company’s announcement dated 21 April 2023.

REPORT OF THE BOARD OF DIRECTORS

(8) Construction Agreements

On 28 December 2023, Xuzhou Electricity, a subsidiary of the Company, entered into the Construction Agreement A with Sun Technology Company Limited* (成都太陽高科技有限責任公司) (“**Sun Technology**”), pursuant to which Sun Technology agreed to provide construction services for the network security level protection upgrade and renovation of the ground distribution machine room of the Yibin electric dispatching center at the contract price of RMB688,000 (tax inclusive). On 28 December 2023, Pingshan Electricity, a subsidiary of the Company, entered into the Construction Agreement B with Sun Technology, pursuant to which Sun Technology agreed to provide construction services for the information infrastructure construction of the power supply service command center of Pingshan Electricity at the contract price of RMB971,484.10 (tax inclusive). Sun Technology is a non-wholly owned subsidiary of Hydropower Group, which is one of the controlling Shareholders of the Company. Accordingly, Sun Technology is an associate of Hydropower Group and therefore a connected person of the Company under Rule 14A.07 and the transactions contemplated under the Construction Agreements constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. During the period between January and November 2023, the Group had procured various equipment and technical services from Sun Technology, with an aggregate amount of RMB1,428,630.72 (“**2023 Equipment and Technical Service Procurement**”). As the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the 2023 Equipment and Technical Service Procurement was less than 5% and the total consideration was less than HK\$3,000,000, the transactions constituted de minimis transactions pursuant to Rule 14A.76(1) (c) of the Listing Rules and were fully exempt from announcement, reporting, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. However, upon the entering into the Construction Agreements, the total consideration payable by Xuzhou Electricity and Pingshan Electricity when aggregated with the consideration paid or payable under the 2023 Equipment and Technical Service Procurement will be in excess of HK\$3,000,000. Since the highest aggregated applicable percentage ratio in respect of the 2023 Equipment and Technical Service Procurement and the Construction Agreements exceeds 0.1% but is less than 5%, the entering into of the Construction Agreements are therefore subject to reporting, announcement and annual review requirements but is exempted from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 28 December 2023.

(9) Technical Service Agreement

On 29 December 2023, the Company entered into the Technical Service Agreement with Unisplendour M&C Co., Ltd. (“**TEMC**”), a connected person of the Company, pursuant to which TEMC agreed to provide certain technical services to the Company at the consideration of RMB3,590,000 (tax inclusive). On 29 December 2023, TEMC is indirectly held as to more than 30% by Energy Investment Group, who are the Controlling Shareholders. Accordingly, TEMC is an associate of Energy Investment Group, and therefore a connected person of the Company under Rule 14A.07 of the Listing Rules, and the Technical Service Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio with respect to the Technical Service Agreement and the transactions contemplated thereunder is less than 5% but the consideration exceeds HK\$3 million, the Technical Service Agreement and the transactions contemplated thereunder shall be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 29 December 2023.

REPORT OF THE BOARD OF DIRECTORS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Renewal of Leasing of Substations (2023)

On 28 December 2021, Sichuan Energy Investment Development Construction (as lessor) entered into the 2022 Substations Leasing Agreement with Changning Natural Gas (as lessee) to renew the 2021 Substations Leasing Agreement, pursuant to which the former shall lease six temporary substations to Changning Natural Gas from 1 January 2022 to 31 December 2022.

On 23 February 2023, Sichuan Energy Investment Development Construction (as lessor) entered into the 2023 Substations Leasing Agreement with Changning Natural Gas (as lessee) to renew the 2022 Substations Leasing Agreement, pursuant to which the former shall lease six temporary substations to Changning Natural Gas from 1 January 2023 to 31 December 2023.

The annual cap of the transaction contemplated under the 2023 Substations Leasing Agreement for the year ended 31 December 2023 is RMB5,860,000, being the total amount of rental payable under the 2023 Substations Leasing Agreement. According to the terms of the 2023 Substations Leasing Agreement, the lease of all six temporary substations to Changning Natural Gas will all expire within the year ending 31 December 2023.

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

The actual total amount of rental from 1 January 2023 to 31 December 2023 under the 2023 Substations Leasing Agreement was approximately RMB5,859,815.04.

Further details of the 2023 Substations Leasing Agreement are set forth in the announcement of the Company dated 23 February 2023.

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

On 28 March 2019, Gong County Electricity, a wholly-owned subsidiary of the Company, entered into the Electricity Purchases and Sales Agreement with Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司) ("**Yiliangruiyuan Hydropower**"), pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to the Group. The Electricity Purchases and Sales Agreement is valid for a term from the date of execution until 31 December 2021, and may be renewed upon expiration subject to requirements regarding continuing connected transactions under the Listing Rules. The Electricity Purchases and Sales Agreement expired on 31 December 2021.

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

For the year ended 31 December 2023, the actual transaction amount under the Electricity Purchases and Sales Agreement was RMB10,411,126.28. Further details of the 2022 Electricity Purchases and Sales Agreement are set forth in the announcement of the Company dated 28 December 2021.

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

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

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

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

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

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

For the year ended 31 December 2023, the actual transaction amount under the Rural Power Grid Assets Management and Maintenance Agreement was RMB13,624,276.70. Further details of the renewed Rural Power Grid Assets Management and Maintenance Agreement are set forth in the announcement of the Company dated 31 December 2020.

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

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

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

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

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

Notes:

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

For the year ended 31 December 2023, the actual transaction amount under the Rural Power Grid Assets Usage Agreement was RMB29,622,616.12. Further details of the renewed Rural Power Grid Assets Usage Agreement are set forth in the announcement of the Company dated 31 December 2020.

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

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

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

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

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

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

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

REPORT OF THE BOARD OF DIRECTORS

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

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

For the year ended 31 December 2023, the actual transaction amount under the Property Management Agreement was RMB7,717,073.91. Further details of the renewed Property Management Agreement are set forth in the announcement of the Company dated 31 December 2020.

REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

AUDITORS' OPINION

The auditor of the Company has been appointed by the Company to issue a report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements No.3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (Revised) and with reference to the Practice Note No.740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the transactions in accordance with Rule 14A.56 of the Listing Rules and issued the letter of confirmation to the Board to confirm that as of 31 December 2023 regarding the above-mentioned continuing connected transactions, nothing has come to their attention that causes them to believe that:

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

REPORT OF THE BOARD OF DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company in 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the total purchasing amount by the Company from five largest suppliers accounted for 62.41% of the total cost of sales amount for the year ended 31 December 2023, of which the purchasing amount from the largest supplier accounted for 48.29% of the total cost of sales amount for the year ended 31 December 2023.

During the year ended 31 December 2023, the total sales amount by the Company from five largest customers accounted for 19.14% of the total sales for the year ended 31 December 2023, of which the sales amount from the largest customer accounted for 8.88% of the total sales for the year ended 31 December 2023.

During the year ended 31 December 2023, to the knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

RELATIONSHIP WITH EMPLOYEES

The Company attaches importance to the construction of employee relationship, and has studied and formulated the Measures for the Administration of Labor Contracts of Sichuan Energy Investment Development Co., Ltd. and the Code of Conduct for Employees of Sichuan Energy Investment Development Co., Ltd. It adheres to the normative employment in accordance with the laws through standardized and institutionalized management, and establishes harmonious labor relations. The Company was awarded as "AA Grade Model Enterprise with Harmonious Labor Relations in Chengdu" by Chengdu Tripartite Committee for Coordinating Labor Relations and "Model Pilot Unit for Comprehensive Reform of Harmonious Labor Relations at Provincial Level in Wenjiang District, Chengdu" by the Office of Tripartite Committee for Coordination of Labor Relations in Wenjiang District, Chengdu.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Company maintains a long-term and stable win-win relationship with customers and suppliers, which can ensure the long-term sustainable development of the Company. At the same time, it is very important to maintain good relationship with customers and suppliers for the Company's long-term development. Therefore, the Company has always been committed to providing customers with high-quality and high-level services.

PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

In 2023, the Company had no pre-emptive rights and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive rights.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

REPORT OF THE BOARD OF DIRECTORS

COMPLIANCE WITH LAWS AND LITIGATION

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects during 2023. The Group did not have any material litigation outstanding as at 31 December 2023.

PUBLIC FLOAT

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

COMPLIANCE WITH NON-COMPETITION AGREEMENT

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

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

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

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

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

For the year ended 31 December 2023, the Company did not exercise the options, right of first refusal or the options for new business opportunities granted by the controlling shareholder(s). After considering the business scale and prospect, financial conditions and other related factors of the Group, and the current conditions of the Excluded Rural Power Grid Projects and the Other Power Business, the independent non-executive Directors decided not to exercise the options. Moreover, to the best knowledge of our controlling shareholders, no business opportunity of Restricted Business was offered to them and they had no intention to transfer its interest in the Excluded Rural Power Grid Projects and Other Power Business to any third party during the Reporting Period. The independent non-executive Directors have reviewed the information provided by the Company and the controlling shareholders regarding compliance with the Non-competition Agreement and determined that the controlling shareholder had fully complied with the Non-competition Agreement during the year of 2023.

REPORT OF THE BOARD OF DIRECTORS

RISKS

(1) Industry policy risk

The new round of power system reform has abolished the industrial and commercial user catalogue tariff, and the industrial and commercial users (including the former general industrial and commercial and others, and large-scale industrial categories) entered into the market to purchase power either directly or through agents such as power grid companies at the market price. As a result, the profit model of the industrial and commercial users under the Company's general power supply business has been changed from the previous margin between on-grid purchase and sales to transmission and distribution tariff, which shall be subject to the standard of Sichuan Grid before any local transmission and distribution tariff is determined by price management authorities in Sichuan. Meanwhile, the Company is exposed to challenges from pricing power for domestic purposes on a par with that of the State Grid, which may lead to a decline in the profitability of the Company.

(2) Business risk

1. There is a certain gap between actual economic benefits and those expected in the early stage of an integrated energy project. The Company is transforming from a traditional power enterprise to a integrated energy service provider. The Company is at the stage of grabbing high-quality resources, establishing related businesses and expanding into potential markets in the integrated energy sector. However, certain green energy markets have not established well with less-than-expected demand, and related green energy businesses need a certain incubation period, and the project profitability is affected by industrial policy changes, social and economic environment and local government and other uncontrollable factors, which may result in a certain gap between actual economic benefits and those expected in the early stage of the project.
2. Our power grids and power sources are insufficient and we are increasingly relying on the superior power grids. At present, the grid-connected power stations of the Company are all run-off hydroelectric power stations, with significant output differences during the boom and collapse period and no new power sources being developed and introduced. The growth of power supply capacity mainly depends on the superior grids such as State Grid and Southern Power Grid, and the possible insufficient power supply of the superior grids may have negative impact on the power supply capacity of the Company.
3. Procurement risks associated with a single-source approach. Single-source procurement may be very necessary in certain circumstances, but the Company is required to carefully manage the associated risks and take appropriate measures to ensure compliance, efficiency and sustainability.
4. Risks associated with connected transactions. Firstly, if the contracts associated with connected transactions of the Company are not filed in a timely manner, the Company may face risks associated with connected transactions. Secondly, connected transactions may be subject to the risk of unfair pricing (such as quotations are significantly higher than market prices). Thirdly, if connected transactions are not properly approved, the Company may face the risk of connected transaction violations, thereby affecting the Company's image in the capital market. Fourthly, if the disclosed connected transactions are not strictly implemented, it may lead to situations such as the actual transaction amount of the Company's connected transactions exceeding the disclosed amount without supplementary disclosure, thus causing compliance risks to the Company. Fifthly, the Company may face the risk of regulatory penalties if its connected transactions and related disclosures do not comply with the provisions of the Listing Rules.
5. Safety risks. We still face a severe situation in terms of production safety, with the potential safety risks associated with the construction of some engineering projects, and the potential risks related to production safety accidents.

REPORT OF THE BOARD OF DIRECTORS

(3) Investment risk

The Company currently is at the rapid development stage and will successively roll out a broad array of significant investment and M&A projects. Whether or not the investment income will meet our expectations will have an impact on the future development of the Company.

(4) Financial risk

1. Exchange rate risk: the Company primarily conducts production and operations in Mainland China and transactions are mainly settled in Renminbi. At the end of 2023, the Company held a small amount of Hong Kong dollars. Fluctuation of Renminbi against Hong Kong dollars may lead to certain exchange gains and losses on Hong Kong dollars held by the Company, which will have insignificant impact on the Company's financial condition and operating performance in overall.
2. Capital risk: the Company may increase material investment activities during its course of business development, and the adequacy of capital will have a significant impact on the operation and development of the Company, which may impose relevant financial risks on business activities.

MATERIAL LEGAL PROCEEDINGS

During the year ended 31 December 2023, the Company had not been involved in any material legal proceedings nor arbitration.

PERMITTED INDEMNITY

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

AUDITOR

Given that the Company aligned in preparation of financial statements and disclosure of relevant financial information pursuant to the China Accounting Standards for Business Enterprises commencing from 2021, on 20 April 2021, the Board ceased to re-appoint KPMG as the overseas auditor of the Company, and appointed KPMG Huazhen LLP as the auditor of the Company for the year ended 31 December 2021 under the CASBE at the 2020 annual general meeting of the Company, who also undertook other responsibilities of overseas auditor as required by the Listing Rules. Save as disclosed above, the Company did not change auditor in the last three years. The financial statements of the Company for the year ended 31 December 2023 have been audited by KPMG Huazhen LLP.

On behalf of the Board

He Jing
Chairman

Chengdu, 14 March 2024

REPORT OF THE SUPERVISORY COMMITTEE

1 BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

The Company established the Supervisory Committee on 8 September 2011. As of the date of this report, the Supervisory Committee consisted of six members, including Ms. Deng Ruipu, Ms. Fu Ruoxue, Ms. Sun Hui, Ms. Wang Meng, Mr. Su Lijiang and Ms. Tian Wenwei, of whom Ms. Deng Ruipu was the chairlady of the Supervisory Committee, Mr. Su Lijiang and Ms. Tian Wenwei are employee representative Supervisors. The term of office of the Supervisors is 3 years.

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

2 MEETINGS OF THE SUPERVISORY COMMITTEE

In 2023, the Supervisory Committee of the Company held two meetings, and reviewed 6 proposals such as the Working Report of the Supervisory Committee of Sichuan Energy Investment Development Co., Ltd. for 2022 and the Proposal in relation to the Deliberation of the 2023 Annual Budget Report. All Supervisors attended the meetings in person or by proxy, and there was no unexcused absence. For more details, please refer to "Corporate Governance Report" in this annual report.

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

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

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

4.1 Independent Opinion on the Company's Legal Operation

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

4.2 Independent Opinion on the Company's Financial Position

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

REPORT OF THE SUPERVISORY COMMITTEE

4.3 Independent Opinion on the Company's Connected Transactions

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

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

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

5 WORK PLAN

In 2024, the Supervisory Committee will strictly comply with the relevant provisions of the Company Law, the Securities Law, the Listing Rules and the Articles of Association, continue to strengthen the implementation of supervisory functions in accordance with the requirements of the modern enterprise system, focusing on overseeing material business decisions, material asset acquisitions, foreign investment, management and utilization of the raised funds, and information disclosure, and supervise and urge the implementation of the resolutions of the general meeting and the Board of Directors to better safeguard the interests of Shareholders.

On behalf of the Supervisory Committee

Deng Ruipu

Chairlady

Chengdu, 14 March 2024

CORPORATE GOVERNANCE REPORT

The Company is fully aware of the importance of maintaining high-standard corporate governance to increase shareholders' equity and enhance the performance of the Group. The Board reviews the Company's corporate governance practices from time to time to meet the expectations of stakeholders and comply with the increasingly stringent regulatory requirements, as well as to fulfill its commitment to adhere to good corporate governance. The corporate governance principles adopted by the Company for the year ended 31 December 2023 are set out as follows.

1. CORPORATE GOVERNANCE STRUCTURE

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

2. COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company has adopted the Corporate Governance Code as its own code for corporate governance. During the period from 1 January 2023 to 31 December 2023, the Company has complied with all the applicable Corporate Governance Code provisions.

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

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the Directors and Supervisors. Upon specific enquiries, no shares of the Company were held by Directors and Supervisors and there were no violations of regulations.

4. SHAREHOLDERS

4.1 Shareholders' rights

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

a) Convene extraordinary general meeting

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

CORPORATE GOVERNANCE REPORT

b) Make enquiries to the Board

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

c) Make proposals to the general meeting

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

4.2 General meeting

During the year ended 31 December 2023, the Company convened one annual general meeting and two extraordinary general meetings as follows:

Meeting	Date	Convening Method	Number of shareholders or their proxies in attendance	Shares represented (share)	Proportion
2023 first extraordinary general meeting	6 April 2024	On-site	11	866,198,364	80.62%
2022 annual general meeting	16 June 2023	On-site	9	1,010,148,791	94.02%
2023 second extraordinary general meeting	26 July 2023	On-site	6	1,008,824,791	93.90%

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

5. THE BOARD

5.1 Composition of the Board

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

He Jing	Chairman and Executive Director (appointed on 6 April 2023)
Xiong Lin	Chairman and Executive Director (resigned on 6 April 2023)
Wang Yuanchun	Deputy Chairman, Executive Director and General Manager (Deputy Chairman and Executive Director: appointed on 19 March 2024; General Manager: appointed on 26 February 2024)
Li Hui	Deputy Chairman, Executive Director and General Manager (Deputy Chairman and Executive Director: resigned on 19 March 2024; General Manager: resigned on 26 February 2024)
Xie Peixi	Executive Director
Han Chunhong	Non-executive Director
Tao Xueqing	Non-executive Director (appointed on 6 April 2023)
Li Yu	Non-executive Director (resigned on 6 April 2023)
Lv Yan	Non-executive Director
Liang Hong	Non-executive Director
Kong Ce	Non-executive Director (appointed on 6 April 2023)
Kin Kwong Kwok Gary	Independent Non-executive Director
Li Jian	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director
He Yin	Independent Non-executive Director (appointed on 6 April 2023)

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

In compliance with Rule 3.09D of the Listing Rules which took effect on 31 December 2023, Mr. Wang Yuanchun, who was appointed as a Director on 19 March 2024, obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 4 March 2024, and he has confirmed that he understood his obligation as a director of a listed issuer under the Listing Rules.

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

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

CORPORATE GOVERNANCE REPORT

5.2 Board meetings

During the year ended 31 December 2023, the Company convened 3 general meetings and 12 Board meetings in total, at which 58 proposals were considered and approved, as well as 4 Remuneration and Evaluation Committee meetings, 5 Audit Committee meetings, 1 Nomination Committee meeting and 1 Risk Control Committee meeting.

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

Director	Number of actual attendances/number of attendances as required					
	General Meeting	Board Meeting	Remuneration and Evaluation Committee Meeting	Risk Control Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting
Xiong Lin (<i>note 1</i>)	1/1	4/4	-	-	-	1/1
He Jing (<i>note 2</i>)	2/2	8/8	-	-	-	-
Li Hui (<i>note 3</i>)	3/3	12/12	-	-	-	-
Wang Yuanchun (<i>note 4</i>)	-	-	-	-	-	-
Xie Peixi	3/3	12/12	-	-	-	-
Han Chunhong (<i>note 5</i>)	3/3	11/12	-	5/5	-	-
Li Yu (<i>note 6</i>)	1/1	1/4	-	1/1	-	-
Tao Xueqing (<i>note 7</i>)	2/2	8/8	-	-	-	-
Lv Yan	3/3	12/12	4/4	-	-	-
Liang Hong	3/3	12/12	-	-	-	-
Kong Ce (<i>note 8</i>)	2/2	8/8	-	-	-	-
Kin Kwong Kwok Gary	3/3	12/12	-	1/1	5/5	-
Li Jian	3/3	12/12	1/1	5/5	-	-
Wang Peng	3/3	12/12	4/4	-	-	1/1
He Zhen	3/3	12/12	4/4	-	-	1/1
He Yin (<i>note 9</i>)	2/2	8/8	-	-	-	-

Notes:

1. Mr. Xiong Lin resigned on 6 April 2023.
2. Mr. He Jing was appointed on 6 April 2023.
3. Mr. Li Hui resigned on 19 March 2024.
4. Mr. Wang Yuanchun was appointed on 19 March 2024.
5. Ms. Han Chunhong authorized Mr. He Jing to vote at the 24th meeting of the fourth session of the Board of Directors due to work arrangement.
6. Ms. Li Yu authorized Mr. Xiong Lin to vote at the 18th meeting of the fourth session of the Board of Directors due to work reasons, authorized Mr. Li Hui to vote at the 20th meeting of the fourth session of the Board of Directors due to work arrangement, and abstained from the 21st meeting of the fourth session of the Board of Directors. Ms. Li Yu resigned on 6 April 2023.
7. Mr. Tao Xueqing was appointed on 6 April 2023.
8. Mr. Kong Ce was appointed on 6 April 2023.
9. Ms. He Yin was appointed on 6 April 2023.

CORPORATE GOVERNANCE REPORT

5.3 Directors' continuing professional training

The Company regularly arranges seminars and training for Directors and from time to time provides Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. For the year ended 31 December 2023, all Directors, namely Mr. He Jing, Mr. Li Hui, Ms. Xie Peixi, Ms. Han Chunhong, Mr. Tao Xueqing, Ms. Lv Yan, Ms. Liang Hong, Mr. Kong Ce, Mr. Kin Kwong Kwok Gary, Prof. Li Jian, Ms. He Zhen, Mr. Wang Peng and Ms. He Yin had received special training on insider information and training on notifiable transactions of equity securities under the Listing Rules, environmental, social and governance report. Directors actively participated in training and continuing professional development, learned and updated their knowledge and skills to make correct decisions for the development of the Company.

5.4 Directors and senior management's remuneration

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

During the Reporting Period, 8 senior management team members of the Company were granted remunerations totaling RMB6,433,100 (before tax and including the Company's contribution in social insurance and housing provident funds) based on their salary payables covering the months they were in service.

The following table sets out the remuneration paid to senior management of the Company categorized by range during the year ended 31 December 2023 in this annual report:

Remuneration range <i>(RMB)</i>	Number of individuals
0-500,000	0
500,000-1,000,000	8

CORPORATE GOVERNANCE REPORT

5.5 Board and senior management

The Company's chairman and general manager are served by different persons. During the Reporting Period, Mr. Xiong Lin acted as the chairman up to 6 April 2023, and Mr. He Jing has served as the chairman since 6 April 2023, Mr. Li Hui acted as the general manager of the Company up to 26 February 2024 and Mr. Wang Yuanchun acts as the general manager of the Company since 26 February 2024. The Board and the management perform their respective functions and responsibilities with strict division of functions and powers and comply with the stipulations in the Articles of Association, Rules of Procedures for the Meetings of the Board of Directors, Rules for Work of General Manager and relevant laws and regulations.

1) Board of Directors

The Board exercises the following functions and powers:

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

CORPORATE GOVERNANCE REPORT

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

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

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

CORPORATE GOVERNANCE REPORT

2) *Senior management*

The Company has one general manager, who is responsible to and report to the Board, and five deputy general managers, one chief financial officer (chief accountant), one chief engineer, and one chief economist to assist the work of the general manager.

The general manager shall exercise the following functions and powers:

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

5.6 Special committees of the Board

5.6.1 Audit Committee

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

As at the end of the Reporting Period, the Audit Committee comprises Mr. Kin Kwong Kwok Gary (independent non-executive Director), Ms. Han Chunhong (non-executive Director) and Prof. Li Jian (independent non-executive Director), with Mr. Kin Kwong Kwok Gary serving as the chairman. During the Reporting Period, the Audit Committee held 5 meetings and considered 15 proposals. The Group’s audited annual results for the year ended 31 December 2022 and unaudited interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group for selection and appointment of the external auditors and the financial management and internal control systems of the Group.

5.6.2 Remuneration and Evaluation Committee

The remuneration and evaluation committee of the Company (the “**Remuneration and Evaluation Committee**”) is responsible for proposing to the Board on remuneration policies and structure for all Directors (including executive Directors) and senior management of the Company (factors to be considered in the remuneration policies shall include remuneration paid by comparable companies, time commitment and responsibilities and employment conditions of other positions within the Group), approving the terms of executive directors’ service contracts, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules, and establishment of formal and transparent procedures for the formulation of remuneration policies or plans. The Remuneration and Evaluation Committee has adopted the approach under the code provision E.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

As at the end of the Reporting Period, the Remuneration and Evaluation Committee comprises Mr. Wang Peng (independent non-executive Director), Ms. Lv Yan (non-executive Director) and Ms. He Zhen (independent non-executive Director), with Mr. Wang Peng serving as the chairman. During the Reporting Period, the Remuneration and Evaluation Committee convened 4 meetings, at which 7 resolutions were considered and reviewed, including the resolutions regarding the Analysis Report on the Performance Evaluation of the Management for 2021, the Amendments on the Appraisal Administrative Measures for Management Members (Trial) and the Responsibility Letter of Management Members for the 2023 Annual Targets.

5.6.3 Nomination Committee

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

As at the end of the Reporting Period, the Nomination Committee comprises Mr. He Jing (Chairman and executive Director), Ms. He Zhen (independent non-executive Director) and Mr. Wang Peng (independent non-executive Director), with Mr. He Jing serving as the chairman. During the Reporting Period, the Nomination Committee held 1 meeting and considered 2 proposals.

CORPORATE GOVERNANCE REPORT

Nomination policy

All matters relating to nomination shall be deliberated by the Nomination Committee prior to its submission to the Board of Directors for deliberation. The Nomination Committee puts forward recommendations with respect to, among others, the candidates of the Directors and senior management members and selection criteria to the Board pursuant to the provisions and requirements of the Rules of Procedure of the Nomination Committee of the Board and the Board Diversity Policy, and based on the actual situations of the Company. The Nomination Committee shall determine, by a resolution, the appointment criteria, selection procedure and term of office of the Company's Directors and senior management members. The resolution should be filed for record and submitted to the Board for approval.

5.6.4 Risk Control Committee

The risk control committee of the Company (the "**Risk Control Committee**") is responsible for formulating risk management policies, regularly evaluating risk level and management conditions, assessing the working procedure and results by the internal audit department, making proposals to improve risk management and internal control, and supervising senior management in credit, market and operation management risks. The audit department of the Company supervises the risk control procedures through the establishment of a comprehensive risk management mechanism, maintains dynamic lists through regular risk identification, assessment and summary, and improves the construction of internal control systems through periodic reviewing of the internal control system lists.

As at the end of the Reporting Period, the Risk Control Committee comprises Prof. Li Jian (independent non-executive Director), Mr. Tao Xueqing (non-executive Director) and Mr. Kin Kwong Kwok Gary (independent non-executive Director), with Prof. Li Jian serving as the chairman. During the Reporting Period, the Risk Control Committee held 1 meeting and considered 1 proposal, i.e. Risk and Internal Control Summary in 2022, and no internal control deficiency was identified.

5.7 Board diversity policy

As required under the Corporate Governance Code, the Board has adopted the board diversity policy. The Company recognizes the importance of diversity of Board members to corporate governance and the effective function of the Board.

According to the board diversity policy, the Company will consider the diversity of Board members from different perspectives when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. The nomination and appointment of members of the Board will continue to be based on the principle of meritocracy and our daily business needs with due regard to the benefits of diversity of Board members. In view of the above, the knowledge and skills of Directors are well balanced, including knowledge and experience in business management, power generation, power system, finance, investment, auditing and accounting. They have obtained various professional degrees, including business administration, engineering, economics, law and accounting. At present, the Board believes that the Board maintains an appropriate balance in terms of diversity, and the Nomination Committee has set measurable objectives (including professional experience, skills, knowledge, gender, age, cultural and educational background, race and length of service, etc.) for the implementation of the board diversity policy. The Nomination Committee will review the relevant objectives on an annual basis to ensure their appropriateness and determine the progress made in achieving such objectives.

As at 31 December 2023, the Board consists of thirteen members, including six female Directors (including one executive Director, four non-executive Directors and one independent non-executive Director). According to the board diversity policy, we will refer to international and local recommended best practices to ensure that appropriate balance is maintained in gender diversity of the Board. For the year ended 31 December 2023, female members of the Board accounted for approximately 46% of the total Board members. The Board is satisfied with the current representation of females among Board members, and will continue to review the proportion of female Board members with reference to the international and local recommended best practices. Male and female employees (including senior management members) accounted for 79% and 21% of the total employees of the Group, respectively. While the Group strives to achieve the goal of employee diversity to the maximum extent possible, with gender diversity taking into consideration in staff recruitment, there remains limitation due to the nature of the Group's business, which is to the most part physically demanding, and the industry is dominated by males. We will implement policies in recruitment to ensure gender diversity, so as to cultivate channels for female senior management and potential successors of the Board. In addition, we will implement a comprehensive plan aimed at identifying and training our female employees with leadership and potential.

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For the year ended 31 December 2023, the Nomination Committee has reviewed the diversity of the Board, and considered that the Group has achieved the measurable objectives of the diversity policy in terms of professional experience, skills, knowledge, gender, age and length of service, and ensured that balance has been achieved in the Board in terms of skills, experience and diversity relevant to the Company's business. All Board members are appointed in line with the principle of meritocracy, and candidates are selected based on various diversity factors, including but not limited to the Company's needs, gender, educational background, professional experience, skills, knowledge, length of service, age, cultural background and race, as well as the independence provisions contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (for independent non-executive Directors). The ultimate decision will be made based on the strengths of the relevant candidates and their contribution to the Board, taking into account the benefits to the diversity of Board members and the needs of the Board, and will not only focus on a single diversity aspect.

The Board has delegated the Nomination Committee to be responsible for observing the relevant code provisions in the Corporate Governance Code regarding the diversity of the Board. The Board will review the diversity policy each year to ensure its implementation and effectiveness.

Measurable objectives

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

- (i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.
- (ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.
- (iii) Gender equality: The Board comprises six female Directors.

In addition to the above objectives, in order to comply with the Listing Rules, the board diversity policy has achieved the following objectives:

- 1. at least one third of the members of the Board shall be independent non-executive Directors;
- 2. at least four of the members of the Board shall be independent non-executive Directors;
- 3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

5.8 Independence of the Board

In order to ensure that the Board can obtain independent opinions and advice, the Company has formulated different policies (including the rules of procedure of the committees of the Board and the work system of independent non-executive Directors, etc.), including (but not limited to):

- 1. Independent non-executive Directors do not participate in the daily management of the Company;
- 2. Independent non-executive Directors shall perform their duties independently and shall not be influenced by the Company's substantial shareholders, actual controllers or other units or individuals materially interested in the Company;

CORPORATE GOVERNANCE REPORT

3. Independent non-executive Directors must meet the following conditions: (a) to be qualified as Directors of the Company according to laws, administrative regulations and other relevant provisions; (b) to be independent as required, including the independence conditions stipulated in Rule 3.13 of the Listing Rules; (c) to have basic knowledge of the business of the Company and be familiar with relevant laws, administrative regulations, rules and regulations; (d) to have at least five years of legal, economic or other work experience necessary for performing the duties of independent non-executive Directors; and (e) other conditions stipulated in the Articles of Association or the Listing Rules;
4. The Audit Committee, Remuneration and Evaluation Committee, Nomination Committee and Risk Control Committee of the Board shall be provided with sufficient resources by the Company to perform their duties. If necessary, the relevant committees may engage an intermediary agency to provide professional advice for its decision-making process, at the Company's expenses.

For the year ended 31 December 2023, 5 of the 13 members of the Board were independent non-executive Directors (accounting for approximately one third of the Board). The term of office of all independent non-executive Directors is three years. Throughout the year ended 31 December 2023, the Company has always complied with the provisions of Rules 3.10 and 3.10A of the Listing Rules on appointment of at least three independent non-executive Directors (accounting for at least one third of the Board members), and at least one of them possesses appropriate professional accounting and financial management expertise as stipulated in the Listing Rules.

The Company has received an annual confirmation from each independent non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules. None of the independent non-executive Directors held any administrative or management positions in the Company, nor were they employed by any member of the Group. They each receive a fixed fee that is not linked to the Group's profit and performance. They provide independent opinions on matters related to strategy, policies, corporate performance and code of conduct. They strengthen the mix of skills, experience and diverse perspectives of Board. The Board considers that all independent non-executive Directors meet the independence guidelines as set out in Rule 3.13 of the Listing Rules.

6. SUPERVISORY COMMITTEE

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

As at the date of the report, the Supervisory Committee is comprised of six members, including Ms. Deng Ruipu, Ms. Fu Ruoxue, Ms. Wang Meng, Ms. Sun Hui, Mr. Su Lijiang and Ms. Tian Wenwei, among whom Mr. Su Lijiang and Ms. Tian Wenwei are employee representative Supervisors.

During the Reporting Period, the Supervisory Committee of the Company held 2 meetings and reviewed and approved 6 proposals including the working report of the Supervisory Committee for 2022, the financial report on the final account for 2022, and the profit distribution proposal for 2022, etc.

CORPORATE GOVERNANCE REPORT

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

Supervisors	Meetings to be attended	Meetings attended	Attendance
Deng Ruiyu	2	2	100%
Huang Yao (Note 1)	2	2	100%
Sun Hui (Note 2)	0	0	–
Wang Meng	2	2	100%
Li Jia (Note 3)	2	2	100%
Liao Jun (Note 4)	2	2	100%
Fu Ruoxue	2	2	100%
Su Lijiang (Note 5)	–	–	–
Tian Wenwei (Note 6)	–	–	–

Notes:

1. Mr. Huang Yao resigned as a Supervisor on 26 July 2023;
2. Ms. Sun Hui was appointed as a Supervisor on 26 July 2023;
3. Ms. Li Jia resigned as an employee representative Supervisor on 29 January 2024;
4. Mr. Liao Jun resigned as an employee representative Supervisor on 29 January 2024;
5. Mr. Su Lijiang was appointed as an employee representative Supervisor on 29 January 2024;
6. Ms. Tian Wenwei was appointed as an employee representative Supervisor on 29 January 2024.

7. JOINT COMPANY SECRETARIES

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

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

On 19 March 2024, Mr. Li Hui resigned as a joint company secretary of the Company, and Ms. Li Jia was appointed as the replacing joint company secretary of the Company. As Ms. Li Jia does not possess the qualifications as required under Rule 3.28 and Rule 8.17 of the Listing Rules at the time of her appointment, the Company has applied for and the Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, and the waiver is valid for a period of three years commencing from the date of Ms. Li Jia’s appointment as a joint company secretary of the Company, based on the conditions that (i) Ms. Li Jia must be assisted by Ms. Wong during the period of the waiver, and the waiver could be revoked if there are material breaches of the Listing Rules by the Company. For further details, please refer to the announcement of the Company dated 19 March 2024. Following the appointment of Ms. Li Jia as the joint company secretary of the Company, Ms. Li Jia became the main contact of Ms. Wong in the Company.

CORPORATE GOVERNANCE REPORT

8. INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes that it is responsible for the Company's risk management and internal control system and reviews its effectiveness. Risk management and internal control measures are aimed at managing, rather than eliminating, the risk of failing to achieve business objectives, and can only provide reasonable but not absolute guarantee against major misstatements or losses.

The Board is responsible for establishing and maintaining a sound internal control and risk management system, and reviews its effectiveness on an annual basis. The Audit Committee is mainly responsible for inspecting, reviewing and supervising the Company's financial information and its reporting procedures, and the communication, supervision and verification of internal and external audits, as well as connected transaction control and daily management; the risk control committee is mainly responsible for the control, management, supervision and evaluation of the Company's risks. The Company also established an independent audit department to review the development and implementation of internal control and risk management systems. The audit department will conduct special audits on the weak link of the internal controls every year, sort out the internal control defects, and make recommendations for rectification, and continuously improve the internal control system through internal and external supervision and inspection to control the risks at a reasonable level.

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

The Company has established procedures for identifying, handling and disseminating inside information in compliance with the SFO (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information disclosure policy, pre-clearance on dealing in Company's securities by Directors, notification of regular blackout period and securities dealing restrictions to relevant Directors and employees have been implemented by the Company to guard against possible mishandling of inside information within the Group

9. AUDITORS' REMUNERATION

During the year ended 31 December 2023, the audit service fee paid to the Company's auditors was approximately RMB1.75 million. During the year ended 31 December 2023, the auditors did not provide significant non-audit services to the Company.

10. INFORMATION DISCLOSURES

The Company has established procedures and internal controls for dealing with internal information disclosure, so as to standardize the Company's information disclosure behavior, ensure the fairness and integrity of information disclosure and protect the legitimate rights and interests of the Shareholders. According to the requirements of the Listing Rules, the information subject to disclosure by the Company for the year ended 31 December 2023 was published on the website of the Stock Exchange in a timely and effective manner.

CORPORATE GOVERNANCE REPORT

11. DIRECTORS' RESPONSIBILITY REGARDING PREPARATION OF FINANCIAL REPORT

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

The Directors take responsibility for supervising the preparation of financial reports. In the preparation of the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies and made prudent and reasonable judgments and estimates to give a true and fair view of the financial position and performance of the Company during the Reporting Period.

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

12. ARTICLES OF ASSOCIATION AND AMENDMENTS

On 6 April 2023, the Company convened the 2023 first extraordinary general meeting, at which the revised Articles of Association was considered and adopted with effect from 6 April 2023. For further details, please refer to the circular of the Company dated 17 March 2023 and the announcement of poll results of the Company dated 6 April 2023.

13. INVESTOR RELATIONS

The Company attaches great importance to investor relations activities. The Board and the management believe that investor relations can enhance mutual understanding between investors and the Company and enhance corporate governance, transparency and credibility. Since its listing, the Company has been focusing on providing accurate and timely information to investors, maintaining adequate communication with investors and continuously improving investor relations. We also believe that reporting to shareholders and establishing good investor relations are crucial. The Company actively establishes different communication channels with investors to keep them informed of the latest business developments and financial performance, including annual general meetings, publication of annual reports, announcements and circulars on the websites of the Stock Exchange and the Company, so as to maintain a high degree of transparency.

The annual general meeting of the Company provides opportunities for direct communication between Shareholders and Directors. The chairman of the Company and the chairmen of the committees of the Board will attend annual general meetings to answer questions from Shareholders. The Company's external auditors will also attend annual general meetings and answer questions on audit, preparation and content of auditors' report, accounting policies and independence of the auditors. The Company held an annual general meeting on 16 June 2023 for the financial year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

In addition, the Company highly appreciates the feedback of investors and ensures that their opinions can reach the management through answering calls from investors.

In order to promote effective communication, the Company has adopted a Shareholder communication policy, aiming at establishing relationship and communication channel between the Company and its Shareholders, and has set up a website (<http://www.scntgf.com>), and the Company will make the latest data related to its business operation and development, financial data, corporate governance practices and other materials available to the public on the aforesaid website and the website of the Stock Exchange (www.hkexnews.hk). The Company also maintains investor inquiry channels. Shareholders who wish to make inquiries about the Company to the Board may resort to the following channels, and the Company will respond to relevant inquiries in an appropriate way and in a timely manner:

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

Telephone number: +86 (28) 86299666

Fax: +86 (28) 86299666

E-mail: db@scntgf.com

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

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

For the year ended 31 December 2023, the Board reviewed and confirmed the implementation and effectiveness of the communication policy, taking into account that the Company has established communication channels to provide Shareholders and investors with timely information on the latest development of the Group.

14. OUR CULTURE

The Company has been committed to the guiding role of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly studies Xi Jinping's Thought on Culture, guided cultural construction by Party building, and integrates corporate culture into the whole process of management, ideological and political and spiritual civilization construction. The Company has been dedicated to the philosophy of "green and low carbon, science and technology empowerment", comprehensively strengthened the systematic construction of corporate culture, enhanced the corporate brand value by reinforcing publicity and guidance, selecting models and building strong cultural fronts, and successfully established a demonstration site of "four focuses and high quality development" grassroots ideological and political work for state-owned enterprises in the Party Committee system of Sichuan State-owned Assets Supervision and Administration Commission. It won the national "AAA Creditable Enterprise in Enterprise Credit Evaluation" and "Enterprise with Integrity" in Sichuan Province. The Company fully tapped the role of Party members and the masses, actively organized and carried out various and vivid corporate culture activities, and the Company's staff library was awarded the title of "National trade Union Staff Library Demonstration Site", which further enhanced the sense of identity and belonging of management members and employees, created a sound atmosphere of joint efforts and passion to win, and provided strong cultural support and ideological guarantee for promoting the Company's high-quality development and corporate vision of "building a first-class modern comprehensive energy service provider".

Details of the Group's mission, vision and values, as well as related initiatives, can be found on the Company's website (in the "News Center" column) and the 2023 Environmental, Social and Governance Report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS

Name	Age	Position
He Jing	47	Executive Director, Chairman, Chairman of the Nomination Committee
Wang Yuanchun	48	Executive Director, Deputy Chairman
Xie Peixi	42	Executive Director, Chairwoman of the Labor Union
Han Chunhong	46	Non-executive Director, Member of the Audit Committee
Tao Xueqing	35	Non-executive Director, Member of the Risk Control Committee
Lv Yan	44	Non-executive Director, Member of the Remuneration and Evaluation Committee
Liang Hong	54	Non-executive Director
Kong Ce	42	Non-executive Director
Kin Kwong Kwok Gary	47	Independent Non-executive Director, Chairman of the Audit Committee, Member of the Risk Control Committee
Li Jian	39	Independent Non-executive Director, Chairman of the Risk Control Committee, Member of the Audit Committee
He Zhen	48	Independent Non-executive Director, Member of the Nomination Committee, Member of the Remuneration and Evaluation Committee
Wang Peng	50	Independent Non-executive Director, Chairman of the Remuneration and Evaluation Committee, Member of the Nomination Committee
He Yin	48	Independent Non-executive Director

SUPERVISORS

Name	Age	Position
Deng Ruiyu	40	Chairlady of the Supervisory Committee
Wang Meng	41	Supervisor
Sun Hui	29	Supervisor
Fu Ruoxue	50	Supervisor
Su Lijiang	42	Employee representative Supervisor
Tian Wenwei	31	Employee representative Supervisor

SENIOR MANAGEMENT

Name	Age	Position
Wang Yuanchun	48	General Manager
Ding Daijun	55	Deputy General Manager
You Xiao	54	Deputy General Manager
Chen Hanguang	43	Deputy General Manager
Li Bi	44	Chief Accountant
Wang Xu	55	Chief Engineer
Peng Wanzhang	50	Chief Economist

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. MEMBERS OF THE BOARD OF DIRECTORS

Mr. He Jing, aged 47, currently serves as the chairman of the Board, an executive Director and chairman of the nomination committee of the Company. Mr. He Jing is a political analyst (政工師) with a bachelor's degree in law from Southwest University of Political Science & Law and a master degree from Southwest Petroleum University. Mr. He has been the Secretary of the Party's Committee of the Company since February 2023. Before joining the Company, Mr. He served as clerk and assistant judge in Mianyang Intermediate People's Court (綿陽市中級人民法院) from August 1998 to July 2002. From July 2002 to June 2012, he worked in several positions in the General Office of the Communist Party Committee of Sichuan Province (中共四川省委辦公廳), including deputy chief of the inspection office, chief of the inspection office and secretary of the Communist Youth League under the institution. From June 2012 to July 2012, he served as a member of the gas preparatory team of Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司). From July 2012 to January 2021, he worked in several positions in Sichuan Natural Gas Investment Co., Ltd.* (四川省天然氣投資有限責任公司), including director, head of administration department, employee director, member of the Party's Committee, president of union, chairman and legal representative. From July 2013 to December 2013, he also served as the director, general manager and legal representative of Sichuan Natural Gas Mianyang Gas Co., Ltd.* (四川省天然氣綿陽燃氣有限責任公司). From November 2013 to February 2021, he served as the chairman of Sichuan Hongran Green Energy Co., Ltd.* (四川省虹然綠色能源有限責任公司). From October 2014 to February 2021, he also served as the director of Sichuan Natural Gas Jiangyou Gas Co., Ltd.* (四川省天然氣江油燃氣有限責任公司). From April 2016 to February 2021, he also served as the chairman of Sichuan Natural Gas Fuhui Gas Co., Ltd.* (四川省天然氣富匯燃氣有限責任公司). Since November 2018, he has also served as a supervisor in HSIIG Limited (香港天冉國際集團有限公司). From November 2020 to February 2023, he served as Secretary of the Party's Committee, chairman, legal representative and preparatory team leader in Sichuan Natural Gas Investment Group Co., Ltd. (四川省天然氣投資集團有限責任公司). Mr. He has been serving as Secretary of the Party's Committee of the Company since February 2023 and a director of Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司).

Mr. Wang Yuanchun, aged 48, is currently an executive director, vice chairman, general manager and deputy secretary of the Party Committee of the Group. Mr. Wang is an engineer with a bachelor degree of administrative management from China Central Radio & TV University* (中央廣播電視大學). He obtained the first-level/senior technician professional qualification certificate issued by the Ministry of Human Resources and Social Security of China in October 2014. Before joining the Group, he worked at Yibin County Gaosheng Hydropower Management Station* (宜賓縣高升水電管理站) from June 1991 to March 1999, and he served as the head of station in Yibin County Kongtan Comprehensive Management Station* (宜賓縣孔灘綜合管理站), the leader and the squad leader of Gaosheng marketing group in Yibin Changyuan Electric Power Company Baihua Power Supply Station* (宜賓長源電力公司白花供電所), the deputy head and the chairman of the trade union in Sichuan Changyuan Electric Power Co., Ltd. Lichang Power Supply Station* (四川長源電力股份公司李場供電所), the deputy head in Sichuan Hydropower Investment & Management Group Yibin Changyuan Electric Power Company Baihua Power Supply Station* (四川省水電投資經營集團宜賓長源電力公司白花供電所) from March 1999 to August 2001, August 2001 to March 2004, March 2004 to February 2006 and February 2006 to June 2011, respectively, and the deputy general manager in Sichuan Hydropower Group Meigu Electric Power Co., Ltd.* (四川省水電集團美姑電力有限公司), an executive director in Meigu Jinhe Development Co., Ltd.* (美姑金禾開發有限公司) from June 2010 to June 2012 and June 2012 to November 2013, respectively. Wang joined the Group in November 2013 and served as deputy general manager, party secretary, executive director and general manager of Sichuan Energy Investment Junlian Electric Power Co., Ltd.* (四川能投筠連電力有限公司) from November 2013 to September 2014, September 2014 to September 2021 and September 2014 to June 2017 respectively. Mr. Wang also served as the secretary of the Party Committee and an executive director of Sichuan Energy Investment Yibin Electric Power Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司) from September 2017 to January 2020, the deputy general manager of the Company from June 2016 to December 2023, and a member of the Party Committee of the Company from July 2016 to December 2023.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Xie Peixi, aged 42, is currently an executive Director, the vice secretary of party committee and the Chairwoman of labor union of the Group and joined the Group in January 2019. Ms. Xie is a political analyst (政工師) with a bachelor degree of law from Chengdu University of Information Technology* (成都信息工程學院). Before joining the Group, she once worked in Dazhou Urban Planning and Construction Management Supervisory Branch* (達州市城市規劃建設管理監察支隊) from December 1999 to April 2000. Ms. Xie successively served as the director of Dazhou Women's Association in Joint Law Enforcement Branch for Urban Management* (達州市城市管理聯合執法支隊婦女會) from May 2004 to July 2007, the secretary of communist youth league, vice chairwoman of labor union, and the director of female worker committee and the director of labor union office in Sichuan Province Hydropower Investment and Management Group Co., Ltd. from April 2008 to March 2019, May 2015 to March 2019 and December 2015 to March 2017, respectively, a director of staff and the chairwoman of labor union in Sichuan Energy Investment Power Sale Co., Ltd.* (四川能投售電有限責任公司) from November 2016 to January 2019.

Ms. Han Chunhong, aged 46, is currently a non-executive Director and a member of the Audit Committee and joined the Group in March 2018. Ms. Han is a senior economist with a master degree of technical economy and management from Northeast Electric Power University* (東北電力大學). Ms. Han is currently the general manager of capital operation department in China Power International Development Limited* (中國電力國際發展有限公司) ("China Power", stock code: 2380.HK). She served as a manager and a senior manager of capital operation department in China Power from May 2003 to June 2015, the deputy manager and the general manager of investor relations department in China Power International New Energy Holding Ltd.* (中電國際新能源控股有限公司) from June 2015 to December 2017, the deputy general manager of capital operation department in China Power from December 2017 to May 2021, acting as the general manager, the director of capital operation department in China Power since May 2021, acting as the general manager, and was appointed as the general manager of capital operation department in April 2022. She has been serving as the director and general manager of the capital operation department of China Power since September 2023.

Mr. Tao Xueqing, aged 35, currently serves as a non-executive Director and member of the risk control committee of the Company, and joined the Group in April 2023. He obtained a master's degree from Central University of Finance and Economics majoring in technical economics and management. From July 2012 to June 2015, he served as a trainee and an investment operations associate in Beijing Changdian Innovation Investment Management Co., Ltd.* (北京長電創新投資管理有限公司). Mr. Tao has been working in several positions in Three Gorges Capital Holding Co., Ltd. (三峽資本控股有限責任公司) since June 2015, including investment manager in the research consulting department from June 2015 to October 2018; investment manager and senior investment manager in the investment management department from October 2018 to June 2022. Mr. Tao was seconded to the corporate management department of China Three Gorges Corporation (中國長江三峽集團公司) and the integrated coordination team of the office of the State Council's State-owned Enterprise Reform Leading Group (國務院國有企業改革領導小組辦公室) from September 2016 to March 2017 and from March 2021 to January 2022, respectively. Mr. Tao has been serving as the vice president of the investment management department of Three Gorges Capital Holding Co., Ltd. since June 2022.

Ms. Lv Yan, aged 44, is currently a non-executive Director and member of the Remuneration and Evaluation Committee. She joined the Group in August 2021. Ms. Lv Yan graduated from Southwest University of Science and Technology* (西南科技大學), majoring in law with a bachelor's degree in July 2004, and graduated from the Party School of Sichuan Provincial Committee of the Communist Party of China CPC majoring in economic management with on-the-job postgraduate education in June 2023. Ms. Lv is currently the chairwoman of the board of Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司). Ms. Lv held two positions in the Environmental Protection Bureau of the Gao County* (高縣環境保護局) from December 2004 to January 2015. From January 2015 to June 2016, she served as deputy director of the legal affairs office at county government level (縣政府法制辦公室). From July 2016 to September 2017, she was a deputy mayor of the Jiale town. Between September 2017 and March 2019, she served as the deputy director of legal affairs office at Gao County People's Government* (高縣人民政府法制辦). From March 2019 to August 2020 she served as the deputy director of Gao County Judicial Bureau* (高縣司法局). From August 2020 to April 2021, she served as the director of the Economic Development and Security Bureau at Gao County Economic Development Zone Management Committee* (高縣經開區管理委員會經濟發展保障局). From April 2021 to November 2022, she served as the general manager of Gao County Development and Investment Group Company Limited. Since November 2022, Ms. Lv has been the chairwoman of the board of Gao County State-owned Assets Operation and Management Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Liang Hong, aged 54, is currently a non-executive Director. She joined the Group in August 2021. Ms. Liang graduated from the Sichuan Province People's Party University* (四川省委黨校) with a bachelor's degree in economic management. Ms. Liang is currently a member of the party's committee and deputy general manager of Yibin Development Holding Group Limited* (宜賓發展控股集團有限公司). Before joining the Group, she has worked in the tax bureau from December 1987 to June 1991, and in the finance bureau of Yibin City from June 1991 to March 2003. From March 2003 to March 2021, she worked in various positions in State Asset Management Company of Yibin* (宜賓市國有資產經營管理有限責任公司) (now renamed Yibin Development Holding Group Co., Ltd. (宜賓發展控股集團有限公司)), with the latest position being a member of the party's committee and deputy general manager of the company. Ms. Liang served as executive director and general manager (legal representative) of Chengdu Wuliangye Grand Hotel* (成都五糧液大酒店) from May 2015 to April 2017; she served as the vice chairman of Yibin Inspur Technology Co., Ltd.* (宜賓浪潮科技有限公司) from September 2019 to present; she served as the executive director, general manager and legal representative of Yibin State-owned Enterprise Service Management Co., Ltd.* (宜賓國企服務管理有限公司) from August 2023 to December 2023; and she served as the secretary of the Party Committee and chairman of Yibin Qingyuan Waterworks Group Co. Ltd.* (宜賓市清源水務集團有限公司) from August 2018 to January 2020.

Mr. Kong Ce, aged 42, currently serves as a non-executive Director, and joined the Group in April 2023. He obtained a master's degree from University of Electronic Science and Technology of China majoring in software engineering. Mr. Kong served as a staff officer in the People's Liberation Army (中國人民解放軍) in 1997 and was awarded the rank of captain in 2008. Mr. Kong has been serving as the administration and public affairs director of Tianqi Lithium Corporation (a company listed on the Stock Exchange, stock code: 9696, and on the Shenzhen Stock Exchange, stock code: SZ002466) since August 2021. Before joining Tianqi Lithium Corporation, Mr. Kong served as a captain staff officer in Unit 78051 (78501部隊) from August 2002 to November 2012. From November 2012 to February 2018, Mr. Kong was a first-level principal staff member in the Sichuan Development and Reform Commission (四川省發展和改革委員會), and served as a deputy director of the major project office from February 2018 to October 2018. From November 2018 to August 2021, he served as the assistant to the general manager of Sichuan Development in Hengneng Environmental Technology Co., Ltd. (四川發展中恒能環境科技技術有限公司).

Mr. Kin Kwong Kwok Gary, aged 47, is currently an independent non-executive Director, the chairman of the Audit Committee and a member of the Risk Control Committee and joined the Group in May 2017. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants with a bachelor degree of professional accountancy from business school of the Chinese University of Hong Kong. Mr. Kwok is chief financial officer of Changyou Alliance Group Limited. (Stock Code: 1039) from January 2020 to November 2020, and was chief financial officer of YinYi Holdings (Hong Kong) Limited, from September 2018 to January 2020. From May 2019 to January 2020, he was the joint company secretary of Dafa Properties Group Limited (Stock Code: 6111). Mr. Kwok served as an independent non-executive director and chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee of Global Uin Intelligence Holdings Limited (formerly known as Global Dining Holdings Limited and Singapore Food Holdings Limited) (stock code: 8496) from May 2020 to December 2022, the chief financial officer of a Hong Kong-based apparel company from December 2020 to November 2021 and the independent non-executive director and chairman of the audit committee of Ronshine Service Holding Co., Ltd (stock code: 2207) since July 2021.

Prof. Li Jian, aged 39, is currently an independent non-executive Director, chairman of the Risk Control Committee and member of the Audit Committee. He joined the Group in August 2021. Prof. Li Jian holds a PhD in detection technology and automation devices from the University of Electronic Science and Technology* (電子科技大學) in China. Prof. Li Jian is currently a professor at the School of Mechanical and Electrical Engineering of the University of Electronic Science and Technology. Before joining the Group, he was an associate professor in the School of Energy Science and Engineering of the University of Electronic Science and Technology from 2014 to 2017, a candidate-to-be of the Sichuan Province Academic and Technical Leaders, a member of the 13th Five-Year Plan of Sichuan Province in the field of new energy, a senior member of the Institute of Electrical and Electronics Engineers (IEEE), and a guest editor of the Institution of Engineering and Technology (IET). In December 2023, he served as the deputy director of Key Laboratory of Low-carbon Smart Power Energy System in Sichuan Province.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. He Zhen, aged 48, is currently an independent non-executive Director, a member of the Nomination Committee and a member of the Remuneration and Evaluation Committee and joined the Group in March 2018. Ms. He was a professor in Southwest Minzu University* (西南民族大學) with a doctor degree of civil and commercial law from Southwestern University of Finance and Economics* (西南財經大學). Ms. He has been a teacher, the director of constitution and administrative law teaching and research section and a master tutor in Southwest Minzu University Law School since July 2003, a part-time lawyer in Sichuan Sunshare Law Firm* (四川泰常律師事務所) since November 2013. Ms. He also served as an independent non-executive director of Sunjuice Holdings Co. Ltd.* (鮮活控股股份有限公司) (stock code: 1256.TW) from April 2017 to January 2022, an independent non-executive director of Sichuan Jinshi Leasing Co., Ltd.* (四川金石租賃股份有限公司) from December 2017 to March 2018, an independent non-executive director of Chengdu Dahongli Machinery Co., Ltd.* (成都大宏立機器股份有限公司) from December 2017 to December 2023, an independent non-executive director of Qianhe Condiment and Food Co., Ltd (stock code: 603027.SH) since 30 November 2020 and an independent non-executive director of Sichuan Languang Development Co., Ltd.* (四川藍光發展股份有限公司) (stock code: 600466.SH) from May 2021 to September 2023. Before joining the Group, she served as a teaching staff in Chongqing Jianshe No.2 Middle School* (重慶建設二中) from July 1998 to September 2000 and has been a teaching staff in Southwest Minzu University* (西南民族大學) since July 2003. Ms. He was appointed as an independent director of Sichuan Xichang Electric Power Co., Ltd* (四川西昌電力股份有限公司) (stock code: 600505.SH) since May 2022, and a supervisor of Leshan City Commercial Bank Co., Ltd* (樂山市商業銀行股份有限公司) in June 2022.

Mr. Wang Peng, aged 50, is currently an independent non-executive Director, the chairman of the Remuneration and Evaluation committee and a member of the nomination committee and joined the Group in May 2017. Mr. Wang is a professor in North China Electric Power University* (華北電力大學) with a doctor degree of power system and its automation from North China Electric Power University* (華北電力大學). Mr. Wang is currently a professor in North China Electric Power University and an independent non-executive director of OneForce Holdings Limited (a listed issuer on the Stock Exchange, stock code: 1933.HK). Before joining the Group, he served as a teaching staff in North China Electric Power University* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC* (國家能源局華北監管局)) from May 2005 to May 2015.

Ms. He Yin, aged 48, currently serves as an independent non-executive Director, and joined the Group in April 2023. She graduated from the School of Economics, Peking University in July 1998 and obtained a bachelor's degree in economics. Subsequently, she obtained a master's degree and a doctoral degree from University of Colorado Boulder majoring in economics in 2000 and 2004, respectively. Ms. He has been working in several positions in the School of International Trade and Economics, University of International Business and Economics since September 2009, including assistant professor from September 2009 to April 2011; associate professor from April 2011 to December 2017. Ms. He has been serving as a professor in the School of International Trade and Economics, University of International Business and Economics since December 2017. Before joining the University of International Business and Economics, Ms. He served as a research assistant, from August 1998 to August 2001 and from August 2003 to August 2004; a teaching assistant from August 2000 to August 2001; a graduate part-time instructor from August 2001 to August 2003; and a visiting scholar from January 2008 to February 2009 in the School of Economics, University of Colorado. From October 2003 to February 2004, she served as an assistant analyst in Jack Anthony Group, Inc. From February 2005 to February 2006, she served as a project consultancy researcher in the World Bank. From August 2004 to April 2008, she served as an assistant professor in the National School of Development, Peking University (北京大學國家發展研究院) (previously known as the China Centre for Economic Research, Peking University (北京大學中國經濟研究中心)). From May 2005 to December 2008, she was a researcher of the National Economic Research Institute, China Reform Foundation (中國經濟改革研究基金會國民經濟研究所). From March 2009 to September 2009, she served as an economist in Beijing Finance & Economics Magazine Agency Co., Ltd. (北京《財經》雜誌有限公司). Ms. He served as an independent director of Baoying Fund Management Co., Ltd. and the director of its risk control committee since May 2023.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. MEMBERS OF THE SUPERVISORY COMMITTEE

Ms. Deng Ruiipu, aged 40, obtained a bachelor's degree majoring in international economic and trade from Hohai University in June 2005. She further obtained a master's degree in economics majoring in national economics from Hohai University in March 2008. China Three Gorges Corporation* (中國長江三峽集團有限公司) granted the qualification of senior economist to her in December 2014. Ms. Deng worked at the research and development department of Three Gorges Finance Co., Ltd. (三峽財務有限責任公司) between May 2008 and October 2009, and subsequently worked at the equity investment management department of the same company between November 2009 and June 2015 (during which she was also acting as a member of the league branch organization (團支部組織委員) of the company between July 2011 and May 2012, and as a member of the league committee (團委委員) of the company between May 2012 and June 2015). Ms. Deng then worked at the equity interest management department of Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司) between June 2015 and March 2016. Since March 2016, Ms. Deng has worked at the investment management department of the same company, and was promoted to senior investment manager in December 2016, and as the chief investment officer since April 2019. Ms. Deng has served as the deputy general manager of the investment management department since June 2022, and has served as the deputy general manager of the investment management department and presided over the work since April 2023.

Ms. Wang Meng, aged 41, is currently a Supervisor of the Company primarily responsible for monitoring and supervising the operational and financial activities of the Company. She graduated from The National Police University for Criminal Justice in the PRC, majoring in law in July 2002. Ms. Wang served as a police officer at the Xingwen County Public Security Bureau between January 2003 and June 2007. Subsequently she worked as an office clerk at Xingwen County Shunda Blasting Engineering Co., Ltd.* (興文縣順達爆破工程有限責任公司) between September 2009 and October 2012, and as the office manager at Sichuan Province Xingwen County Guangming Coal Mine* (四川省興文縣光明煤礦) between October 2012 and June 2016. Since December 2016, she has worked in the finance department of Xingwen County Development Investment Group Co., Ltd.* (興文縣發展投資集團有限責任公司).

Ms. Sun Hui, aged 29, is currently a Supervisor of the Company and is mainly responsible for overseeing and supervising the operations and financial activities of the Company. Ms. Sun graduated from Bazhong Vocational and Technical College in June 2016 with tertiary education qualification majoring in accounting and auditing. Ms. Sun was an office clerk for the Junlian County People's Government (筠連鎮人民政府) between January 2017 and January 2020. Ms. Sun then worked as the office clerk for Julian County Bureau of Economy and Information Technology and Science Technology* (筠連縣經濟商務信息化和科學技術局) between February 2020 and April 2020. Ms. Sun then worked under the general management department of Junlian County State-owned Capital Investment Operation Co., Ltd.* (筠連縣國有資本投資運營有限責任公司) between May 2020 and January 2022. Ms. Sun subsequently joined the Party-masses and human resource department of Julian Development Holding Group Limited* (筠連發展控股集團有限公司) in February 2022 and served as the deputy director of the same department.

Ms. Fu Ruoxue, aged 50, is currently a Supervisor of the Company. Ms. Fu is a senior accountant with a part-time bachelor degree jointly granted by Southwestern University of Finance and Economics* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee* (四川省高等教育自學考試委員會). Ms. Fu is currently a specialized supervisor in Sichuan Development Holding Co., Ltd.* (四川發展(控股)有限責任公司). Before joining the Group, she served as the head of the audit department in Sichuan Energy Investment Liangli Logistics Development Limited* (四川能投量力物流發展有限公司) from October 2013 to March 2016, a supervisor of the fourth supervisory committee, a member of discipline committee in Sichuan Chemical Company Ltd.* (川化股份有限公司) and a member of budget review committee of the labour union of Sichuan Chemical Company Ltd. from October 2008 to May 2012 and December 2008 to October 2013 respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Su Lijiang, aged 42, joined the Company in December 2023 and is currently an employee Supervisor of the Company. He graduated from the Central Radio and TV University (中央廣播電視大學) (now known as the Open University of China (國家開放大學)) with a diploma degree in administrative management in July 2006; and the China West Normal University (西華師範大學) in the PRC with a bachelor's degree majoring in law in June 2007. Mr. Su is currently the head of the Discipline Inspection and Supervision Department and the office director of the Discipline Inspection Committee of Sichuan Energy Investment Development Co., Ltd.. Prior to joining the Group, Mr. Su worked at Yibin Housing Provident Fund Center (宜賓市住房公積金中心) between December 2007 and August 2012. Between August 2012 and April 2015, Mr. Su served in Gaochang Town, Yibin City (宜賓市高場鎮) where his last held positions were the party committee member, deputy mayor and the military chief. Between April 2015 and November 2015, Mr. Su served in various positions in Gubai Town (古柏鎮, previously known as Bubai Xiang (古柏鄉)), Yibin City, including the Chairman of the People's Congress of Gubai Town, the deputy secretary of Party Committee, the secretary of the Discipline Inspection Committee, the Chairman of the Trade Union, and the first secretary of the Hongmiao Poverty-stricken Village. Subsequently between November 2015 and February 2017, Mr. Su served in the Yibin Food and Drug Administration (宜賓市食品藥品監督管理局), where he served as the chief of Integrated Coordination Section. Between February 2017 and June 2017, Mr. Su served as the office director of Yibin Municipal Bureau of Investment Promotion (宜賓市投資促進局). Afterwards, between June 2017 and April 2019, Mr. Su served as the office director and the secretary of the Second Party Branch of Yibin Municipal Bureau of Investment Promotion and Foreign Affairs and Overseas Chinese Affairs (宜賓市投資促進和外事僑務局). Between April 2019 and January 2022, Mr. Su served as a number of positions in Yibin Municipal Bureau of Economic Cooperation and Foreign Affairs (宜賓市經濟合作和外事局), including office director, the secretary of the Second Party Branch of the Bureau, the full-time deputy secretary of the Party Committee of the Bureau, and his last held positions were the chief of the Integrated Projects Section and a chief clerk, Class I. Subsequently, between January 2022 and October 2022, Mr. Su served as the head of the High-end Equipment Manufacturing Section (Rail Transit Industry Section) and the first-class chief clerk of Yibin Municipal Bureau of Economic Cooperation and Emerging Industries (宜賓市經濟合作和新興產業局). Between October 2022 and November 2023, Mr. Su served as the head of the Equipment Manufacturing Industry Section (Municipal Radio Management Office) and the first-class chief clerk of Yibin Municipal Bureau of Economy and Information Technology (宜賓市經濟和信息化局).

Ms. Tian Wenwei (田文薇), aged 31, joined the Company in April 2016 and is currently an employee Supervisor of the Company. She obtained a bachelor's degree in accounting from the Southwest Petroleum University (西南石油大學) in the PRC in June 2014, and obtained a master degree in international business administration from the University of Electronic Science and Technology of China (電子科技大學) in March 2021. Ms. Tian is currently the Secretary of the Youth League Committee of Sichuan Energy Investment Development Co., Ltd.. Ms. Tian served as the member of the Organizing Committee of the Youth League Branch of the Company between June 2018 and May 2021; She served in the M&A working group of the Company between February 2019 and June 2019; and she served as the deputy secretary of the Youth League Committee and the secretary of the Youth League Branch of the Company between June 2021 and June 2023. Prior to joining the Group, Ms. Tian served in the financial assets department of Sichuan Energy Investment Development Group Co., Ltd* (四川能投電力開發集團有限公司) between August 2014 and March 2016.

III. MEMBERS OF SENIOR MANAGEMENT

Mr. Wang Yuanchun, aged 48, joined the Group in November 2013 and is currently an executive Director, the deputy chairman, the general manager and the deputy secretary of the Party Committee of the Group. For details of biography of Mr. Wang Yuanchun, please see the section headed "I. Members of the Board of Directors".

Mr. Ding Daijun, aged 55, is currently deputy general manager of the Group and joined the Group in October 2011. Mr. Ding is an assistant engineer with a bachelor's degree in chemical equipment and machinery from Sichuan University of Science & Engineering* (四川輕化工學院). Before joining the Group, he served as a deputy manager and the deputy secretary of party branch in Junlian Power Supply Co., Ltd.* (筠連供電有限責任公司) from June 2000 to September 2007, and the general manager in Hydropower Group Junlian Electric Power Company* (水電集團筠連電力公司) from September 2007 to January 2013, and the general manager in Energy Investment Junlian Company* (能投筠連公司) from January 2013 to July 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. You Xiao, aged 54, is currently a deputy general manager of the Group and joined the Group in May 2019. Mr. You is an economist with a bachelor degree of finance from China Central Radio & TV University* (中央廣播電視大學). He has served as the deputy general manager of the Company since May 2019. Before joining the Group, he served as the director of Xinhua Savings Office in Shudu Branch of Bank of China, the director of Luoma Savings Office in Chengdu Branch of Bank of China, the director of Ximapeng Sub-office in Chengdu Qingyang Sub-branch of Bank of China, the director of Chengbei Sub-office, the director of business development department of Bank of China, the director of business division in Jinniu Branch of Bank of China, the governor of High-tech Industrial Development Zone Sub-branch, the director of Industrial and Trade Section in Business Division of Sichuan Branch of Bank of China from February 1990 to October 1991, October 1991 to March 1993, April 1994 to October 1994, October 1994 to April 2001, April 2001 to December 2001, December 2001 to August 2002, August 2002 to May 2003 and May 2003 to June 2005. A deputy director of business division, a deputy senior manager of business department in Bank of Communications, Chengdu Branch, a deputy senior manager of Business Development Department (in charge of affairs) and a senior manager of Key Account Department in Bank of Communications, Sichuan Branch, from July 2005 to January 2006, January 2006 to April 2009, April 2009 to May 2010, and May 2010 to November 2011. A deputy general manager, an executive deputy general manager, a director, the secretary of party branch, the general manager of Chengdu Small Enterprises Credit Guarantee Co., Ltd.* (成都小企業融資擔保有限責任公司) from December 2011 to July 2014, July 2014 to September 2014, September 2014 to November 2014, November 2014 to January 2015 and January 2015 to May 2017. The general manager, the secretary of party branch and an executive director of Western Asset Management (Shenzhen) Co., Ltd.* (西部資產管理(深圳)有限公司) from August 2017 to December 2017, December 2017 to March 2018, and March 2018 to May 2019, respectively.

Mr. Chen Hanguang, aged 43, is currently a deputy general manager of the Group and joined the Group in January 2021. Mr. Chen has a bachelor's degree in Business Administration from Central Television University in China. He has successively served as deputy branch secretary of the party committee, deputy manager of the human resources department, branch secretary of the party committee, manager of the human resources department, manager of the general department and secretary of the board of directors, and assistant to the general manager of Sichuan CPI Fuxi Power Company Limited* (四川中電福溪電力開發有限公司) from July 2013 to November 2014, from November 2014 to June 2015, from June 2015 to December 2017, from December 2017 to July 2018, from July 2018 to June 2020 and from June 2020 to January 2021.

Ms. Li Bi, aged 44, is currently the chief accountant of the Group and joined the Group in October 2011. Ms. Li is a senior accountant with a bachelor degree of management majoring in accounting from Southwestern University of Finance and Economics* (西南財經大學). Ms. Li is currently the chief accountant and a director of Sichuan Energy Investment Electricity Energy Co., Ltd.* (四川能投電能有限公司). She served as a project manager of the audit department in ShineWing Certified Public Accountants (LLP) Chengdu Branch* (信永中和會計師事務所(特殊普通合夥)成都分所) from July 2009 to July 2010, a temporary principal and the deputy head of the financial and assets department in the Company from October 2011 to December 2012 and December 2012 to August 2013, respectively and the chief accountant of Sichuan Energy Investment Electricity Energy Co., Ltd. from August 2017 to September 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Xu, aged 55, is currently the chief engineer of the Group and joined the Group in May 2013. Mr. Wang is a senior engineer with a bachelor degree of electric power system and automation from University of Science and Technology of Chengdu* (成都科技大學). He has served as the chief engineer of the Company since June 2019. Before joining the Group, he served as the director of the distribution center in Yibin Electric Power Bureau* (宜賓電業局調度中心), a senior engineer for line loss management of Yibin Electric Power Bureau* (宜賓電業局調變損管理), a senior engineer in Yibin Electric Power Bureau Meiyi Leasing Company* (宜賓電業局美宜租賃公司), a senior engineer for consultation and power transformation design in Yibin Electric Power Bureau and Design Institute* (宜賓電業局設計院), a director and consulting engineer in Yibin Electric Power Bureau and Design Institute, and senior engineer for electric network planning and management in Institute of Power Economics and Technology of Yibin Electric Power Bureau* (宜賓電業局電力經濟技術研究所) from November 2001 to August 2003, August 2003 to April 2004, April 2004 to July 2005, July 2005 to January 2009, January 2009 to September 2012, and September 2012 to May 2013, the director of distribution and operation department, an assistant general manager, a deputy chief engineer, the director of investment and development department and the director of production and technology department in the Company from May 2013 to February 2014, February 2014 to July 2014, July 2014 to March 2015, March 2015 to July 2016, and July 2016 to June 2019.

Mr. Peng Wanzhang, aged 50, is currently the chief economist of the Group and joined the Group in February 2012. Mr. Peng is an engineer with a bachelor of economic management in Party School of Sichuan Committee of C.P.C.* (四川省委黨校) Mr. Peng currently serves as the chief economist of the Group. Before joining the Group, he served as the superintendent in Luochang Power Supply Station of Gao County Power Co., Ltd.* (高縣電力總公司羅場供電所) in Sichuan Province, and a deputy manager, a manager and a member of party committee in rural power company from October 2000 to December 2001, December 2001 to June 2003, June 2003 to January 2007 and January 2007 to July 2008, a deputy general manager and a director in Gao County Power Co., Ltd. of Sichuan Hydropower Group and the secretary of party committee, a director and the chairman (legal representative) in Degegesaer Power Co., Ltd. of Sichuan Hydropower Group from July 2008 to June 2011 and from June 2011 to July 2014, respectively. He served as the secretary of party committee, an executive director and the general manager in Sichuan Energy Investment Yibin Power Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司) from May 2015 to September 2017, served as the secretary of the party committee and an executive director in Pingshan Electricity from September 2014 to November 2020, and served as an assistant general manager of the Company from July 2014 to June 2019, respectively. He served as a branch secretary of the party committee, director, chairman of the board and general manager of Sichuan Energy Investment Electricity Energy Co., Ltd.* (四川能投電能有限公司) from April 2017 to September 2021.

AUDITOR'S REPORT

AUDIT REPORT

KPMG Huazhen Shen Zi No. 2402408

To the shareholders of Sichuan Energy Investment Development Co., Ltd.*,

I. OPINION

We have audited the accompanying financial statements of Sichuan Energy Investment Development Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Group as at 31 December 2023, and the consolidated and company financial performance and cash flows of the Group for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

Recognition of Revenue from Power Sales

Please refer to the accounting policy as stated in 21 under Note “III. Significant Accounting Policies and Accounting Estimates” and 33 under “V. Notes to Items of Consolidated Financial Statements”.

Key audit matter

Revenue from the power sales business of the Group in 2023 amounted to RMB3,681,784,222.54, accounting for 89% of the operating revenue of the Group for the year (2022: RMB2,908,759,220.60, 88%).

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

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

How the matter was addressed in our audit

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

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

AUDITOR'S REPORT

III. KEY AUDIT MATTERS (CONTINUED)

Recognition of Revenue from Electrical Engineering Construction Service

Please refer to the accounting policy as stated in 21 under Note "III. Significant Accounting Policies and Accounting Estimates" and 33 under "V. Notes to Items of Consolidated Financial Statements".

Key audit matter

Revenue from the electrical engineering construction service of the Group in 2023 amounted to RMB447,619,015.50, accounting for approximately 11% of the operating revenue of the Group for the year (2022: RMB379,477,962.08, 11%).

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

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

How the matter was addressed in our audit

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

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

III. KEY AUDIT MATTERS (CONTINUED)

Recognition of Revenue from Electrical Engineering Construction Service

Please refer to the accounting policy as stated in 21 under Note "III. Significant Accounting Policies and Accounting Estimates" and 33 under "V. Notes to Items of Consolidated Financial Statements".

Key audit matter

How the matter was addressed in our audit

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

IV. OTHER INFORMATION

The Group's management is responsible for the other information. The other information comprises all the information included in 2023 annual report of the Group, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

AUDITOR'S REPORT

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG Huazhen LLP

Beijing, China

Chinese Certified Public Accountants

Fang Haijie (Engagement partner)

Sheng Jin

14 March 2024

CONSOLIDATED BALANCE SHEET

31 December 2023
(Expressed in RMB)

	Notes	2023	2022
Assets			
Current assets:			
Cash at bank and on hand	V.1	500,263,848.63	770,087,145.82
Bills receivable	V.2	1,000,000.00	200,000.00
Accounts receivable	V.3	693,160,459.12	363,526,861.94
Prepayments	V.4	59,193,472.70	14,919,626.24
Other receivables	V.5	56,420,623.13	22,186,662.89
Inventories	V.6	96,133,952.52	87,892,616.33
Contract assets	V.7	117,035,084.73	74,010,659.53
Other current assets	V.8	39,790,906.73	40,005,526.27
Total current assets		1,562,998,347.56	1,372,829,099.02
Non-current assets:			
Long-term equity investments	V.9	369,261,254.81	242,965,216.18
Other non-current financial assets		170,250.00	170,250.00
Fixed assets	V.10	3,888,494,489.50	3,062,952,630.19
Construction in progress	V.12	277,005,824.43	272,105,986.58
Right-of-use assets	V.11	6,889,472.80	6,597,730.52
Intangible assets	V.13	156,299,365.47	149,469,058.02
Long-term prepaid expenses	V.14	8,430,156.18	3,314,992.28
Deferred income tax assets	V.15	55,286,224.84	37,605,948.52
Total non-current assets		4,761,837,038.03	3,775,181,812.29
Total assets		6,324,835,385.59	5,148,010,911.31

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December 2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	V.16	150,000,000.00	300,000,000.00
Notes payable	V.17	149,999,930.97	–
Accounts payable	V.18	786,663,444.29	598,916,839.30
Contract liabilities	V.19	405,318,701.64	295,247,950.78
Employee benefits payable	V.20	147,004,535.58	129,350,952.84
Taxes payable	V.21	72,095,886.54	58,447,348.06
Other payables	V.22	159,833,143.25	115,414,446.80
Non-current liabilities due within one year	V.23	36,122,122.20	14,197,718.07
Total current liabilities		1,907,037,764.47	1,511,575,255.85
Non-current liabilities:			
Long-term borrowings	V.24	323,500,000.00	–
Lease liabilities	V.25	3,558,682.06	4,163,211.28
Long-term payables	V.26	545,981,000.00	293,974,587.09
Deferred income	V.27	126,185,501.51	136,586,729.31
Deferred income tax liabilities	V.15	14,735,206.57	16,492,878.60
Total non-current liabilities		1,013,960,390.14	451,217,406.28
Total liabilities		2,920,998,154.61	1,962,792,662.13

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December 2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
Shareholders' equity:			
Share capital	V.28	1,074,357,700.00	1,074,357,700.00
Capital reserve	V.29	1,081,447,605.75	1,081,447,605.75
Specific reserve	V.30	12,963,709.80	15,112,314.76
Surplus reserve	V.31	163,408,762.58	132,895,011.72
Undistributed profit	V.32	1,023,116,059.00	843,553,062.73
Total equity attributable to shareholders of the parent company		3,355,293,837.13	3,147,365,694.96
Non-controlling interests		48,543,393.85	37,852,554.22
Total shareholders' equity		3,403,837,230.98	3,185,218,249.18
Total liabilities and shareholders' equity		6,324,835,385.59	5,148,010,911.31

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY BALANCE SHEET

31 December 2023
(Expressed in RMB)

	Notes	2023	2022
Assets			
Current assets:			
Cash at bank and on hand		253,041,727.95	475,612,844.79
Accounts receivable	XV.1	26,316,114.70	24,497,032.20
Prepayments		485,746.05	853,367.13
Other receivables	XV.2	1,733,974,953.64	976,237,042.68
Inventories		73,152.00	73,152.00
Total current assets		2,013,891,694.34	1,477,273,438.80
Non-current assets:			
Long-term equity investments	XV.3	1,509,724,810.94	1,361,877,965.65
Fixed assets		30,486,277.59	31,888,929.13
Intangible assets		294,891.29	525,323.09
Total non-current assets		1,540,505,979.82	1,394,292,217.87
Total assets		3,554,397,674.16	2,871,565,656.67

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY BALANCE SHEET

31 December 2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings		150,000,000.00	300,000,000.00
Notes payable		149,999,930.97	-
Employee benefits payable		24,709,280.31	24,472,787.32
Taxes payable		1,938,091.37	1,627,040.91
Other payables		749,815,640.32	588,245,681.82
Non-current liabilities due within one year		21,000,000.00	-
Total current liabilities		1,097,462,942.97	914,345,510.05
Non-current liabilities:			
Long-term borrowings		323,500,000.00	-
Total non-current liabilities		323,500,000.00	-
Total liabilities		1,420,962,942.97	914,345,510.05
Shareholders' equity:			
Share capital		1,074,357,700.00	1,074,357,700.00
Capital reserve		316,102,577.31	316,102,577.31
Surplus reserve		163,408,762.58	132,895,011.72
Undistributed profit		579,565,691.30	433,864,857.59
Total shareholders' equity		2,133,434,731.19	1,957,220,146.62
Total liabilities and shareholders' equity		3,554,397,674.16	2,871,565,656.67

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

2023

(Expressed in RMB)

	Notes	2023	2022
I. Operating revenue	V.33	4,160,192,577.95	3,313,256,211.05
Less: Operating costs	V.33	3,484,310,248.78	2,740,916,362.02
Taxes and surcharges	V.34	17,513,057.46	19,108,297.85
Administrative expenses	V.35	235,814,901.82	203,793,957.15
Finance costs	V.36	13,309,483.67	8,557,733.92
Including: Interest expenses		15,273,924.55	10,386,241.73
Interest income		5,104,366.37	6,386,186.05
Add: Other income	V.37	2,541,769.80	2,337,578.93
Investment income	V.38	4,628,076.16	13,121,964.93
Including: Income from investment in associates and joint ventures		4,628,076.16	11,867,127.34
Gains on fair value changes	V.39	1,136,000.00	–
Credit impairment losses	V.40	(20,054,730.96)	(3,062,705.31)
Asset impairment losses	V.41	(9,768,078.76)	(735,451.17)
Gains on asset disposal	V.42	15,489,027.27	6,441.81
II. Operating profit		403,216,949.73	352,547,689.30
Add: Non-operating income	V.43	12,850,270.44	13,994,696.88
Less: Non-operating expenses	V.43	6,876,885.47	4,996,447.16
III. Profit before income tax		409,190,334.70	361,545,939.02
Less: Income tax expenses	V.44	67,190,179.11	58,997,245.27
IV. Net profit		342,000,155.59	302,548,693.75
(i) Net profit classified by continuity of operations:			
1. Net profit from continuing operations		342,000,155.59	302,548,693.75
2. Net profit from discontinued operations		–	–
(ii) Net profit classified by ownership:			
1. Net profit attributable to shareholders of the parent company		338,999,671.13	301,441,634.66
2. Net profit attributable to non-controlling interests		3,000,484.46	1,107,059.09

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
V. Other comprehensive income, after tax		-	-
VI. Total comprehensive income		342,000,155.59	302,548,693.75
(i) Total comprehensive income attributable to shareholders of the parent company		338,999,671.13	301,441,634.66
(ii) Total comprehensive income attributable to non-controlling interests		3,000,484.46	1,107,059.09
VII. Earnings per share:			
(i) Basic earnings per share	V.45	0.32	0.28
(ii) Diluted earnings per share	V.45	0.32	0.28

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY INCOME STATEMENT

2023

(Expressed in RMB)

	Notes	2023	2022
I. Operating revenue	XV.4	41,276,450.82	43,418,077.39
Less: Operating costs	XV.4	5,017,576.21	13,110,064.66
Taxes and surcharges		788,057.03	818,888.84
Administrative expenses		48,737,049.88	37,242,572.59
Finance costs		(3,771,304.12)	(581,946.44)
Including: Interest expenses		19,320,339.67	17,510,151.77
Interest income		24,627,143.67	21,081,434.65
Add: Other income		118,619.84	454,134.87
Investment income	XV.5	313,377,816.91	289,653,497.20
Including: Income from investment in associates and joint ventures		6,446,845.29	3,708,057.78
Gains on fair value changes		1,136,000.00	–
II. Operating profit		305,137,508.57	282,936,129.81
Add: Non-operating income		–	1,328,481.01
Less: Non-operating expenses		–	18.27
III. Profit before income tax		305,137,508.57	284,264,592.55
Less: Income tax expenses		–	–
IV. Net profit		305,137,508.57	284,264,592.55
(i) Net profit from continuing operations		305,137,508.57	284,264,592.55
(ii) Net profit from discontinued operations		–	–

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY INCOME STATEMENT

2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
V. Other comprehensive income, after tax		-	-
VI. Total comprehensive income		305,137,508.57	284,264,592.55

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

2023

(Expressed in RMB)

	Note	2023	2022
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		4,528,587,497.05	3,913,703,055.47
Cash received relating to other operating activities		4,990,812.44	11,200,561.45
Subtotal of cash inflows from operating activities		4,533,578,309.49	3,924,903,616.92

Cash paid for goods and services		3,219,259,773.74	2,658,134,345.34
Cash paid to and on behalf of employees		459,768,977.56	438,445,774.37
Cash paid for all types of taxes		198,474,150.55	244,740,235.20
Cash paid relating to other operating activities		33,777,765.23	22,228,471.60
Subtotal of cash outflows from operating activities		3,911,280,667.08	3,363,548,826.51

Net cash flows from operating activities	V.47	622,297,642.41	561,354,790.41

II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		-	610,624,410.37
Cash received from return on investments		5,104,366.37	19,641,023.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,771,713.25	3,046,457.34
Cash received relating to other investing activities		1,000,000.00	1,000,000.00
Subtotal of cash inflows from investing activities		31,876,079.62	634,311,891.35

Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,111,256,131.45	674,789,726.35
Cash paid for acquisition of investments		115,200,000.00	501,000,000.00
Subtotal of cash outflows from investing activities		1,226,456,131.45	1,175,789,726.35

Net cash flows from investing activities		(1,194,580,051.83)	(541,477,835.00)

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

2023 (continued)
(Expressed in RMB)

	Note	2023	2022
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from absorption of investments		8,100,000.00	21,000,000.00
Including: Cash received from absorption of investments from non-controlling interests by subsidiaries		8,100,000.00	21,000,000.00
Cash received from borrowings		500,000,000.00	546,864,170.00
Cash received relating to other financing activities		252,006,412.91	278,489,165.20
<hr/>			
Subtotal of cash inflows from financing activities		760,106,412.91	846,353,335.20
<hr/>			
Cash paid for debt repayment		305,500,000.00	548,057,701.82
Cash paid for distribution of dividends or profits and for interest expenses		146,657,650.95	140,968,312.21
Including: Cash paid to non-controlling interests for distribution of dividends or profits by subsidiaries		416,000.00	520,000.00
Cash paid relating to other financing activities		3,417,809.72	3,608,084.58
<hr/>			
Subtotal of cash outflows from financing activities		455,575,460.67	692,634,098.61
<hr/>			
Net cash flows from financing activities		304,530,952.24	153,719,236.59

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

2023 (continued)
(Expressed in RMB)

	Notes	2023	2022
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		103,159.99	314,369.43
V. NET INCREASE IN CASH AND CASH EQUIVALENTS (“-”) FOR NET DECREASE			
	V.47	(267,648,297.19)	173,910,561.43
Add: Balance of cash and cash equivalents at the beginning of the year		757,887,345.82	583,976,784.39
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	V.47	490,239,048.63	757,887,345.82

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

2023

(Expressed in RMB)

	2023	2022
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	43,828,364.02	40,583,355.08
Cash received relating to other operating activities	4,955,583.27	8,895,724.28
Subtotal of cash inflows from operating activities	48,783,947.29	49,479,079.36
Cash paid to and on behalf of employees	40,736,002.56	34,501,753.31
Cash paid for all types of taxes	4,133,303.59	4,576,737.51
Cash paid relating to other operating activities	15,302,967.56	12,218,956.59
Subtotal of cash outflows from operating activities	60,172,273.71	51,297,447.41
Net cash flows from operating activities	(11,388,326.42)	(1,818,368.05)
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from disposal of investments	-	601,000,000.00
Cash received from return on investments	212,250,247.90	307,945,439.42
Cash received relating to other investing activities	-	4,000,000.00
Subtotal of cash inflows from investing activities	212,250,247.90	912,945,439.42
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	340,432.11	1,291,306.58
Cash paid for acquisition of investments	141,400,000.00	550,000,000.00
Cash paid relating to other investing activities	335,438,518.51	157,518,479.50
Subtotal of cash outflows from investing activities	477,178,950.62	708,809,786.08
Net cash flows from investing activities	(264,928,702.72)	204,135,653.34

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

2023 (continued)
(Expressed in RMB)

	2023	2022
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	500,000,000.00	546,864,170.00
Subtotal of cash inflows from financing activities	500,000,000.00	546,864,170.00
Cash paid for debt repayment	305,500,000.00	548,057,701.82
Cash paid for distribution of dividends and for interest expenses	140,857,247.69	147,987,007.04
Subtotal of cash outflows from financing activities	446,357,247.69	696,044,708.86
Net cash flows from financing activities	53,642,752.31	(149,180,538.86)
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	103,159.99	314,369.43
V. NET INCREASE IN CASH AND CASH EQUIVALENTS (“”)FOR NET DECREASE)	(222,571,116.84)	53,451,115.86
Add: Balance of cash and cash equivalents at the beginning of the year	475,612,844.79	422,161,728.93
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	253,041,727.95	475,612,844.79

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2023

(Expressed in RMB)

	Note	Attributable to shareholders of the parent company					Undistributed profit	Subtotal	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve					
I. Balance at the beginning of the year		1,074,357,700.00	1,081,447,605.75	15,112,314.76	132,895,011.72	843,553,062.73	3,147,365,694.96	37,852,554.22	3,185,218,249.18	
II. Movements during the year ("I" for decrease)										
(i) Total comprehensive income		-	-	-	-	338,999,671.13	338,999,671.13	3,000,484.46	342,000,155.59	
(ii) Capital contributed by owners		-	-	-	-	-	-	8,100,000.00	8,100,000.00	
(iii) Profit distribution	V.32									
1. Appropriation for surplus reserve		-	-	-	30,513,750.86	(30,513,750.86)	-	-	-	
2. Distribution to shareholders		-	-	-	-	(128,922,924.00)	(128,922,924.00)	(416,000.00)	(129,338,924.00)	
(iv) Specific reserve										
1. Appropriated during the year		-	-	30,664,472.48	-	-	30,664,472.48	120,120.67	30,784,593.15	
2. Used during the year		-	-	(32,813,077.44)	-	-	(32,813,077.44)	(113,765.50)	(32,926,842.94)	
III. Balance at the end of the year		1,074,357,700.00	1,081,447,605.75	12,963,709.80	163,408,762.58	1,023,116,059.00	3,355,293,837.13	48,543,393.85	3,403,837,230.98	

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2022

(Expressed in RMB)

	Note	Attributable to shareholders of the parent company					Subtotal	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Undistributed profit			
I. Balance at the beginning of the year		1,074,357,700.00	1,081,447,605.75	19,925,149.81	104,468,551.68	699,460,812.11	2,979,659,819.35	16,239,614.16	2,995,899,433.51
II. Movements during the year ("(") for decrease)									
(i) Total comprehensive income		-	-	-	-	301,441,634.66	301,441,634.66	1,107,059.09	302,548,693.75
(ii) Capital contributed by owners		-	-	-	-	-	-	21,000,000.00	21,000,000.00
(iii) Profit distribution	V.32								
1. Appropriation for surplus reserve		-	-	-	28,426,460.04	(28,426,460.04)	-	-	-
2. Distribution to shareholders		-	-	-	-	(128,922,924.00)	(128,922,924.00)	(520,000.00)	(129,442,924.00)
(iv) Specific reserve									
1. Appropriated during the year		-	-	20,242,255.67	-	-	20,242,255.67	33,587.25	20,275,842.92
2. Used during the year		-	-	(25,055,090.72)	-	-	(25,055,090.72)	(7,706.28)	(25,062,797.00)
III. Balance at the end of the year		1,074,357,700.00	1,081,447,605.75	15,112,314.76	132,895,011.72	843,553,062.73	3,147,365,694.96	37,852,554.22	3,185,218,249.18

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing

Legal representative

(Signature and seal)

Li Bi

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2023

(Expressed in RMB)

	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the beginning of the year	1,074,357,700.00	316,102,577.31	132,895,011.72	433,864,857.59	1,957,220,146.62
II. Movements during the year					
(i) Total comprehensive income	-	-	-	305,137,508.57	305,137,508.57
(ii) Profit distribution					
1. Appropriation for surplus reserve	-	-	30,513,750.86	(30,513,750.86)	-
2. Distribution to shareholders	-	-	-	(128,922,924.00)	(128,922,924.00)
III. Balance at the end of the year	1,074,357,700.00	316,102,577.31	163,408,762.58	579,565,691.30	2,133,434,731.19

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2022

(Expressed in RMB)

	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the beginning of the year	1,074,357,700.00	316,102,577.31	104,468,551.68	306,949,649.08	1,801,878,478.07
II. Movements during the year					
(i) Total comprehensive income	-	-	-	284,264,592.55	284,264,592.55
(ii) Profit distribution					
1. Appropriation for surplus reserve	-	-	28,426,460.04	(28,426,460.04)	-
2. Distribution to shareholders	-	-	-	(128,922,924.00)	(128,922,924.00)
III. Balance at the end of the year	1,074,357,700.00	316,102,577.31	132,895,011.72	433,864,857.59	1,957,220,146.62

These financial statements have been approved by the Board of Directors on 14 March 2024.

He Jing
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 94 to 198 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

I. BASIC INFORMATION OF THE COMPANY

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

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of compliance with accounting standards for business enterprises

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2023, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

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

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

(1) Business combinations involving enterprises under common control

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Business combinations involving enterprises not under common control

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

(1) General principles

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

The equity, profit and loss and total comprehensive income attributable to non-controlling interests of subsidiaries are presented separately in shareholders' equity in the consolidated balance sheet and in the net profit and total comprehensive income items in the consolidated income statement.

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

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

(2) Subsidiaries acquired through a business combination

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (continued)

(3) Disposal of subsidiaries

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

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

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

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

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

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders, the difference between the investment cost and the newly acquired interest into the subsidiary's identifiable net assets is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. Where the Company partially disposes an investment of a subsidiary that does not result in a loss of control, the difference between the proceeds and the corresponding share of the interest into the subsidiary is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. If the credit balance of capital reserve (capital surplus) is insufficient, any excess is adjusted to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Recognition criteria for cash and cash equivalents

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

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

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

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

9. Financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets of the Group

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

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

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

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

(b) Subsequent measurement of financial assets of the Group

– Financial assets at FVPL

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

– Financial assets measured at amortized cost

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

– Debt investments at FVOCI

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

– Investments in equity instruments at FVOCI

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

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

– Financial liabilities at FVPL

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

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

– Financial liabilities measured at amortized cost

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

(4) Offsetting

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

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

(5) Derecognition of financial assets and financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

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

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

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

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

(6) Impairment

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

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

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

Measurement of expected credit losses

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(6) Impairment (continued)

Measurement of expected credit losses (continued)

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

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

Financial instruments that have low credit risk

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

Significant increases in credit risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(6) Impairment (continued)

Credit-impaired financial assets

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

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

Presentation of provision for expected credit losses

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

Write-off

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(7) Equity instrument

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

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

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

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

10. Inventories

(1) Classification and cost of inventories

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

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

(2) Calculation method of inventories transferred out

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Inventories (continued)

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

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

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

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

(4) *Inventory system*

The Group maintains a perpetual inventory system.

11. Long-term equity investments

(1) *Cost of long-term equity investments*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (continued)

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

(a) Investments in subsidiaries

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

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

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

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

(b) Investment in joint ventures and associates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (continued)

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

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

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

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

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

12. Fixed assets

(1) *Recognition criteria for fixed assets*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fixed assets (continued)

(2) Depreciation of fixed assets

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

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

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

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

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

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognized:

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

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

13. Construction in progress

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Borrowing costs

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Intangible assets

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

The useful life of each intangible asset and its determination basis and amortization method are as follows:

Item	useful life (years)	Determination basis	Amortization methods
Land use right	50 years	land use life	straight-line method
Software	5~10 years	term of authorization	straight-line method

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

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

16. Goodwill

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

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

17. Long-term prepaid expenses

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

Item	Amortization period
Leasehold improvements	3 ~ 5 years

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of assets other than inventories and financial assets

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

- Fixed assets
- Construction in progress
- Right-of-use assets
- Intangible assets
- investment properties measured using a cost model
- Long-term equity investments
- goodwill
- Long-term prepaid expenses, etc.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

20. Provisions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue

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

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

Performance obligations are contractual commitments of the Group to transfer the distinct goods to customers. Goods committed to customers by the Group are clearly distinct if they meet the following conditions: firstly, customers can benefit from the goods themselves or from the use of the goods in conjunction with other readily available resources; Secondly, the Group's commitment to transfer the goods to the customer can be distinguished from other commitments in the contract.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (continued)

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. Taking into account the nature of the goods, the Group adopts the output method or the input method to determine the appropriate progress of performance. Among them, the output method determines the progress of performance based on the value of the goods transferred to the customer. The input method determines the progress of performance based on the Group's input to meet performance obligations. For similar performance obligations under similar circumstances, the Group adopts the same method to determine the progress of performance. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

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

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

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

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

(1) Sales of electricity

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

(2) Sales of materials

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (continued)

(3) Electricity installation engineering

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

22. Contract costs

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

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

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

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

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

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

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- the costs to be incurred for the transfer of the related goods or services.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits

(1) Short-term employee benefits

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

(2) Post-employment benefits-defined contribution plans

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

(3) Termination benefits

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

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

24. Government grants

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Specific reserve

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

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

26. Income tax

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

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

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

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

If a single transaction is not a business combination and neither accounting profit nor taxable income (or deductible loss) is affected at the time of the transaction, and the assets and liabilities initially recognized do not result in an equal amount of taxable temporary difference and deductible temporary difference, then the temporary difference arising from the transaction will not incur deferred income tax. Deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill.

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Income tax (continued)

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

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

27. Lease

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Lease (continued)

The Group as a lessee

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Assets held for sale and discontinued operations

(1) Assets held for sale

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

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

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

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

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

(2) Discontinued operations

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

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

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

29. Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Related parties

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

31. Segment reporting

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

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

32. Significant accounting estimates and judgements

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

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

(1) Contracts for electricity installation works

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting estimates and judgements (continued)

(3) Depreciation and amortization

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

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

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

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

(5) Income taxes and deferred taxation

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies and accounting estimates

(1) Description and reasons for changes in accounting policies

In 2023, the Group implemented the relevant requirements and guidelines of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in recent years.

- (a) CAS No.25 – Insurance Contracts (Cai Kuai [2020] No.20) (“the new insurance contract standards”) and implementation guidance

The new insurance contract standards replace the CAS No.25 – Original Insurance Contracts issued in 2006, the CAS No.26 –Reinsurance Contracts issued in 2009 and the Provisions on the Accounting Treatment Related to Insurance Contracts (Cai Kuai [2009] No.15) issued in 2009.

The Group had no transactions related to insurance business. The adoption of such provisions does not have a significant effect on the financial conditions and operating results of the Group.

- (b) “Accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction” in CAS Bulletin No.16 (Cai Kuai [2022] No.31) (“CAS Bulletin No.16”)

According to the CAS Bulletin No.16, the provisions of the CAS No.18 – Income Taxes on the exemption from the initial recognition of deferred income tax liabilities and deferred income tax assets shall not apply to a single transaction (i.e. lease transactions, etc.) that is not a business combination, that affects neither accounting profit nor taxable profit (or deductible loss) upon the occurrence of a transaction, and the initially recognised assets and liabilities result in an equal amount of taxable temporary differences and deductible temporary differences. As for the taxable temporary differences arising from the initial recognition of assets and liabilities in a transaction, the Group shall, in accordance with the CAS No. 18 – Income Taxes and other relevant provisions, respectively recognise the corresponding deferred income tax liabilities upon the occurrence of the transaction. In addition, the Group recognized deferred income tax assets equal to the amount of deferred income tax liabilities as the Group has sufficient and unrecognized deductible temporary differences of deferred income tax assets upon the reversal of the above additional taxable temporary differences in future periods. Such additional recognized deferred income tax assets and deferred income tax liabilities meet the conditions for the net presentation of the balance sheet, and the adoption of the provision after the net presentation does not have a significant effect on the financial conditions and operating results of the Group.

The adoption of such provisions does not have a significant effect on the financial conditions and operating results of the Group.

(2) Changes in accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IV. TAXATION

1. Major types of taxes and corresponding tax rates

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

2. Tax concessions

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC enterprise income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in (1) to (2) below, other subsidiaries within the Group are subject to enterprise income tax at the statutory rate of 25%.

- (1) According to the Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy, enterprises established in western region and engaged in activities encouraged by the state are applicable to a preferential enterprise income tax rate of 15% from 2011 to 2030. Certain subsidiaries operate in the western region of the PRC and therefore can enjoy a preferential enterprise income tax rate of 15%, provided that their revenues from principal activities contribute more than 60% of their total revenues in each of the year.

Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd., Sichuan Energy Investment Development and Construction Co., Ltd., Sichuan Energy Investment Gong County Electricity Co., Ltd., Sichuan Energy Investment Gao County Electricity Co., Ltd., Sichuan Energy Power Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd. and Shuifu Yangliutan Power Generation Co., Ltd., subsidiaries of the Company, meet the above requirements, and are subject to the enterprise income tax at the rate of 15%.

- (2) Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises, the annual taxable income of micro and small enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%.

Sichuan Energy Investment Gao County Integrated Energy Co., Ltd., a subsidiary of the Company, is qualified as a micro and small enterprise and its annual taxable income shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20% (2022: included in its taxable income at the reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	2023	2022
Cash on hand	–	–
Bank deposits	490,239,048.63	757,887,345.82
Other cash at bank and on hand	10,024,800.00	12,199,800.00
Total	500,263,848.63	770,087,145.82

Other cash at bank and on hand at the end of the year represented the power purchase deposits and ETC deposits deposited in the bank deposit account.

2. Bills receivable

(1) Bills receivable by category

Category	2023	2022
Bank acceptances	1,000,000.00	200,000.00
Less: Provision for bad and doubtful debts	–	–
Total	1,000,000.00	200,000.00

All bills receivable above are due within one year.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

2. Bills receivable (continued)

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

Category	Amount derecognized at the end of 2023	Amount not derecognized at the end of 2023
Bank acceptances	8,441,150.00	–

Category	Amount derecognized at the end of 2022	Amount not derecognized at the end of 2022
Bank acceptances	33,259,265.20	–

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

3. Accounts receivable

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

Customer type	2023	2022
Receivable due from related parties	48,500,946.27	77,535,576.55
Receivable due from others	799,305,331.31	415,141,514.30
Subtotal	847,806,277.58	492,677,090.85
Less: Provision for bad and doubtful debts	154,645,818.46	129,150,228.91
Total	693,160,459.12	363,526,861.94

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

3. Accounts receivable (continued)

(2) Accounts receivable by ageing is as follows:

Ageing	2023	2022
Within 1 year (inclusive)	637,143,365.56	339,185,826.24
1 to 2 years (inclusive)	80,356,895.77	46,969,704.26
2 to 3 years (inclusive)	36,729,082.14	11,727,367.32
Over 3 years	93,576,934.11	94,794,193.03
Subtotal	847,806,277.58	492,677,090.85
Less: Provision for bad and doubtful debts	154,645,818.46	129,150,228.91
Total	693,160,459.12	363,526,861.94

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

(3) Accounts receivable by provision method

Category	2023					2022				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on individual basis	60,450,421.59	7.13%	60,450,421.59	100.00%	-	63,425,999.20	12.87%	63,425,999.20	100.00%	-
Provision for bad and doubtful debts on portfolio basis	787,355,855.99	92.87%	94,195,396.87	11.96%	693,160,459.12	429,251,091.65	87.13%	65,724,229.71	15.31%	363,526,861.94
- Electricity fees receivable	450,403,509.56	53.13%	12,194,978.92	2.71%	438,208,530.64	141,760,573.25	28.77%	6,189,792.57	4.37%	135,570,780.68
- Construction amounts receivable	336,952,346.43	39.74%	82,000,417.95	24.34%	254,951,928.48	287,490,518.40	58.36%	59,534,437.14	20.71%	227,956,081.26
Total	847,806,277.58	100.00%	154,645,818.46	18.24%	693,160,459.12	492,677,090.85	100.00%	129,150,228.91	26.21%	363,526,861.94

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

3. Accounts receivable (continued)

(3) Accounts receivable by provision method (continued)

(a) Reasons for provision for bad and doubtful debts on individual basis in 2023:

Name	Closing balance	Balance of provision for bad and doubtful debts	Reasons for provision
Company A	24,133,879.57	(24,133,879.57)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company B	70,000.00	(70,000.00)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company C	155,686.96	(155,686.96)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company D	128,506.00	(128,506.00)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company E	1,948,260.80	(1,948,260.80)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company F	1,145,596.99	(1,145,596.99)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company G	2,321,606.94	(2,321,606.94)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Other customers	30,546,884.33	(30,546,884.33)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Total	60,450,421.59	(60,450,421.59)	

(b) Recognition criteria and explanation of provision for bad and doubtful debts on portfolio basis in 2023:

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

- Portfolio 1 Electricity fees receivable
- Portfolio 2 Construction amounts receivable

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

3. Accounts receivable (continued)

(3) Accounts receivable by provision method (continued)

(c) Assessment of expected credit losses (the "ECLs") on accounts receivable:

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

31 December 2023

Portfolio 1: portfolio of electricity fees receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	433,882,051.53	2,169,409.81
Overdue for 1 to 36 months	46%	6,944,722.32	3,191,732.02
Overdue for 37 to 60 months	67%	8,058,274.36	5,391,298.81
Overdue for more than 61 months	95%	1,518,461.35	1,442,538.28
Total		450,403,509.56	12,194,978.92

Portfolio 2: portfolio of construction amounts receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	72,645,558.05	363,227.79
Overdue for 1 to 36 months	25%	237,801,582.42	60,320,501.01
Overdue for 37 to 60 months	63%	11,981,744.65	7,519,400.91
Overdue for more than 61 months	95%	14,523,461.31	13,797,288.24
Total		336,952,346.43	82,000,417.95

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

3. Accounts receivable (continued)

(3) Accounts receivable by provision method (continued)

(c) Assessment of expected credit losses (the "ECLs") on accounts receivable: (continued)

31 December 2022

Portfolio 1: portfolio of electricity fees receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	129,111,900.06	645,559.50
Overdue for 1 to 36 months	26%	7,689,892.89	2,030,663.35
Overdue for 37 to 60 months	62%	3,577,848.74	2,201,684.74
Overdue for more than 61 months	95%	1,380,931.56	1,311,884.98
Total		141,760,573.25	6,189,792.57

Portfolio 2: portfolio of construction amounts receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	75,156,868.53	375,784.34
Overdue for 1 to 36 months	19%	184,764,751.29	35,117,776.31
Overdue for 37 to 60 months	82%	16,358,771.90	13,391,256.14
Overdue for more than 61 months	95%	11,210,126.68	10,649,620.35
Total		287,490,518.40	59,534,437.14

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

3. Accounts receivable (continued)

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

Item	2023				2022			
	Individual provision	Portfolio of electricity fees receivable	Portfolio of construction amounts receivable	Total	Individual provision	Portfolio of electricity fees receivable	Portfolio of construction amounts receivable	Total
Opening balance	63,425,999.20	6,189,792.57	59,534,437.14	129,150,228.91	58,908,047.23	10,078,313.75	51,299,133.75	120,285,494.73
Provision/(reversal) for the year	(2,975,577.61)	6,005,186.35	22,465,980.81	25,495,589.55	5,820,169.72	(3,888,521.18)	8,237,303.39	10,168,951.93
(Written-off)/reversal for the year	-	-	-	-	(1,302,217.75)	-	(2,000.00)	(1,304,217.75)
Closing balance	60,450,421.59	12,194,978.92	82,000,417.95	154,645,818.46	63,425,999.20	6,189,792.57	59,534,437.14	129,150,228.91

Below significant changes in the book balance of accounts receivable resulted in an increase in the provision for bad and doubtful debts receivables in 2023:

- The growth of the power construction engineering business resulted in an increase in the book balance of accounts receivable by RMB46,987,514.99, and correspondingly, the provision for bad and doubtful debts increased;
- The book balance of accounts receivable overdue for more than 30 days increased by RMB52,870,345.74, resulting in an increase in the provision for bad and doubtful debts;

4. Prepayments

The ageing analysis of prepayments is as follows:

Ageing	2023		2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive)	57,665,761.22	97.42	13,193,885.38	88.43
Over 1 year	1,527,711.48	2.58	1,725,740.86	11.57
Total	59,193,472.70	100.00	14,919,626.24	100.00

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

5. Other receivables

	Note	2023	2022
Others	(1)	56,420,623.13	22,186,662.89
Total		56,420,623.13	22,186,662.89

(1) Others

(a) Other receivables by customer type:

Customer type	2023	2022
Receivable due from related parties	4,183,115.97	7,838,173.87
Receivable due from other companies	90,208,826.75	57,760,667.20
Subtotal	94,391,942.72	65,598,841.07
Less: Provision for bad and doubtful debts	37,971,319.59	43,412,178.18
Total	56,420,623.13	22,186,662.89

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

Ageing	2023	2022
Within 1 year (inclusive)	55,692,198.93	17,865,492.31
1 to 2 years (inclusive)	433,187.86	3,995,925.75
2 to 3 years (inclusive)	897,146.49	3,279,376.07
Over 3 years	37,369,409.44	40,458,046.94
Subtotal	94,391,942.72	65,598,841.07
Less: Provision for bad and doubtful debts	37,971,319.59	43,412,178.18
Total	56,420,623.13	22,186,662.89

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

5. Other receivables (continued)

(1) Others (continued)

(c) Other receivables by provision method

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

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

	2023				2022			
	Stage I 12-month ECL	Stage II Lifetime ECL- not credit- impaired	Stage III Lifetime ECL- credit- impaired	Total	Stage I 12-month ECL	Stage II Lifetime ECL- not credit- impaired	Stage III Lifetime ECL- credit- impaired	Total
Provision for bad and doubtful debts								
Opening balance	164,385.79	2,587,732.17	40,660,060.22	43,412,178.18	111,183.63	2,324,995.83	49,268,701.29	51,704,880.75
Provision/(Reversal) for the year	1,326,248.89	(2,416,491.37)	(4,350,616.11)	(5,440,858.59)	53,202.16	262,736.34	(7,422,185.12)	(7,106,246.62)
Reversal/(written-off) for the year	-	-	-	-	-	-	(1,186,455.95)	(1,186,455.95)
Closing balance	1,490,634.68	171,240.80	36,309,444.11	37,971,319.59	164,385.79	2,587,732.17	40,660,060.22	43,412,178.18

6. Inventories

(1) Inventories by category

Type of inventories	2023			2022		
	Book balance	Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Raw materials	96,106,234.17	72,545.53	96,033,688.64	87,866,201.78	72,545.53	87,793,656.25
Low-value consumables	100,263.88	-	100,263.88	98,960.08	-	98,960.08
Total	96,206,498.05	72,545.53	96,133,952.52	87,965,161.86	72,545.53	87,892,616.33

The Group had no inventories for guarantee at the end of the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

7. Contract assets

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

Item	2023			2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Unsettled electricity installation works under construction	120,978,641.26	3,943,556.53	117,035,084.73	76,592,488.40	2,581,828.87	74,010,659.53

(a) The Group's contracts for electricity installation works include payment schedules which require stage payments over the construction period once milestones are reached. The Group recognizes as contract assets the portion of the construction progress that exceeds the payments made by the customers.

(b) All contract assets at the end of the year are expected to be transferred to receivables within one year.

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

2023

Item	Opening balance	Provision for the year	Reversal for the year	Charged-off or written-off for the year	Closing balance
Unsettled electricity installation works under construction	2,581,828.87	1,361,727.66	-	-	3,943,556.53
Total	2,581,828.87	1,361,727.66	-	-	3,943,556.53

2022

Item	Opening balance	Provision for the year	Reversal for the year	Charged-off or written-off for the year	Closing balance
Unsettled electricity installation works under construction	3,100,986.59	-	(519,157.72)	-	2,581,828.87
Total	3,100,986.59	-	(519,157.72)	-	2,581,828.87

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

8. Other current assets

Item	2023	2022
Deductible input tax	31,006,597.59	24,350,904.74
Prepaid income tax	8,482,586.31	15,457,567.77
Other taxes prepaid	301,722.83	197,053.76
Total	39,790,906.73	40,005,526.27

9. Long-term equity investments

(1) Long-term equity investments by category:

Item	2023	2022
Investments in associates	369,606,254.81	243,310,216.18
Less: Provision for impairment – Associates	345,000.00	345,000.00
Total	369,261,254.81	242,965,216.18

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

9. Long-term equity investments (continued)

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

Investee	Opening book balance	Investment Income/(loss) recognized under equity method	Investment reduction	Other	Closing book balance	Closing and opening balance of provision for impairment
Associates						
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	51,360,023.10	1,196,868.76	-	-	52,556,891.86	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,988,089.84	243,639.41	-	-	106,231,729.25	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	13,193,736.69	1,222,503.89	-	-	14,416,240.58	-
Xingwen County Daguang Cement Products Co., Ltd. (興文縣大光水泥製品有限責任公司)	345,000.00	-	-	-	345,000.00	345,000.00
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	50,569,040.18	(1,049,844.99)	-	-	49,519,195.19	-
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	21,854,326.37	(768,924.14)	-	6,467,962.47	27,553,364.70	-
Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	-	3,783,833.23	115,200,000.00	-	118,983,833.23	-
Total	243,310,216.18	4,628,076.16	115,200,000.00	6,467,962.47	369,606,254.81	345,000.00

(a) Investment in associates includes receivables granted to associates of RMB37,939,548.63 (2022: RMB37,939,548.63), which is unsecured, interest-free and have no fixed terms of payment. The Group has no intention to recover the amount in the next year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

10. Fixed assets

(1) Information on fixed assets

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
Cost					
Opening balance	1,357,152,828.39	3,422,591,891.31	41,499,213.03	205,018,061.95	5,026,261,994.68
Addition during the year	98,965,434.94	911,611,772.57	7,586,444.60	13,047,226.06	1,031,210,878.17
– Purchase	17,785,695.13	42,750,793.72	7,586,444.60	8,518,078.23	76,641,011.68
– Transferred from construction in progress	81,179,739.81	868,860,978.85	–	4,529,147.83	954,569,866.49
Disposal or scrap during the year	(4,744,697.86)	(36,569,542.34)	(1,748,328.32)	(1,257,114.82)	(44,319,683.34)
Closing balance	1,451,373,565.47	4,297,634,121.54	47,337,329.31	216,808,173.19	6,013,153,189.51
Accumulated depreciation					
Opening balance	464,522,884.72	1,348,179,899.70	29,414,018.37	78,466,304.39	1,920,583,107.18
Provision for the year	34,793,009.50	128,893,242.92	2,406,620.37	20,427,529.16	186,520,401.95
Disposal or scrap during the year	(1,118,905.62)	(23,958,584.72)	(1,663,121.90)	(1,163,113.59)	(27,903,725.83)
Closing balance	498,196,988.60	1,453,114,557.90	30,157,516.84	97,730,719.96	2,079,199,783.30
Impairment provision					
Opening balance	7,339,285.39	35,104,942.64	157,588.14	124,441.14	42,726,257.31
Provision for the year	4,139,667.33	4,236,030.87	–	30,652.90	8,406,351.10
Disposal or scrap during the year	–	(5,635,186.97)	(16,544.55)	(21,960.18)	(5,673,691.70)
Closing balance	11,478,952.72	33,705,786.54	141,043.59	133,133.86	45,458,916.71
Carrying amount					
Closing carrying amount	941,697,624.15	2,810,813,777.10	17,038,768.88	118,944,319.37	3,888,494,489.50
Opening carrying amount	885,290,658.28	2,039,307,048.97	11,927,606.52	126,427,316.42	3,062,952,630.19

- (a) As at 31 December 2023, plant and buildings of the Group with a net carrying amount of RMB164,162,781.39 (2021: RMB148,113,997.11) had not obtained the certificate of ownership.
- (b) No property, plant and equipment were pledged to banks as at 31 December 2023 (2022: nil).
- (c) All of the property, plant and equipment owned by the Group are located in the Chinese mainland.
- (d) During the year, certain property, plant and equipment were physically damaged or ceased for operation. The Group assessed the recoverable amounts of those property, plant and equipment as nil and as a result, impairment loss of RMB8,406,351.10 (2022: RMB1,254,608.89) was recognized in “Asset impairment losses” for the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

11. Right-of-use assets

The Group as lessee

Right-of-use assets

Item	Plant and buildings
Cost	
Balance as at 1 January 2023	16,591,248.93
Increase during the year	3,390,426.90
Decrease during the year	–
<hr/>	
Balance as at 31 December 2023	19,981,675.83
<hr/>	
Accumulated depreciation	
Balance as at 1 January 2023	9,993,518.41
Provision for the year	3,098,684.62
<hr/>	
Balance as at 31 December 2023	13,092,203.03
<hr/>	
Carrying amount	
Balance as at 31 December 2023	6,889,472.80
<hr/>	
Balance as at 31 December 2023	6,597,730.52
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Details of the Group's specific arrangements for leasing activities are set out in Notes V. 50.

12. Construction in progress

	Note	2023	2022
Construction in progress	(1)	240,765,623.26	255,565,778.47
Engineering materials	(2)	36,240,201.17	16,540,208.11
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Total		277,005,824.43	272,105,986.58
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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

12. Construction in progress (continued)

(1) Information on construction in progress

Item	2023			2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Power grid construction project	210,105,175.81	-	210,105,175.81	221,939,206.89	-	221,939,206.89
Others	30,660,447.45	-	30,660,447.45	33,626,571.58	-	33,626,571.58
Total	240,765,623.26	-	240,765,623.26	255,565,778.47	-	255,565,778.47

Movements in construction in progress in 2023 are as follows:

Item	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other transfer-out during the year	Closing balance
Power grid construction project	221,939,206.89	879,293,984.77	(891,128,015.85)	-	210,105,175.81
Others	33,626,571.58	60,475,726.51	(63,441,850.64)	-	30,660,447.45
Total	255,565,778.47	939,769,711.28	(954,569,866.49)	-	240,765,623.26

Movements in construction in progress in 2022 are as follows:

Item	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other transfer-out during the year	Closing balance
220 KV substation in Lianhua of Xingwen County	56,745,115.97	8,492,272.50	(65,237,388.47)	-	-
Power grid construction project	35,949,181.26	493,875,916.29	(307,885,890.66)	-	221,939,206.89
Relocation project	1,332,924.97	5,566,904.06	(6,899,829.03)	-	-
Others	5,644,645.78	54,996,482.74	(27,014,556.94)	-	33,626,571.58
Total	99,671,867.98	562,931,575.59	(407,037,665.10)	-	255,565,778.47

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

12. Construction in progress (continued)

(2) Engineering materials

Item	2023			2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Power grid construction project	34,420,898.25	-	34,420,898.25	14,526,373.54	-	14,526,373.54
Others	1,819,302.92	-	1,819,302.92	2,013,834.57	-	2,013,834.57
Total	36,240,201.17	-	36,240,201.17	16,540,208.11	-	16,540,208.11

Movements in engineering materials in 2023 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Power grid construction project	14,526,373.54	169,925,916.96	150,031,392.25	34,420,898.25
Others	2,013,834.57	141,500.00	336,031.65	1,819,302.92
Total	16,540,208.11	170,067,416.96	150,367,423.90	36,240,201.17

Movements in engineering materials in 2022 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Power grid construction project	12,720,555.85	106,798,262.55	104,992,444.86	14,526,373.54
Others	2,748,887.85	6,242,900.78	6,977,954.06	2,013,834.57
Total	15,469,443.70	113,041,163.33	111,970,398.92	16,540,208.11

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

13. Intangible assets

(1) Information on intangible assets

Item	Land use right	Software	Total
Cost			
Balance as at 1 January 2023	177,595,032.52	24,393,277.31	201,988,309.83
Increase during the year	2,025,322.91	9,301,037.17	11,326,360.08
– purchased	2,025,322.91	9,301,037.17	11,326,360.08
Balance as at 31 December 2023	179,620,355.43	33,694,314.48	213,314,669.91
Accumulated amortisation			
Balance as at 1 January 2023	34,884,269.85	17,206,186.17	52,090,456.02
Provision during the year	2,503,039.16	1,993,013.47	4,496,052.63
Balance as at 31 December 2023	37,387,309.01	19,199,199.64	56,586,508.65
Provision for impairment			
Balance as at 1 January 2023	–	428,795.79	428,795.79
Provision during the year	–	–	–
Balance as at 31 December 2023	–	428,795.79	428,795.79
Carrying amount			
31 December 2023	142,233,046.42	14,066,319.05	156,299,365.47
31 December 2023	142,710,762.67	6,758,295.35	149,469,058.02

The Group does not have intangible assets formed through internal R&D (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

13. Intangible assets (continued)

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

Item	Carrying amount	Reasons for having not obtained certificates of ownership
Land (Xijie 35KV transformer substation)	1,160,000.00	Unable to apply due to collective land
Yunlong Temple enlarged land	5,454,030.60	Application in progress
Wangchang 220 KV transformer substation	7,506,068.00	Application in progress
New construction of Xingwen County Lianhua 220 KV transformer substation	2,143,627.50	Application in progress
Others	1,041,323.87	
Total	17,305,049.97	

14. Long-term prepaid expenses

Item	Opening balance	Increase during the year	Amortisation for the year	Other decrease	Closing balance
Power station renovation and line repair works	1,655,866.46	4,865,656.32	837,498.13	-	5,684,024.65
Refurbishment fee	1,608,615.02	2,531,677.87	1,438,483.48	-	2,701,809.41
Others	50,510.80	-	6,188.68	-	44,322.12
Less: Provision for impairment	-	-	-	-	-
Total	3,314,992.28	7,397,334.19	2,282,170.29	-	8,430,156.18

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

15. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities

Item	2023		2022	
	Deductible or taxable temporary differences ("() for taxable temporary differences)	Deferred tax assets/liabilities ("() for liabilities)	Deductible or taxable temporary differences ("() for taxable temporary differences)	Deferred tax assets/liabilities ("() for liabilities)
Deferred income tax assets:				
Provision for impairment of assets	282,468,374.90	42,396,742.28	259,684,455.87	38,976,521.17
Government grants	20,514,851.60	3,077,227.74	21,500,710.87	3,225,106.63
Lease liabilities	5,812,475.20	871,871.28	6,597,730.52	989,659.58
Others	158,200,920.27	23,730,138.04	55,727,077.13	8,359,061.57
Subtotal	466,996,621.97	70,075,979.34	343,509,974.39	51,550,348.95
Eliminations		14,789,754.50		13,944,400.43
Amount after eliminations		55,286,224.84		37,605,948.52
Deferred income tax liabilities:				
Valuation appreciation of fixed assets	(189,943,599.03)	(28,491,540.15)	(196,317,461.64)	(29,447,619.45)
Right-of-use assets	(6,889,472.80)	(1,033,420.92)	(6,597,730.52)	(989,659.58)
Subtotal	(196,833,071.83)	(29,524,961.07)	(202,915,192.16)	(30,437,279.03)
Eliminations		14,789,754.50		13,944,400.43
Amount after eliminations		(14,735,206.57)		(16,492,878.60)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

15. Deferred income tax assets and deferred income tax liabilities (continued)

(2) Breakdown of unrecognized deferred income tax assets

Item	2023	2022
Deductible losses	44,476,705.58	36,092,700.21
Total	44,476,705.58	36,092,700.21

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

Year	2023	2022
2023	-	-
2024	16,247,766.81	16,247,766.81
2025	-	-
2026	19,844,933.40	19,844,933.40
2027	-	-
2028	8,384,005.37	-
Total	44,476,705.58	36,092,700.21

(4) Unrecognized deferred income tax liabilities

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

(5) Movements in deferred tax (assets)/liabilities

Deferred tax arising from	Provision for impairment	Revaluation of property, plant and equipment	Government grants	Deductible losses	Right-of-use assets	Lease liabilities	Others	Total
1 January 2022	(39,068,620.79)	30,403,698.65	(3,290,246.18)	(3,503,006.68)	876,731.56	(876,731.56)	(8,359,061.57)	(23,817,236.57)
(Credited)/charged to profit or loss	92,099.62	(956,079.20)	65,139.55	3,503,006.68	112,928.01	(112,928.01)	-	2,704,166.65
31 December 2022	(38,976,521.17)	29,447,619.45	(3,225,106.63)	-	989,659.57	(989,659.57)	(8,359,061.57)	(21,113,069.92)
(Credited)/charged to profit or loss	(3,420,221.11)	(956,079.30)	147,878.89	-	43,761.34	117,788.30	(15,371,076.47)	(19,437,948.35)
31 December 2023	(42,396,742.28)	28,491,540.15	(3,077,227.74)	-	1,033,420.91	(871,871.27)	(23,730,138.04)	(40,551,018.27)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

16. Short-term borrowings

(1) Category of short-term borrowings:

Item	2023	2022
Unsecured borrowings	150,000,000.00	300,000,000.00
Total	150,000,000.00	300,000,000.00

(2) Overdue outstanding short-term borrowings:

The Group had no overdue outstanding short-term borrowings at the end of the year.

17. Notes payable

Item	2023	2022
Bank acceptance bills	4,720,000.00	-
Letter of credit	145,279,930.97	-
Total	149,999,930.97	-

18. Accounts payable

(1) Accounts payable by nature are as follows:

Item	2023	2022
Payment for purchase of electricity	303,237,953.45	169,650,057.56
Construction payment	174,101,488.88	235,011,455.95
Materials payment	309,250,379.75	193,932,605.11
Others	73,622.21	322,720.68
Total	786,663,444.29	598,916,839.30

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

18. Accounts payable (continued)

(2) Accounts payable by aging are as follows:

The ageing analysis of accounts payable based on the invoice date is as follows:

Ageing	2023	2022
Within 1 year (inclusive)	747,859,299.01	574,028,979.89
1 to 2 years (inclusive)	22,644,848.56	12,282,057.47
2 to 3 years (inclusive)	7,655,540.99	2,897,832.80
Over 3 years	8,503,755.73	9,707,969.14
Total	786,663,444.29	598,916,839.30

19. Contract liabilities

Item	2023	2022
Electricity fee received in advance	288,317,541.16	195,738,270.38
Electrical project payment in advance	117,001,160.48	99,509,680.40
Total	405,318,701.64	295,247,950.78

The Group normally receives prepayment for electricity from customers. Prior to selling electricity to these customers, the Group will recognize contract liability for the prepaid amount. If the Group receives advance payments from customers before construction begins or if the amount settled exceeds the progress of the project, contract liability will be recognized until the progress of the project recognized exceeds the amount of advance payments received. All contract liabilities at the end of the current year are expected to be recognized as revenue within one operating cycle.

Material movements in the Group's balance of contract liabilities during the year are as follows:

Reason for change	Electricity payment received in advance	Electricity project payment	Total
Increase due to cash received (excluding amount recognized as revenue during the year)	288,317,541.16	111,127,630.39	399,445,171.55
Revenue recognized from the amount included in the opening carrying amount of contract liabilities	(195,738,270.38)	(93,636,150.31)	(289,374,420.69)
Total	92,579,270.78	17,491,480.08	110,070,750.86

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

20. Employee benefits payable

(1) Employee benefits payable are presented as follows:

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term benefits	129,317,032.83	417,354,661.41	399,667,158.66	147,004,535.58
Post-employment benefits – defined contribution plans	33,920.01	60,067,898.89	60,101,818.90	–
Total	129,350,952.84	477,422,560.30	459,768,977.56	147,004,535.58

(2) *Short-term benefits*

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies	124,257,170.14	333,609,580.53	317,165,127.01	140,701,623.66
Staff welfare	–	13,334,063.21	13,334,063.21	–
Social insurance	21,249.37	24,813,457.87	24,812,226.61	22,480.63
– Medical insurance	(48,598.07)	21,696,895.93	21,629,038.06	19,259.80
– Work injury insurance	3,011.04	2,821,438.08	2,821,459.50	2,989.62
– Maternity insurance	66,836.40	295,123.86	361,729.05	231.21
Housing provident fund	(88,747.52)	33,827,621.77	33,740,871.05	(1,996.80)
Labour union operating funds and staff education funds	5,127,360.84	10,977,938.06	9,822,870.81	6,282,428.09
Other short-term benefits	–	791,999.97	791,999.97	–
Total	129,317,032.83	417,354,661.41	399,667,158.66	147,004,535.58

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

20. Employee benefits payable (continued)

(3) Post-employment benefits – defined contribution plans

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension insurance	28,339.12	45,138,197.92	45,166,537.04	–
Unemployment insurance	–	1,589,374.56	1,589,374.56	–
Enterprise annuity	5,580.89	13,340,326.41	13,345,907.30	–
Total	33,920.01	60,067,898.89	60,101,818.90	–

- (a) Staff costs include remuneration of directors, supervisors and senior management (see Note XIV.2 and Note XIV.3).
- (b) Pursuant to the relevant labor regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.
- (c) The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.
- (d) The Group’s contributions to the Schemes vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the Schemes which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2023.

21. Taxes payable

Item	2023	2022
VAT – Accruals to be transferred to output tax	39,122,671.97	26,699,842.82
VAT	4,279,172.67	14,602,048.20
Enterprise income tax	24,111,008.74	13,196,847.33
Urban maintenance and construction tax	1,010,650.70	855,405.48
Education surcharge	844,687.16	762,928.87
Others	2,727,695.30	2,330,275.36
Total	72,095,886.54	58,447,348.06

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

22. Other payables

	Note	2023	2022
Interest payable	(1)	5,514,238.25	5,385,445.21
Others	(2)	154,318,905.00	110,029,001.59
Total		159,833,143.25	115,414,446.80

(1) Interest payable

Item	2023	2022
Interest payable on unsecured borrowings	366,293.05	237,500.01
Interest payable on borrowings from third parties	5,147,945.20	5,147,945.20
Total	5,514,238.25	5,385,445.21

Material overdue unpaid interest: Nil.

(2) Others

Other payables by nature are as below:

Item	2023	2022
Payable to related parties	26,668,331.15	16,031,091.26
Construction payables related to fixed assets	18,383,222.16	13,199,492.00
Security deposit payable	20,941,906.08	15,608,793.00
Levy payable	25,741,667.08	12,563,171.00
Others	62,583,778.53	52,626,454.33
Total	154,318,905.00	110,029,001.59

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

23. Non-current liabilities due within one year

Non-current liabilities due within one year by item are as follows:

Item	2023	2022
Long-term borrowings due within one year	33,868,329.54	12,868,329.54
Lease liabilities due within one year	2,253,792.66	1,329,388.53
Total	36,122,122.20	14,197,718.07

24. Long-term borrowings

(1) Type of long-term borrowings:

Item	2023	2022
Unsecured borrowings	357,368,329.54	12,868,329.54
Less: long-term borrowings due within one year	33,868,329.54	12,868,329.54
Total	323,500,000.00	-

The Group's long-term borrowing rates are fixed on an annual basis and are variable interest rates. The annual interest rate ranges from 1-year LPR-0.96% to 1-year LPR-0.85%.

25. Lease liabilities

Item	Note	2023	2022
Long-term lease liabilities		3,558,682.06	4,163,211.28
Lease liabilities due within one year	V.23	2,253,792.66	1,329,388.53
Total		5,812,474.72	5,492,599.81

Details of the Group's specific arrangements for leasing activities are set out in Notes V. 50.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

26. Long-term payables

(1) Breakdown of long-term payables

Item	2023	2022
Special payables	545,981,000.00	293,974,587.09
Total	545,981,000.00	293,974,587.09

The Group received an amount of RMB252,006,413.00 (2022: 256,579,900.00) under the Investment Plans within the Central Budget during the year, which shall be exclusively used for the enhancement and upgrading projects of rural power grid.

27. Deferred income

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Cause
Resettlement project	94,374,154.15	-	8,262,962.73	86,111,191.42	Relocation compensation
County power grid transformation project	5,218,103.75	-	306,447.88	4,911,655.87	Government funding
Snow disaster project	26,188,733.39	-	1,134,420.48	25,054,312.91	Post-disaster reconstruction funds
Other government subsidies	10,805,738.02	-	697,396.71	10,108,341.31	
Total	136,586,729.31	-	10,401,227.80	126,185,501.51	

Items related to government grants:

Item	Opening balance	Additional grants in the year	Amount recognized in non-operating income during the year	Amount recognized in other income during the year	Closing balance	Related to assets/related to income
Resettlement project	94,374,154.15	-	8,262,962.73	-	86,111,191.42	Related to assets
County power grid transformation project	5,218,103.75	-	306,447.88	-	4,911,655.87	Related to assets
Snow disaster project	26,188,733.39	-	1,134,420.48	-	25,054,312.91	Related to assets
Other government subsidies	10,805,738.02	-	478,545.42	218,851.29	10,108,341.31	Related to assets/related to income
Total	136,586,729.31	-	10,182,376.51	218,851.29	126,185,501.51	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

28. Share capital

	Opening balance	Closing balance
Total shares	1,074,357,700.00	1,074,357,700.00

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's net assets.

29. Capital reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	203,429,005.75	–	–	203,429,005.75
Other capital reserve	878,018,600.00	–	–	878,018,600.00
State capital reserve benefits	878,018,600.00	–	–	878,018,600.00
Total	1,081,447,605.75	–	–	1,081,447,605.75

(1) Share premium

Share premium of the Group mainly consisted of (1) premium arising from capital injection from domestic equity shareholders of RMB285,879 thousand; (2) decrease in merger reserve of RMB118,813 thousand, which resulted from business combination in 2012 involving entities under common control; (3) reserves of RMB29 thousand due to subsidiary's purchase of own shares in 2014; (4) decrease in reserve of RMB71,778 thousand due to acquiring the remaining 49% non-controlling interests in Yangliutan Power Generation in 2016; (5) premium net of issuance expenses arising from issuance of new ordinary H shares of RMB108,112 thousand in 2018.

(2) Other capital reserve

State capital reserve benefits represented government funds in respect of the Group's construction and modification of rural power grid. The funds were received and allocated to the subsidiaries for construction of power supplies by the parent company. The recognition of RMB878,018,600 as state capital reserve benefits was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province.

30. Specific reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety production funds	15,112,314.76	30,664,472.48	32,813,077.44	12,963,709.80
Total	15,112,314.76	30,664,472.48	32,813,077.44	12,963,709.80

Pursuant to the relevant PRC regulations for power companies, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

31. Surplus reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserve	132,895,011.72	30,513,750.86	–	163,408,762.58
Total	132,895,011.72	30,513,750.86	–	163,408,762.58

- (1) According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.
- (2) Statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

32. Undistributed profit

Item	Note	2023	2022
Undistributed profit at the beginning of the year	(1)	843,553,062.73	699,460,812.11
Add: Net profit for the year attributable to shareholders of the parent company		338,999,671.13	301,441,634.66
Less: Appropriation for statutory surplus reserve		(30,513,750.86)	(28,426,460.04)
Dividends payable on ordinary shares	(2)	(128,922,924.00)	(128,922,924.00)
Undistributed profit at the end of the year	(3)	1,023,116,059.00	843,553,062.73

- (1) Breakdown of adjustments to undistributed profit at the beginning of the year: Nil

(2) Distribution of dividends on ordinary shares for the year

On 16 June 2023, a dividend for the year ended 31 December 2022 of RMB128,922,924.00, representing RMB0.12 per share (2021: RMB128,922,924.00, representing RMB0.12 per share) was approved by the shareholders at the annual general meeting of the Company.

(3) Explanation of undistributed profit at the end of the year

As of 31 December 2023, the Group's undistributed profit attributable to the parent company included surplus reserve set aside by subsidiaries of the Company of RMB174,863,148.15 (2022: RMB144,191,178.66).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

33. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Note	2023		2022	
		Revenue	Cost	Revenue	Cost
Principal business		4,151,758,087.03	3,483,937,006.07	3,309,625,246.30	2,740,883,162.02
Other businesses		8,434,490.92	373,242.71	3,630,964.75	33,200.00
Total		4,160,192,577.95	3,484,310,248.78	3,313,256,211.05	2,740,916,362.02
Including: Revenue from contracts	V.30(2)	4,155,596,460.94		3,310,211,651.37	
Other income		4,596,117.01		3,044,559.68	

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

(2) Revenue from contracts

Type of contracts	2023	2022
Classified by contract type		
Power supply contracts	3,681,784,222.54	2,908,759,220.60
Contracts of power installation projects	447,619,015.50	379,477,962.08
Material sales contracts	22,354,848.99	21,388,063.62
Others	3,838,373.91	586,405.07
Total	4,155,596,460.94	3,310,211,651.37
Classified by time of transfer of goods		
Revenue recognized at a point in time	3,707,977,445.44	2,930,733,689.29
Revenue recognized over time	447,619,015.50	379,477,962.08
Total	4,155,596,460.94	3,310,211,651.37

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

33. Operating revenue and operating costs (continued)

(3) Information about the transaction prices allocated to the remaining performance obligations

As of 31 December 2023, the total transaction prices allocated to the remaining performance obligations under the Group's existing contracts were RMB666,646,475.69 (2022: RMB382,628,239.05). The amount represents the revenue expected to be recognized in the future in respect of the electrical engineering construction and related business contracts between customers and the Group. The Group expects that this part of contracts will be completed within the next 12 to 24 months.

The Group applied the practical expedient for power supply contract and material sales contract for which the contract term was originally expected to not exceed one year, and therefore the information disclosed above does not include the transaction prices allocated by the Group to the remaining performance obligations in that contract.

34. Taxes and surcharges

Item	2023	2022
City maintenance and construction tax	4,702,403.59	5,378,634.27
Education surcharges	3,978,787.87	4,985,729.62
Housing property tax	3,789,684.26	3,883,352.98
Others	5,042,181.74	4,860,580.98
Total	17,513,057.46	19,108,297.85

35. Administrative expenses

Item	2023	2022
Labour cost	171,248,217.91	151,022,837.05
Depreciation and amortisation charge	16,271,920.99	14,476,298.88
Consultancy and advisory fee	8,425,922.42	6,050,191.89
Office and travel expenses	9,990,037.19	8,217,928.39
Property management fee	6,353,477.69	6,243,488.60
Vehicle transportation costs	2,904,088.15	2,555,330.85
Labour protection expense	2,029,359.12	1,727,904.45
Business entertainment expense	1,454,276.50	1,235,843.21
Auditor's remuneration	1,760,000.00	1,560,000.00
Including: audit service	1,760,000.00	1,560,000.00
Other services	-	-
Others	15,377,601.85	10,704,133.83
Total	235,814,901.82	203,793,957.15

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

36. Finance costs

Item	2023	2022
Interest expenses on loans and payables	14,926,666.38	9,971,456.94
Interest expenses on lease liabilities	347,258.17	414,784.79
Interest income on deposits and receivables	(5,104,366.37)	(6,386,186.05)
Net foreign exchange losses/(gains)	1,411,443.97	2,380,454.78
Other finance costs	1,728,481.52	2,177,223.46
Total	13,309,483.67	8,557,733.92

The capitalization rate per annum, at which the borrowing costs were capitalized by the Group, was 0% for the year (2022: 0%).

37. Other income

Item	2023	2022
Subsidy for power grid transformation	629,358.59	561,342.33
Employment stability subsidy	1,120,352.52	1,475,814.61
Others	792,058.69	300,421.99
Total	2,541,769.80	2,337,578.93

38. Investment income

Investment income by item

Item	2023	2022
Investment income from long-term equity investments accounted for using the equity method	4,628,076.16	11,867,127.34
Investment income from financial assets held for trading	-	1,938,846.57
Others	-	(684,008.98)
Total	4,628,076.16	13,121,964.93

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

39. Gains on fair value changes

Item	2023	2022
Trading financial assets	1,136,000.00	-
Total	1,136,000.00	-

40. Credit impairment losses

Item	2023	2022
Accounts receivable	25,495,589.55	10,168,951.93
Other receivables	(5,440,858.59)	(7,106,246.62)
Total	20,054,730.96	3,062,705.31

41. Asset impairment losses

Item	2023	2022
Fixed assets	8,406,351.10	1,254,608.89
Contract assets	1,361,727.66	(519,157.72)
Total	9,768,078.76	735,451.17

42. Gains on asset disposals

Item	2023	2022
Gains on disposal of fixed assets	15,489,027.27	6,441.81
Total	15,489,027.27	6,441.81

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

43. Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

Item	2023	2022
Government grants	11,148,558.19	7,752,643.13
Gain from fine payments	89,418.27	3,090,001.30
Tax refund	–	1,328,481.01
Others	1,612,293.98	1,823,571.44
Total	12,850,270.44	13,994,696.88

Government grants recorded in profit or loss for the current period

Item of grants	2023	2022	Related to assets/ related to income
Resettlement project	8,262,962.73	6,002,745.30	Related to assets
County power grid transformation project	306,447.88	306,447.88	Related to assets
Snow disaster project	1,134,420.48	1,134,420.48	Related to assets
Others	1,444,727.10	309,029.47	Related to assets/related to income
Total	11,148,558.19	7,752,643.13	

(2) *Non-operating expenses*

Item	2023	2022
Expenses on charity donation	4,540,494.29	61,159.40
Fines and compensations	810,296.19	3,090,000.00
Others	1,526,094.99	1,845,287.76
Total	6,876,885.47	4,996,447.16

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

44. Income tax expenses

Item	Note	2023	2022
Income tax expenses for the year calculated based on tax laws and regulations		79,087,457.02	55,316,992.05
Movements in deferred tax	(1)	(19,437,948.35)	2,704,166.65
Adjustments of tax filing differences		7,540,670.44	976,086.57
Total		67,190,179.11	58,997,245.27

(1) The analysis of changes in deferred tax is set out below:

Item	2023	2022
Origination and reversal of temporary differences	(19,437,948.35)	(798,840.03)
Recognition of deductible tax losses unused in prior years	-	3,503,006.68
Total	(19,437,948.35)	2,704,166.65

(2) Reconciliation between income tax expenses and accounting profit is as follows:

Item	2023	2022
Profit before tax	409,190,334.70	361,545,939.02
Expected income tax expenses calculated at the tax rate of 25%	102,297,583.68	90,386,484.76
Effect of different tax rates for subsidiaries	(44,722,147.17)	(31,670,100.60)
Effect of non-deductible costs, expenses and losses	1,476,011.84	1,649,993.33
Effect of deductible temporary differences or deductible losses for which no deferred tax assets are recognized for the year	2,406,259.83	275,021.05
Effect of non-taxable income	(1,808,199.51)	(2,620,239.84)
Tax filing differences (Effect of adjusting income tax for previous years)	7,540,670.44	976,086.57
Income tax expenses for the year	67,190,179.11	58,997,245.27

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

45. Calculation of basic earnings per share

(1) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding of the Company:

	2023	2022
Consolidated net profit attributable to ordinary shareholders of the Company	338,999,671.13	301,441,634.66
Weighted average number of ordinary shares outstanding of the Company	1,074,357,700.00	1,074,357,700.00
Basic earnings per share (RMB/share)	0.32	0.28

The weighted average number of ordinary shares is calculated as follows:

	2023	2022
Number of ordinary shares in issue at the beginning of the year	1,074,357,700.00	1,074,357,700.00
Weighted average number of ordinary shares at the end of the year	1,074,357,700.00	1,074,357,700.00

There were no potentially dilutive ordinary shares for the year ended 31 December 2023, and therefore, diluted earnings per share are the same as the basic earnings per share.

46. Supplementary information to the income statement

Classification of expenses in the income statement by nature:

Item	2023	2022
Operating revenue	4,160,192,577.95	3,313,256,211.05
Less: Cost of purchase of electricity	2,477,637,827.27	1,869,282,175.04
Raw materials consumed	482,226,501.99	391,265,646.16
Repair fees	33,208,354.17	35,207,693.60
Employee benefits expenses	477,422,560.30	454,865,145.58
Depreciation and amortisation charge	196,397,309.49	168,108,182.17
Asset impairment losses	9,768,078.76	735,451.17
Credit impairment losses	20,054,730.96	3,062,705.31
Finance costs	13,309,483.67	8,557,733.92
Taxes	17,513,057.46	19,108,297.85
Other expenses	29,437,724.15	10,515,490.95
Operating profit	403,216,949.73	352,547,689.30

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

47. Related information of cash flow statement

(1) Supplementary information to the cash flow statement

a. Reconciliation of net profit to cash flow from operating activities:

Item	2023	2022
Net profit	342,000,155.59	302,548,693.75
Add: Provisions for asset impairment	9,768,078.76	735,451.17
Credit impairment losses	20,054,730.96	3,062,705.31
Depreciation of fixed assets	186,520,401.95	158,871,451.05
Amortisation of intangible assets	4,496,052.63	4,444,986.27
Amortisation of long-term prepaid expenses	2,282,170.29	1,557,717.03
Depreciation of right-of-use assets	3,098,684.62	3,234,027.82
Losses on disposal of fixed assets, intangible assets and other long-term assets ("()") for gains)	(15,029,447.44)	(6,441.81)
Losses on fair value changes ("()") for gains)	(1,136,000.00)	-
Finance costs ("()") for income)	11,581,002.15	6,380,510.46
Losses arising from investment ("()") for gains)	(4,628,076.16)	(13,121,964.93)
Decrease in deferred tax assets ("()") for increase)	(17,680,276.32)	3,871,453.36
Increase in deferred tax liabilities ("()") for decrease)	(1,757,672.03)	(1,167,286.71)
Decrease in inventories ("()") for increase)	(8,241,336.19)	(17,612,777.22)
Decrease in operating receivables ("()") for increase)	(471,966,787.41)	(34,356,017.92)
Increase in operating payables ("()") for decrease)	573,337,188.81	151,283,549.34
Amortisation of deferred income	(10,401,227.80)	(8,371,266.56)
Net cash flows from operating activities	622,297,642.41	561,354,790.41

b. Net changes in cash and cash equivalents:

Item	2023	2022
Cash at the end of the year	490,239,048.63	757,887,345.82
Less: Cash at the beginning of the year	757,887,345.82	583,976,784.39
Net (decrease)/increase in cash and cash equivalents	(267,648,297.19)	173,910,561.43

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

47. Related information of cash flow statement (continued)

(2) Composition of cash and cash equivalents

Item	2023	2022
Cash	490,239,048.63	757,887,345.82
Including: Cash on hand	–	–
Bank deposits on demand	490,239,048.63	757,887,345.82
Cash and cash equivalents at the end of the year	490,239,048.63	757,887,345.82

48. Assets with restricted ownership or use right

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for restriction
Cash at bank and on hand	12,199,800.00	–	2,175,000.00	10,024,800.00	Deposits
Total	12,199,800.00	–	2,175,000.00	10,024,800.00	Deposits

Other cash at bank and on hand at the end of the year represented the power purchase deposits of and ETC deposits deposited in the bank deposit account.

49. Government grants

(1) Basic information of government grants

Type	Amount as at 31 December 2023 and 2023	Presented under
Resettlement project	86,111,191.42	Deferred income
County power grid transformation project	4,911,655.87	Deferred income
Snow disaster project	25,054,312.91	Deferred income
Others	10,108,341.31	Deferred income
Others	966,181.68	Non-operating income (direct inclusion)
Others	2,322,918.51	Other income (direct inclusion)
Total	129,474,601.70	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

49. Government grants (continued)

(2) Government grants included in profit or loss

Type	2023	2022
Resettlement project	8,262,962.73	6,002,745.30
County power grid transformation project	306,447.88	306,447.88
Snow disaster project	1,134,420.48	1,134,420.48
Others	697,396.71	927,652.90
Others	966,181.68	277,686.14
Others	2,322,918.51	1,441,269.36
Total	13,690,327.99	10,090,222.06

50. Lease

(1) Lease with the Group as lessee

Item	2023	2022
Short-term rental costs with simplified treatment	180,848.68	611,940.71
Total cash outflows related to leases	3,598,658.39	4,220,025.29

The Group leases premises and buildings for its office premises and retail outlets. The term of office premises lease is typically 3.80 years and the term of retail store leases ranges from 1 to 5 years.

Short-term leases or low-value leases

The Group also leases computer devices for a term of one year. These leases are short-term leases or leases of low-value assets. The Group has decided not to recognise the right-of-use assets and lease liabilities for these leases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

51. Dividends

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

	2023	2022
Final dividend proposed after the end of the year of RMB0.13 per ordinary share (2022: RMB0.12 per ordinary share)	139,666,501.00	128,922,924.00

On 14 March 2024, a dividend for the year ended 31 December 2023 of approximately RMB139,666,501.00 (2022: RMB128,922,924.00), representing RMB0.13 per share was proposed by the Board (2022: RMB0.12 per share). Such dividend is to be approved by the shareholders at the general meeting of the Company. The final dividend proposed after the end of the balance sheet date has not been recognized as a liability as at the balance sheet date.

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

	2023	2022
Final dividend in respect of the previous financial year, approved and paid during the year	128,922,924.00	128,922,924.00

On 16 June 2023, a final dividend for the year ended 31 December 2022 of RMB128,922,924.00, representing RMB0.12 per share was approved by the shareholders at the annual general meeting of the Company.

VI. CHANGE IN SCOPE OF CONSOLIDATION

During the year, the Company and Junlian City and Transportation Construction Group Co., Ltd.* (筠連城市和交通建設集團有限公司) jointly contributed capital to establish Sichuan Energy Investment Junlian Green Energy Co., Ltd. (四川能投筠連綠色能源有限公司), and hold its 80% and 20% equity interests, respectively. During the year, the Company and Changning County Guoheng Capital Holding Group Co., Ltd.* (長寧縣國恆資本控股集團有限公司) jointly contributed capital to establish Sichuan Energy Investment Changning Green Energy Co., Ltd. (四川能投長寧綠色能源有限公司), and hold its 51% and 49% equity interests, respectively. Resolutions put forward at the general meetings of such two newly-established companies shall be voted on by shareholders based on capital contribution proportion. As the Company is able to exercise control over them, they have been consolidated into the Group. There were no other changes in the consolidation scope of the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Group members

Name of subsidiary	Place of registration and business	Legal form	Nature of business	Registered capital	Percentage of shareholding (%) (or percentage of similar interests)	
					Direct	Indirect
Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd. (四川能投宜賓市敘州電力有限公司)	Yibin City, Sichuan Province	Limited liability company	Electricity sales	60,000,000.00	100%	-
Sichuan Energy Investment and Development Construction Co., Ltd. (四川能投發展建設有限公司)	Yibin City, Sichuan Province	Limited liability company	Power installation	100,000,000.00	100%	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司)	Gong County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	11,960,000.00	100%	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	78,100,000.00	100%	-
Sichuan Energy Investment Yibin Power Generation Co., Ltd. (四川能投宜賓發電有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Power generation	3,000,000.00	100%	-
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	Pingshan County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	111,111,400.00	100%	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	Xingwen County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	32,020,000.00	100%	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	Junlian County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	40,000,000.00	100%	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	Shuifu City, Yunnan Province	Limited liability company	Power generation	10,000,000.00	100%	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	Yibin City, Sichuan Province	Limited liability company	Electricity sales	50,000,000.00	74%	-
Sichuan Energy Investment Gao County Integrated Energy Co., Ltd. (四川能投高縣綜合能源有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	20,000,000.00	60%	-
Sichuan Energy Investment Changning Green Energy Co., Ltd. (四川能投長寧綠色能源有限公司)	Changning County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	50,000,000.00	51%	-
Sichuan Energy Investment Junlian Green Energy Co., Ltd. (四川能投筠連綠色能源有限公司)	Junlian County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	20,000,000.00	80%	-
Sichuan Energy Investment Xingwen Green Energy Co., Ltd.* (四川能投興文綠色能源有限公司)	Xingwen County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	50,000,000.00	70%	-

* As of 31 December 2023, the Group and other shareholders of the company had not paid up their contributions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Significant non-wholly-owned subsidiaries

Name of subsidiary	Proportion of non-controlling interests	Profit or loss attributable to non-controlling interests for the year	Dividends declared and distributed to non-controlling interests for the year	Non-controlling interests at the end of the year
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	26%	2,648,336.04	416,000.00	32,172,746.85

(3) Key financial information of significant non-wholly-owned subsidiaries

The following table shows the key financial information of the above subsidiary, which are amounts before intra-group elimination, while adjustments were made for the fair value at the consolidation date and unification of accounting policies:

	Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	
	2023	2022
Current assets	125,708,698.89	141,601,793.08
Non-current assets	40,964,250.62	31,302,595.35
Total assets	166,672,949.51	172,904,388.43
Current liabilities	42,931,615.57	57,774,746.44
Total liabilities	42,931,615.57	57,774,746.44
Operating revenue	378,627,040.82	387,480,464.72
Net profit	10,185,907.83	4,448,409.83
Total comprehensive income	10,185,907.83	4,448,409.83
Cash flows from operating activities	(132,515.85)	(17,753,305.25)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates

(1) Details of associates are as follows:

Name of associate	Form of business structure	Place of registration and business	Registered capital	The Group's effective interest			Principal activity
				The Group's effective interest	Held by the Company	Held by subsidiary	
Associates							
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Incorporated	The PRC	200,000,000	20%	20%	-	Authorized financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporated	The PRC	400,000,000	25%	25%	-	Authorized financial and consulting services
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Incorporated	The PRC	28,320,000	49%	-	49%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Incorporated	The PRC	32,000,000	49%	-	49%	Power generation
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Incorporated	The PRC	22,000,000	49%	49%	-	Power supply
Shenzhen CEGN Co., Ltd.* (深圳市車電網絡有限公司)	Incorporated	The PRC	210,000,000	15%	15%	-	New energy vehicle charging service

* The Group dispatches a director to Shenzhen CEGN Co., Ltd., and is entitled to substantial decision-making power. The Group imposes a significant impact on the company through the participation in formulation of the company's financial and operating policies by appointing directors.

(2) Combined financial information of insignificant joint ventures and associates is as follows:

Item	2023	2022
Associates:		
- Insignificant associates	369,606,254.81	243,310,216.18
Subtotal	369,606,254.81	243,310,216.18
Less: Provision for impairment	345,000.00	345,000.00
Total	369,261,254.81	242,965,216.18
Associates:		
Aggregate carrying amount of investments	369,261,254.81	242,965,216.18
Total amounts calculated based on shareholding proportions		
- Net profit	4,628,076.16	11,867,127.34
- Total comprehensive income	4,628,076.16	11,867,127.34

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group is exposed to financial instruments risks during its ordinary activities, primarily including:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, as well as the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the year.

The objectives of the Group's risk management are to seek appropriate balance between the risks and benefits, and to mitigate the adverse effects that the risks of financial instruments may have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities. The internal audit department of the Group undertakes both regular and random inspection of the internal control system for its compliance with risk management policies.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash and bank balances, accounts receivable, contract assets, other receivables, etc. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet.

(1) Accounts receivable and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 9.92% (2022: 10.58%) of the total accounts receivable and contract assets was due from the five largest customers of the Group.

In respect of accounts receivable, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Normally, the Group does not obtain collateral from customers.

More details of accounts receivable and contract assets, please see Note V.3 and 7.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, (subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority). The Group's policy is to regularly monitor its short-term and long-term liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December) and the earliest date the Group can be required to pay:

Item	2023 undiscounted contractual cash flow					Total	Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years			
Short-term borrowings	157,288,356.16	-	-	-	-	157,288,356.16	150,000,000.00
Notes payable	149,999,930.97	-	-	-	-	149,999,930.97	149,999,930.97
Non-current liabilities due within one year	37,063,373.62	-	-	-	-	37,063,373.62	36,122,122.20
Accounts payable	786,663,444.29	-	-	-	-	786,663,444.29	786,663,444.29
Other payables	159,833,143.25	-	-	-	-	159,833,143.25	159,833,143.25
Lease liabilities	-	2,017,197.03	1,472,483.55	715,378.78	-	4,205,059.36	3,558,682.06
Long-term borrowings	6,105,204.25	29,679,650.00	312,458,367.81	-	-	348,243,222.06	323,500,000.00
Total	1,296,953,452.54	31,696,847.03	313,930,851.36	715,378.78	-	1,643,296,529.71	1,609,677,322.77

Item	2022 undiscounted contractual cash flow					Total	Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years			
Short-term borrowings	321,951,343.24	-	-	-	-	321,951,343.24	300,000,000.00
Non-current liabilities due within one year	14,197,718.07	-	-	-	-	14,197,718.07	14,197,718.07
Accounts payable	598,916,839.30	-	-	-	-	598,916,839.30	598,916,839.30
Other payables	115,414,446.80	-	-	-	-	115,414,446.80	115,414,446.80
Lease liabilities	-	2,818,310.47	1,764,194.59	861,259.37	-	5,443,764.43	4,163,211.28
Total	1,050,480,347.41	2,818,310.47	1,764,194.59	861,259.37	-	1,056,924,111.84	1,032,692,215.45

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Interest rate risk

Interest-bearing financial instruments at fixed rates and at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the following interest-bearing financial instruments were held by the Group:

Fixed rate financial instruments:

Item	2023		2022	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Lease liabilities	5%	(5,812,474.71)	5%	(5,492,599.80)
Total		(5,812,474.71)		(5,492,599.80)

Floating rate financial instruments:

Item	2023		2022	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Monetary capital	0.25%-0.35%	500,263,848.63	0.25%-0.35%	770,087,145.82
Subtotal		500,263,848.63		770,087,145.82
Financial liabilities				
– Short-term borrowings	2.60%-3.20%	(150,000,000.00)	1.88%-3.62%	(300,000,000.00)
– Long-term borrowings	2.60%-2.70%	(323,500,000.00)		-
Subtotal		(473,500,000.00)		(300,000,000.00)
Total		26,763,848.63		470,087,145.82

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Interest rate risk (Continued)

(2) Sensitivity analysis

As at 31 December 2023, an increase (decrease) of 100 basis points in interest rates, with all other variables held constant, would decrease (increase) the shareholders' equity and net profit of the Group by RMB3,551,250.00 (2022: RMB2,250,000.00).

The sensitivity analysis above indicates the instantaneous change in the net profit and shareholders' equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and shareholders' equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

4. Foreign exchange risk

In respect of cash and bank balances, accounts receivable and payable, short-term borrowings and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(1) As at 31 December, the Group's exposure to currency risk arising from recognized assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

	2023		2022	
	Foreign currency balance	RMB equivalent	Foreign currency balance	RMB equivalent
Cash at bank and on hand and gross balance sheet exposure – HKD	7,656,954.83	6,938,885.60	7,988,987.49	7,136,322.85

(2) The followings are the exchange rates for Renminbi against foreign currencies applicable to the Group:

	Average exchange rate		Reporting date mid-spot rate	
	2023	2022	2023	2022
HKD	0.89807	0.85891	0.90622	0.89327

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Foreign exchange risk (Continued)

(3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the HK dollar at 31 December would have decreased the Group's and the Company's shareholders' equity and net profit by RMB260,208.21 (2022: RMB267,612.11).

A 5% weakening of the Renminbi against the HK dollar at 31 December would have had the equal but opposite effect on the shareholders' equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes description of other risk exposures. The analysis is performed on the same basis using identical methods for previous year.

IX. FAIR VALUE DISCLOSURE

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the Reporting Period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorized is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
- Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
- Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Closing fair value of assets and liabilities measured at fair value

Item	31 December 2023			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Other non-current financial assets				
Equity instruments investment	-	-	170,250.00	170,250.00
Total assets measured at fair value on a recurring basis	-	-	170,250.00	170,250.00

Item	31 December 2022			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Other non-current financial assets				
Equity instruments investment	-	-	170,250.00	170,250.00
Total assets measured at fair value on a recurring basis	-	-	170,250.00	170,250.00

2. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorized within Level 2

Fair value of forward foreign exchange contracts in derivative financial assets is measured by discounting the differences between the exercise prices and market prices of the forward foreign exchange contracts. The discount rates used are derived from the applicable government bonds yield curve as at the end of the reporting period.

Fair value of interest rate swap contracts in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been transferred at the end of reporting period, taking into account current interest rates and the creditworthiness of the swap counterparty.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorised within Level 3

The valuation of the Group's assets and liabilities measured at fair value in Level 3 on a recurring and non-recurring basis is performed by a dedicated team headed by the finance manager, which reports directly to the chief financial officer and the Audit Committee. The team prepares an analysis report of changes in fair value measurements at mid-term and end of each year, which shall be reviewed and approved by the chief financial officer. The team discusses the valuation process and results with the chief financial officer and the Audit Committee at mid-year and year-end.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

4. Reconciliation of the opening carrying amount to the closing carrying amount, and sensitivity analysis on unobservable inputs for recurring fair value measurements in Level 3

Reconciliation of the opening carrying amount to the closing carrying amount for recurring fair value measurements in Level 3 is as follows:

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
2023											
Assets											
Other non-current financial assets	170,250.00	-	-	-	-	-	-	-	-	170,250.00	-
Including: Investment in equity instruments	170,250.00	-	-	-	-	-	-	-	-	170,250.00	-
Total	170,250.00	-	-	-	-	-	-	-	-	170,250.00	-

	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
2022											
Assets											
Other non-current financial assets	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-
Including: Investment in equity instruments	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-
Total	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-

Note: The details of the above gains or losses recognized in profit or loss or other comprehensive income for the year are as follows:

Item	2023	2022
Realised gains or losses included in profit or loss for the year		
– Investment income	-	(684,008.98)
Unrealised gains or losses included in profit or loss for the year		
– Gains on changes in fair value	-	-
Total	-	(684,008.98)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

5. Changes in valuation technique during the year and reasons for changes

In 2023, there was no change in the valuation technique for fair value of the above assets and liabilities measured at fair value on a recurring and non-recurring basis in level 3.

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

1. The parent company of the Company

Name of the parent company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)	Ultimate controlling party of the Company
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Chengdu, Sichuan province	Electricity and thermal power production and supply	RMB2,828.18 million	36.71%	36.71%	Sichuan Development (Holding) Co., Ltd. (四川發展(控股)有限責任公司)

2. Subsidiaries of the Company

Please refer to Note VII.1 for details of the subsidiaries of the Group.

3. Joint ventures and associates of the Company

Please refer to Note VII.2 for details of significant associates of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4. Other related parties

Name of other related party	Relationship
Sichuan Energy Investment Group Co., Ltd. (四川省能源投資集團有限責任公司)	The parent company of Sichuan Province Hydropower Investment and Management Group Co., Ltd.
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Under common control of the ultimate controlling party
Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	Under common control of the ultimate controlling party
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Under common control of the ultimate controlling party
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司)	Under common control of the ultimate controlling party
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Under common control of the ultimate controlling party
Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd. (四川省水電投資經營集團資中龍源電力有限公司)	Under common control of the ultimate controlling party
Changning County Zhudu Electricity Co., Ltd. (長寧縣竹都電力有限公司)	Under common control of the ultimate controlling party
Sichuan Natural Gas Investment Co., Ltd. (四川省天然氣投資有限責任公司)	Under common control of the ultimate controlling party
Sichuan Yixu Express Highway Development Co., Ltd. (四川宜敘高速公路開發有限責任公司)	Under common control of the ultimate controlling party
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Associate of the ultimate controlling party
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Associate of the ultimate controlling party

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4. Other related parties (continued)

Name of other related party	Relationship
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Significant investor
Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	Subsidiary of significant investor
Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	Subsidiary of significant investor
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	Subsidiary of significant investor
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Subsidiary of significant investor
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Subsidiary of significant investor
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Subsidiary of significant investor
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Subsidiary of significant investor
Gao County Fenghui Grain and Edible Oil Co., Ltd. (高縣豐匯糧油有限責任公司)	Subsidiary of significant investor
Gao County Agricultural Culture Tourism Industry Investment Management Co., Ltd. (高縣農業文化旅遊產業投資經營管理有限責任公司)	Subsidiary of significant investor
Sichuan Nengtou Yundian Technology Co., Ltd. (四川能投雲電科技有限公司)	Under common control of the ultimate controlling party

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions

(1) Purchases of goods/receipt of services (excluding remuneration of key management personnel)

The Group

Related party	Content of related party transaction	2023	2022
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Purchase of electricity	3,998,577.26	2,251,432.91
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Purchase of electricity	10,411,126.28	11,196,808.12
Sichuan Energy Investmnet Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司)	Purchase of electricity	–	7,487,253.77
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Property catering	7,717,073.91	5,347,869.70
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Use of rural power grid assets	29,622,616.12	26,743,186.93
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payments	45,268,076.53	117,032,417.77
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Construction payments	2,936,520.69	9,094,560.65
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Construction payments	45,159,755.20	105,631,721.47
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Construction payments	372,400.63	3,020,697.30
Sichuan Energy Consolidated Energy Co., Ltd. (四川能投綜合能源有限責任公司)	Construction payments	2,679,460.76	–
Sichuan Nengtou Yundian Technology Co., Ltd. * (四川能投雲電科技有限公司)	Construction payments	8,359,313.93	–
Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	Material and equipment payments	1,649,557.51	–
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Purchase of housing payments	33,809,523.81	–
Total		191,984,002.63	287,805,948.62

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions (continued)

(1) Purchases of goods/receipt of services (excluding remuneration of key management personnel) (continued)

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets usage agreement with the parent company (“the usage agreement”) for a term of three years, pursuant to which the Group have the rights to use the above-mentioned rural power grid assets owned by the parent company after the relevant part of these rural power grid assets connecting to the Group’s power grid. The annual usage fee payable by the Group to the parent company is calculated based on the volume of the Group’s electricity transmitting through the parent company’s rural power grid multiplied by the unit usage price as stipulated in the usage agreement.

On 28 December 2021, Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司) (“Gong County Electricity”) entered into the 2022 power purchase and sales contract with Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司) (“Yiliangruiyuan Hydropower”) for a fixed term of three years commencing from 1 January 2022 and ending on 31 December 2024, pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to Gong County Electricity. The unit price of electricity payable by Gong County Electricity shall be RMB0.32 per kwh (inclusive of tax), which is determined on the basis of the price of electricity Gong County Electricity purchased electricity from other relatively small independent third-party electricity suppliers in Yunnan Province, the PRC, and subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province* (《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》). The amount of purchase of electricity shall be the unit price of electricity, namely RMB0.32 per kwh, multiplied by the actual volume of on-grid electricity supplied by Yiliangruiyuan Hydropower to Gong County Electricity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions (continued)

(2) Sales of goods/Rendering of services

The Group

Related party	Content of related party transaction	2023	2022
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Sales of electricity	-	4,675,402.67
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Sales of electricity	-	33,767,908.26
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Sales of electricity	-	339,315.87
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Sales of electricity	739,011.73	625,580.18
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Sales of electricity	313,067.85	87,484.93
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Sales of electricity	2,943,442.28	303,781.65
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	Sales of electricity	68,587.20	165,900.60
Gao County Fenghui Grain and Edible Oil Co., Ltd. (高縣豐匯糧油有限責任公司)	Sales of electricity	185,287.66	105,807.29
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Sales of electricity	68,845.84	-
Changning County Zhudu Electricity Co., Ltd. (長寧縣竹都電力有限公司)	Sales of electricity	2,479,314.37	-
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payments	-	11,297,397.46
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Sublease service fee	5,859,815.04	2,277,455.71
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Construction payments	1,485,375.33	14,955,190.35
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Maintenance of rural power grid assets	13,624,276.70	13,268,153.04
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Construction payments	2,056,000.09	3,000,587.13
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	Construction payments	1,053,668.90	-
Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	Construction payments	722,060.09	1,197,940.83
Pingshan Jinping Real Estate Development Co., Ltd (屏山金屏房地產開發有限公司)	Construction payments	484,305.19	1,778,715.60
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Construction payments	207,156.33	2,933,510.99
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Construction payments	314,591.11	1,426,687.01
Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	Construction payments	1,833,470.28	6,759,300.33
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Construction payments	-	26,292.04

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions (continued)

(2) Sales of goods/Rendering of services (continued)

Related party	Content of related party transaction	2023	2022
Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd. (四川省水電投資經營集團資中龍源電力有限公司)	Construction and materials payments	13,524,793.05	-
Gao County Agricultural Culture Tourism Industry Investment Management Co., Ltd. (高縣農業文化旅遊產業投資經營管理有限責任公司)	Construction payments	217,064.22	-
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Construction payments	56,017.44	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Agency service fee	69,928.30	-
Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	Charging pile electricity fee	1,001,800.06	-
Total		49,307,879.06	98,992,411.94

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets management and maintenance agreement with its parent company for a term of three years, pursuant to which the Group agreed to provide management and maintenance service for certain rural power grid assets owned by the parent company in the areas where the Group operates its business. The annual service fee payable by the parent company to the Group is determined based on negotiation by reference to the "Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)" (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)) issued by State Grid Sichuan Electric Power Company.

(3) Remuneration of key management personnel

The Group

Item	2023	2022
Remuneration of key management personnel	10,031,499.60	8,274,545.22

The Company

Item	2023	2022
Remuneration of key management personnel	10,031,499.60	8,274,545.22

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6. Amounts due from/to related parties

Amounts due from related parties

The Group

Item	Related party	2023	2022
Accounts receivable	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	5,337,914.75	5,997,901.93
	Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	99,960.00	–
	Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	–	31,337,303.12
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	15,008,314.00	20,338,093.72
	Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd. (四川省水電投資經營集團資中龍源電力有限公司)	10,906,910.20	–
	Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	3,154,658.40	3,048,705.44
	Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	–	359,674.82
	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	2,997,193.81	2,363,003.40
	Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	720,545.50	953,391.50
	Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	119,449.64	1,938,800.00
	Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	1,343,950.30	2,424,933.21
	Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	8,275,332.44	8,773,769.41
	Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	516,427.50	–
	Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	15,739.17	–
	Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	4,550.56	–
	Other receivables	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	189,308.64
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)		3,646,681.27	7,401,181.88
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)		222,160.92	222,160.92
Prepayments	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	66,292.20	1,478,007.60
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	90,722.22	–
	Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	2,204,155.93	–
	Changning County Zhudu Electricity Co., Ltd. (長寧縣竹都電力有限公司)	349,997.33	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6. Amounts due from/to related parties (continued)

Amounts due to related parties (continued)

The Group

Item	Related party	2023	2022
Accounts payable	Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	-	9,033,751.31
	Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	-	194,368.30
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	14,452,886.11	10,254,897.70
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	34,089,979.94	30,219,800.02
	Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	68,575,661.02	35,875,418.92
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	528,768.66	436,690.59
	Sichuan Energy Consolidated Energy Co., Ltd. (四川能投綜合能源有限責任公司)	696,947.30	-
	Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	132,860.00	-
	Pingshan Jinping Real Estate Development Co., Ltd (屏山金屏房地產開發有限公司)	3,550,000.00	-
	Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	1,313,891.07	-
Other payables	Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	18,868.53	90,695.78
	Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	261,465.67	261,465.67
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	19,308,486.54	11,078,241.42
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	1,060,385.38	1,297,855.70
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	1,147,977.44	993,375.00
	Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	2,994,240.73	1,929,630.51
	Sichuan Energy Investmnet Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司)	1,789,866.00	379,827.18
	Contract liabilities	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	177,688.88
Water Conservancy and Hydropower Engineering Co., Ltd. of Sichuan Energy Investment Construction Engineering Group (四川能投建工集團水利水電工程有限公司)	1,531.82	771,718.64	
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	61,946.90	12,392.85	
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	39,936.21	38,339.39	
Gao County Fenghui Grain and Edible Oil Co., Ltd. (高縣豐匯糧油有限責任公司)	44,247.79	37,324.65	
Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd. (四川省水電投資經營集團資中龍源電力有限公司)	1,349,349.36	-	
Special payables	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	545,981,000.00	293,974,587.09

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

7. Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities"). Apart from transactions mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. During the reporting year, the Group had transactions with other government-related entities including, but not limited to purchase and sales of electricity, providing construction work services, deposits and borrowings, purchase of materials and receiving construction work services. The directors of the Company consider that the transactions with these government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-owned. The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its pricing policies for products and services and financing policy for borrowing. Such pricing policies and financing policy do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, we are of the opinion that none of these transactions individually or collectively are significant related party transactions that require separate disclosure.

8. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the use services of rural power grid assets purchased by the Group from the parent company, the maintenance services for rural power grid assets provided by the Group to the parent company, the sub-leasing services provided by the Group to Sichuan Changning Natural Gas Development Co., Ltd., the property catering services purchased by the Group from Sichuan Energy Investment Baishiji Industries Co., Ltd., and the purchase of electricity from Yiliangruiyuan Hydropower constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections "Non-exempt Continuing Connected Transactions" of the Directors' Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of electricity on normal commercial terms in ordinary and usual course of business pursuant to Rule 14A.97, or financial assistance received pursuant to Rule 14A.90, or below the de minimis threshold pursuant to Rule 14A.76.

XI. CAPITAL MANAGEMENT

The Group's primary objectives of capital management are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk and by ensuring access to finance at reasonable financial costs.

The Group defines "capital" as shareholders' equity plus borrowings by related parties with no fixed repayment term and less unrecognized dividends proposed for distribution. The Group's capital excludes balances of related party transactions.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. The factors considered by the Group include: the Group's capital requirements in the future, capital efficiency, actual and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic conditions affects the Group, the Group will adjust its capital structure.

Neither the Company nor any of the Company's subsidiaries are subject to external mandatory capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	2023	2022
Contracted	73,852,517.30	104,883,250.10
Total	73,852,517.30	104,883,250.10

(2) Unrecognized commitments relating to investments in joint ventures

The Group has no unrecognized commitments relating to the investment in associates during the year.

2. Contingency

The Group had not experienced any material contingency during the year.

(1) Contingent liability

The Group did not have contingent liabilities relating to investments in associates during the year.

(2) Contingent assets

The Group has no material contingent assets during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIII. POST BALANCE SHEET DATE EVENTS

1. Material non-adjusting post balance sheet date events

On 26 February 2024, Mr. Li Hui had proposed to resign as the executive director and general manager of the Company. On the same day, the Board has decided to appoint Mr. Wang Yuanchun to replace the general manager of the Company, and has recommended the appointment of Mr. Wang Yuanchun as the executive director, which will take effect upon consideration and approval by the shareholders of the Company at the extraordinary general meeting.

Except for the above matters and the dividend distribution disclosed in note V.51, the Group had not experienced any other material non-adjusting post balance sheet date event during the year.

2. Profit distribution after the balance sheet date

Item	Amount
Profit or dividend proposed for distribution	139,666,501.00

Dividend for ordinary shares proposed for distribution after the balance sheet date

On 14 March 2024, the Board proposed the payment of cash dividends of RMB0.13 per share (2022: RMB0.12 per share) by the Company to the ordinary shareholders, totaling RMB139,666,501.00 (2022: RMB128,922,924.00). This proposal is subject to approval by the shareholders' general meeting. Cash dividends proposed after the balance sheet date had not been recognized as liabilities at the balance sheet date.

XIV. OTHER SIGNIFICANT EVENTS

1. Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified from financial information provided regularly to the Group's most senior executive management reviews for the purpose of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction services in the PRC. The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, management considers the Group has only one operating segment and therefore, no segment information is presented.

The Group only operates in the Mainland China and accordingly, no geographical information is presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2023
Executive Directors				
Mr. Xiong Lin	-	632,008.71	14,095.40	646,104.11
Mr. He Jing	-	326,750.10	35,229.77	361,979.87
Mr. Li Hui	-	949,709.42	42,270.48	991,979.90
Ms. Xie Peixi	-	768,521.42	42,270.48	810,791.90
Non-executive Directors				
Ms. Li Yu	-	-	-	-
Mr. Tao Xueqing	-	-	-	-
Ms. Han Chunhong	-	-	-	-
Ms. Liang Hong	-	-	-	-
Ms. Lv Yan	-	-	-	-
Mr. Kong Ce	-	-	-	-
Independent non-executive Directors				
Mr. Kin Kwong Kwok Gary	250,000.00	-	-	250,000.00
Mr. Wang Peng	150,000.00	-	-	150,000.00
Ms. He Zhen	152,000.00	-	-	152,000.00
Mr. Li Jian	159,000.00	-	-	159,000.00
Ms. He Yin	81,000.00	-	-	81,000.00
Supervisors				
Ms. Li Jia	-	452,971.64	42,270.48	495,242.12
Ms. Fu Ruoxue	-	-	-	-
Mr. Liao Jun	-	270,503.94	42,270.48	312,774.42
Ms. Deng RuiPu	-	-	-	-
Ms. Wang Meng	-	-	-	-
Mr. Huang Yao	-	-	-	-
Ms. Sun Hui	-	-	-	-
Total	792,000.00	3,400,465.23	218,407.09	4,410,872.32

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration (continued)

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2022
Executive Directors				
Mr. Xiong Lin	–	724,649.05	40,198.71	764,847.76
Mr. Li Hui	–	724,649.05	40,198.71	764,847.76
Ms. Xie Peixi	–	597,299.05	40,198.71	637,497.76
Non-executive Directors				
Ms. Li Yu	–	–	–	–
Ms. Han Chunhong	–	–	–	–
Ms. Liang Hong	–	–	–	–
Ms. Lv Yan	–	–	–	–
Independent non-executive Directors				
Mr. Kin Kwong Kwok Gary	250,000.00	–	–	250,000.00
Mr. Wang Peng	150,000.00	–	–	150,000.00
Ms. He Zhen	146,000.00	–	–	146,000.00
Mr. Li Jian	156,000.00	–	–	156,000.00
Supervisors				
Ms. Li Jia	–	437,250.26	40,198.71	477,448.97
Ms. Fu Ruoxue	–	–	–	–
Mr. Yan Yi	–	–	–	–
Mr. Peng Yu	–	–	–	–
Mr. Tang Hong	–	–	–	–
Mr. Liao Jun	–	373,526.26	40,198.71	413,724.97
Ms. Deng Ruiyu	–	–	–	–
Ms. Wang Meng	–	–	–	–
Mr. Huang Yao	–	–	–	–
Total	702,000.00	2,857,373.67	200,993.55	3,760,367.22

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration (continued)

- (1) During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in Note XIV.3 as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.
- (2) On 6 April 2023, Mr. Xiong Lin resigned as a director of the Company. On 6 April 2023, Mr. He Jing was appointed as a director of the Company.
- (3) On 6 April 2023, Ms. Li Yu resigned as a director of the Company. On 6 April 2023, Mr. Tao Xueqing, Mr. Kong Ce, and Ms. He Yin were appointed as the director of the Company.
- (4) On 30 May 2023, Mr. Huang Yao resigned as a supervisor of the Company. On 30 May 2023, Ms. Sun Hui was appointed as the supervisor of the Company.
- (5) On 3 August 2022, Mr. Peng Yu and Mr. Yan Yi resigned as the supervisors of the Company. On 17 October 2022, Mr. Tang Hong resigned as a supervisor of the Company.

3. Individuals with highest emoluments

Of the five individuals (a total of seven individuals, with three of them having the same emoluments) with the highest emoluments, one (2022: three) is a director whose emoluments are reflected in the above table. The aggregate of the emoluments in respect of the other six (2022: two) individuals are as follows:

Item	2023	2022
Salaries and other emoluments	4,638,128.52	1,194,598.11
Retirement scheme contributions	253,622.88	80,397.42
Total	4,891,751.40	1,274,995.53

The emoluments of the six (2022: two) individuals with the highest emoluments are within the following bands:

Item	2023 Number of individuals	2022 Number of individuals
Nil – HKD1,000,000	6	2
Total	6	2

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

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

Customer type	2023	2022
Receivable due from subsidiaries	26,316,114.70	24,497,032.20
Subtotal	26,316,114.70	24,497,032.20
Less: Provision for bad and doubtful debts	-	-
Total	26,316,114.70	24,497,032.20

(2) Accounts receivable by ageing is as follows:

Ageing	2023	2022
Within 1 year (inclusive)	26,316,114.70	24,497,032.20
Subtotal	26,316,114.70	24,497,032.20
Less: Provision for bad and doubtful debts	-	-
Total	26,316,114.70	24,497,032.20

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

(3) Accounts receivable by provision method

Category	2023					2022				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on portfolio basis										
- Portfolio of related parties	26,316,114.70	100%	-	-	26,316,114.70	24,497,032.20	100%	-	-	24,497,032.20
Total	26,316,114.70	100%	-	-	26,316,114.70	24,497,032.20	100%	-	-	24,497,032.20

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

	Note	2023	2022
Dividends receivable	(1)	108,844,080.48	14,163,356.80
Others	(2)	1,625,130,873.16	962,073,685.88
Total		1,733,974,953.64	976,237,042.68

(1) Dividends receivable

(a) Classification of dividends receivable:

Investee	2023	2022
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	108,844,080.48	14,163,356.80
Total	108,844,080.48	14,163,356.80

(2) Others

(a) Other receivables by customer type:

Customer type	2023	2022
Receivable due from subsidiaries	1,623,839,594.45	961,991,037.16
Others	1,291,278.71	82,648.72
Subtotal	1,625,130,873.16	962,073,685.88
Less: Provision for bad and doubtful debts	-	-
Total	1,625,130,873.16	962,073,685.88

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (continued)

(2) Others (continued)

(b) Other receivables by ageing are as follows:

Ageing	2023	2022
Within 1 year (inclusive)	668,369,016.57	132,793,969.80
1 to 2 years (inclusive)	132,550,000.00	81,164,406.83
2 to 3 years (inclusive)	81,098,438.06	219,958,973.40
Over 3 years	743,113,418.53	528,156,335.85
Subtotal	1,625,130,873.16	962,073,685.88
Less: Provision for bad and doubtful debts	-	-
Total	1,625,130,873.16	962,073,685.88

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

(c) Other receivables by provision method

Category	2023					2022				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
Amount	Proportion (%)	Amount	Proportion (%)	Amount		Proportion (%)	Amount	Proportion (%)		
Provision for bad and doubtful debts on portfolio basis										
- Portfolio 1	1,625,130,873.16	100%	-	-	1,625,130,873.16	962,073,685.88	100%	-	-	962,073,685.88
Total	1,625,130,873.16	100%	-	-	1,625,130,873.16	962,073,685.88	100%	-	-	962,073,685.88

The Company's other receivables were mainly borrowings and other current accounts of subsidiaries within the scope of consolidation, which the Company considers are recoverable at any time and no provision for bad and doubtful debts is required.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments

(1) Long-term equity investments by category:

Item	2023			2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	1,217,536,116.02	-	1,217,536,116.02	1,191,336,116.02	-	1,191,336,116.02
Investment in associates	292,188,694.92	-	292,188,694.92	170,541,849.63	-	170,541,849.63
Total	1,509,724,810.94	-	1,509,724,810.94	1,361,877,965.65	-	1,361,877,965.65

(2) Investment in subsidiaries

Name	Opening balance	Increase during the year	Decrease during the year	Closing balance	Provision for impairment during the year	Closing balance of provision for impairment
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	113,505,246.64	-	-	113,505,246.64	-	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	97,349,923.01	-	-	97,349,923.01	-	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	305,302,001.65	-	-	305,302,001.65	-	-
Sichuan Energy Investment Yuejiang Power Generation Co., Ltd. (四川能投月江發電有限公司)	3,000,000.00	-	-	3,000,000.00	-	-
Sichuan Energy Investment Yibin Electricity Co., Ltd. (四川能投宜賓電力有限公司)	60,000,000.00	-	-	60,000,000.00	-	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投拱縣電力有限公司)	44,763,745.89	-	-	44,763,745.89	-	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	40,000,000.00	-	-	40,000,000.00	-	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	340,314,958.06	-	-	340,314,958.06	-	-
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	101,100,240.77	-	-	101,100,240.77	-	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有有限公司)	74,000,000.00	-	-	74,000,000.00	-	-
Sichuan Energy Investment Gao County Integrated Energy Co., Ltd. (四川能投高縣綜合能源有限公司)	12,000,000.00	-	-	12,000,000.00	-	-
Sichuan Energy Investment Junlian Green Energy Co., Ltd. (四川能投筠連綠色能源有限公司)	-	16,000,000.00	-	16,000,000.00	-	-
Sichuan Energy Investment Changning Green Energy Co., Ltd. (四川能投長寧綠色能源有限公司)	-	10,200,000.00	-	10,200,000.00	-	-
Total	1,191,336,116.02	26,200,000.00	-	1,217,536,116.02	-	-

For information on the subsidiaries of the Company, Please see Note VII.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (continued)

(3) Investments in associates:

Name of investee	Opening balance	Investment income under equity method	Additional investment	Closing balance	Closing and opening balance of provision for impairment
Associates					
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	51,360,023.10	1,196,868.76	-	52,556,891.86	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,988,089.84	243,639.41	-	106,231,729.25	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	13,193,736.69	1,222,503.89	-	14,416,240.58	-
Shenzhen CEGN Co., Ltd. (深圳市車電網絡有限公司)	-	3,783,833.23	115,200,000.00	118,983,833.23	-
Total	170,541,849.63	6,446,845.29	115,200,000.00	292,188,694.92	-

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Note	2023		2022	
		Revenue	Cost	Revenue	Cost
Principal business		41,276,450.82	5,017,576.21	43,418,077.39	13,110,064.66
Other businesses		-	-	-	-
Total		41,276,450.82	5,017,576.21	43,418,077.39	13,110,064.66
Including: Revenue from					
contracts	XV.4(2)	41,276,450.82		43,418,077.39	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenue and operating costs (continued)

(2) Revenue from contracts

Type of contracts	2023	2022
Type of goods		
– Grid wheeling charges of subsidiaries	18,955,632.21	21,820,822.02
– Management fee of subsidiaries	22,320,818.61	21,597,255.37
Total	41,276,450.82	43,418,077.39
Classified by time of transfer of goods		
– Revenue recognized at a point in time	18,955,632.21	21,820,822.02
– Revenue recognized over time	22,320,818.61	21,597,255.37
Total	41,276,450.82	43,418,077.39

5. Investment income

Item	2023	2022
Investment income from long-term equity investments accounted for using the cost method	306,930,971.62	284,690,601.83
Investment income from long-term equity investments accounted for using the equity method	6,446,845.29	3,708,057.78
Investment income from financial assets held for trading during the holding period	–	1,938,846.57
Others	–	(684,008.98)
Total	313,377,816.91	289,653,497.20

XVI. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revision) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

Profit for the reporting period	Weighted average return on net assets (%)	Basic earnings per share
Net profit attributable to ordinary shareholders of the Company	11.24%	0.32

The calculation of basic earnings per share is detailed in Note V.45.