



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



2019

**Annual
Report**

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DEFINITIONS

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

“Annual General Meeting” or “AGM”	the annual general meeting to be convened by the Company on 17 June 2020
“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 annual report, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling Shareholders, namely, Hydropower Group, Sichuan Development, and Energy Investment Group
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	domestic ordinary shares in the Company’s registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC-incorporated entities, and are not listed or traded on any stock exchange
“EECS business”	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials
“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
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the ordinary share(s) issued of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange

“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a company established in China on 17 December 2004 with limited liability, one of our Controlling Shareholders
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards Committee
“Listing”	listing of the H Shares of the Company on the main board of the Stock Exchange
“Listing Date”	28 December 2018, on which the H Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus dated 13 December 2018 in relation to the initial public offering of H Shares
“Reporting Period”	the year ended 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares, Domestic Shares and Unlisted Foreign Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Sichuan Development”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly state-owned company established on 24 December 2008 under the laws of the PRC with limited liability, one of our Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Unlisted Foreign Shares”	ordinary shares issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each, and held by China Power International Development Limited (a company incorporated in Hong Kong)
“%”	per cent.

CHAIRMAN'S STATEMENT

2019, the first year of the listing of the Company, witnessed vicissitudes in the market economy and tightening policy environment, which threw greater challenges to the operations and management of the Company. With the all-out support, care and assistance of our Shareholders and all sectors of society, all departments of the Company implemented all decisions and arrangements of the Board and made concerted efforts to tide over difficulties and promote efficient progress of all tasks, enabling the Company to showcase a sound growth. On behalf of all colleagues, I would like to take this opportunity to extend sincere thanks to you all.

Looking back in 2019, the Company has made vigorous efforts to reinforce its strengths, to deepen reform, to optimize the structure, and to implement a strategy of diversification. Owing to our progressive moves and an open cooperative model, achievements have made in many aspects including improved corporate governance structure, strengthened risk prevention and control, elevated enterprise brand value, enhanced capacity of power supply service and steadily risen production and operation results. The total revenue in 2019 saw an increase of 21.7% over that of the previous year, of which, revenue from general power supply business sales, incremental power transmission and distribution business sales, EECS business sales, and net profit attributable to shareholders of the Company recorded a year-on-year increase of 10.7%, 731.1%, 33.8% and 4.1%, respectively.

Looking ahead to 2020, the ending year of the "Thirteenth Five-Year Plan", the Company will seize the favourable opportunity of China's economic shift and speeding up, actively rise to new opportunities and challenges brought by the advance of the reform of state-owned enterprises and the reform of the electric power system, and the deepening of energy technology revolution. Specifically, the Company will maintain profitability while tapping potential room for profit, accelerate transformation and upgrading to optimize asset structure, strengthen risk prevention and control to maintain stable operations, and step up reform and innovation to improve management and control, striving to build the Company into a first-class modern integrated energy service provider with a focus on power supply in China.

We firmly believe, with the strong support from all Shareholders, the management team of the Company will be united to lead all staff to propel high quality development and deliver generous returns for Shareholders and investors by virtue of diligent work. Moreover, we will actively make greater contributions to the sustainable development of the society and environment.



COMPANY PROFILE

1. Corporate Information

Chinese Name:

四川能投發展股份有限公司

English Name:

Sichuan Energy Investment Development Co., Ltd.*

Registered Address:

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

Headquarters/Principal Place of Business in the PRC:

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

Principal Place of Business in Hong Kong:

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

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

Tel: +86 (28) 86299666

Fax: +86 (28) 86299666

E-mail: db@scntgf.com

2. Stock Profile of the Company

Classes of Shares:

H Shares, Domestic Shares and
Unlisted Foreign Shares

Stock Exchange of H Shares:

Main Board of The Stock Exchange
of Hong Kong Limited

Stock Abbreviation of H Shares:

SICHUAN EN INV

Stock Code of H Shares: 1713

3. Executive Directors

Mr. Zeng Yong (*Chairman*)

Mr. Li Hui

Ms. Xie Peixi

4. Non-executive Directors

Ms. Han Chunhong

Ms. Li Yu

Mr. Wang Chengke

Mr. Zhou Yanbin

5. Independent Non-executive Directors

Mr. Kin Kwong Kwok Gary

Mr. Fan Wei

Ms. He Zhen

Mr. Wang Peng

6. Supervisors

Mr. Zeng Zhiwei (*Chairman*)

Ms. Fu Ruoxue

Ms. Li Jia

Mr. Hu Changxian

Ms. Chen Yingchun

Mr. Ouyang Yu

7. Authorized Representatives

Mr. Zeng Yong

Mr. Li Hui

8. Audit Committee

Mr. Kin Kwong Kwok Gary (*Chairman*)

Ms. Han Chunhong

Mr. Fan Wei

* For identification purposes only

9. Remuneration Committee

Mr. Wang Peng (*Chairman*)
Mr. Li Hui
Ms. He Zhen

10. Nomination Committee

Mr. Zeng Yong (*Chairman*)
Ms. He Zhen
Mr. Wang Peng

11. Risk Control Committee

Mr. Fan Wei (*Chairman*)
Ms. Li Yu
Mr. Kin Kwong Kwok Gary

12. Joint Company Secretaries

Mr. Li Hui
Ms. Wong Wai Ling

13. H Share Registrar

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

14. International Auditors

KPMG
Public Interest Entity Auditor registered in
accordance with the Financial Reporting
Council Ordinance
8th Floor, Prince's Building,
10 Chater Road,
Central, Hong Kong

15. Legal Advisors

As to Hong Kong law:
Luk & Partners
in Association with
Morgan, Lewis & Bockius
Suites 1902-1909, 19th Floor,
Edinburgh Tower, The Landmark,
15 Queen's Road Central,
Hong Kong

As to PRC law:
Jingtian & Gongcheng (Chengdu)
31/F, Aerospace Science and Technology Building,
7 Xinguanghua Street,
Jinjiang District, Chengdu City,
the PRC

16. Compliance Advisor

China Tonghai Capital Limited
18/F, China Building,
29 Queen's Road Central,
Hong Kong

17. 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)
Bank of Shanghai Co., Ltd., Chengdu Branch
(上海銀行股份有限公司成都分行)
Industrial Bank Co., Ltd., Chengdu Branch
(興業銀行股份有限公司成都分行)

FINANCIAL HIGHLIGHTS

Summary of consolidated statement of profit or loss	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	2,472,733	2,031,095	1,853,243	1,691,675	1,614,602
Profit before taxation	215,884	198,117	143,554	136,084	118,636
Income tax expense	38,451	28,745	18,664	18,260	13,739
Profit for the year	177,433	169,372	124,890	117,824	104,897
Attributable to:					
Equity shareholders of the Company	176,249	169,150	125,311	116,605	98,148
Non-controlling interests	1,184	222	(421)	1,219	6,749
Basic earnings per share (RMB)	0.16	0.21	0.16	0.15	0.14

Summary of consolidated statement of financial position	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total non-current assets	3,214,344	3,174,276	3,160,594	3,050,312	3,120,152
Total current assets	1,265,794	1,206,916	766,174	989,850	1,328,600
Total assets	4,480,138	4,381,192	3,926,768	4,040,162	4,448,752
Total current liabilities	1,468,003	909,092	1,504,436	1,543,774	2,006,639
Total non-current liabilities	320,103	873,461	305,532	442,753	243,735
Total liabilities	1,788,106	1,782,553	1,809,968	1,986,527	2,250,374
Net assets	2,692,032	2,598,639	2,116,800	2,053,635	2,198,378
Including:					
Equity attributable to equity shareholders of the Company	2,678,053	2,593,124	2,111,507	2,050,641	2,070,259
Equity attributable to non-controlling interests	13,979	5,515	5,293	2,994	128,119

MANAGEMENT DISCUSSION AND ANALYSIS

I. 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 2019, the total electricity consumption in China reached 7.23 trillion kWh, a year-on-year growth of 4.5%. The electricity consumption per capita in China amounted to 5,161 kWh, of which, the household electricity consumption per capita was 732 kWh. In particular, the electricity consumption in the western China increased by 6.2% over the last year, leading other regions in China. By the end of 2019, the national total installed power generation capacity reached 2.01 billion kWh, representing a year-on-year increase of 5.8%. In 2019, the total electricity consumption recorded by Sichuan province was 263.6 billion kWh, a year-on-year increase of 7.2%. According to the Analysis and Forecast Report for National Power Supply and Demand 2019-2020 (《2019-2020年度全國電力供需形勢分析預測報告》) published by China Electricity Council (中國電力企業協會), amidst the general principle of seeking progress while keeping performance stable and countercyclical adjustment of macroeconomic policies in 2020, the electricity consumption nationwide will continue to grow at a steady pace, and the total electricity consumption in China is expected to be 4%-5%, higher than that in 2019 if there is no large-scale extreme temperature event.

Given the facts that the power system reform continues to be proceeded, Sichuan speeds up construction of a national clean energy demonstration base and a national clean energy demonstration province, more efforts are made to replace electric energy and the development of shale gas in southern Sichuan becomes the priority, we believe the Company will see a lower electricity purchase cost, and will expand the space for the businesses development of power sales, energy distribution, power trading, and integrated energy services.

II. Business Overview

2.1 Overview

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

In 2019, we realized revenue of RMB2,472.7 million, representing a year-on-year increase of 21.7%. Our profit before taxation was RMB215.9 million, representing a year-on-year increase of 9.0%. In the same year, we achieved net profit of RMB177.4 million, representing a year-on-year increase of 4.7%, and net profit attributable to equity shareholders of the parent company of RMB176.2 million, representing a year-on-year increase of 4.1%.

As of the end of 2019, we had an aggregate 35 hydropower plants with a total installed capacity of 138,680 kW. We also had one unit of 220 kV substation with a capacity of 180,000 kVA, 19 units of 110 kV substation with an aggregate capacity of 942,000 kVA, and 59 units of 35 kV substation with an aggregate capacity of 553,650 kVA.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operating Results

The following table sets forth the breakdown of the revenue, cost of sales and profit margin by category of business for the years ended 31 December 2018 and 2019, and the percentage of changes.

Business	Year ended 31 December 2019			Year ended 31 December 2018			Percentage of changes (%)/ Percentage points		
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)			
General power supply business	1,927,338	1,555,826	371,512	1,741,476	1,411,112	330,364	10.7	10.3	12.5
Incremental power transmission and distribution business ⁽¹⁾	188,325	176,431	11,894	22,660	19,414	3,246	731.1	808.8	266.4
EECS business ⁽²⁾	357,070	298,099	58,971	266,959	226,659	40,300	33.8	31.5	46.3
Total	2,472,733	2,030,356	442,377	2,031,095	1,657,185	373,910	21.7	22.5	18.3

Note:

- (1) Incremental power transmission and distribution business was disclosed in power business in previous years.
- (2) Include revenue from the sales of electric equipment and materials of RMB20.0 million for the year ended 31 December 2019.

2.2.1 General Power Supply Business

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

Customer	Year ended 31 December				Percentage of changes (%)/ Percentage points	
	2019		2018		Electricity Sales	Revenue
	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales (MWh)	Revenue (RMB'000)		
Household	1,167,026	634,624	1,094,795	601,668	6.6	5.5
General industrial and commercial	914,531	573,772	756,768	516,579	20.8	11.1
Large industrial	1,275,371	677,341	992,207	508,444	28.5	33.2
State Grid	32,672	6,621	66,501	13,459	(50.9)	(50.8)
Others	84,884	34,980	246,187	101,326	(65.5)	(65.5)
Total	3,474,484	1,927,338	3,156,458	1,741,476	10.1	10.7

Most of our revenue for the year ended 31 December 2019 was derived from our general power supply business, representing our revenue from sales of electricity to our industrial, commercial, household and other end users through our power grid within our power supply service area. We generated RMB1,927.3 million of revenue from our general power supply business, which accounted for 78.0% of our total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.2 Incremental Power Transmission and Distribution Business

Our revenue from incremental power transmission and distribution business mainly consists of electricity retail business outside our normal power supply service area and other power distribution business related to new-energy vehicles. By implementing measures to diversify of the industry chain, we generated RMB188.3 million revenue from incremental power transmission and distribution business for the year ended 31 December 2019, which accounted for 7.6% of our total revenue.

2.2.3 EECS Business

We also derived revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the year ended 31 December 2019, we generated RMB357.1 million of revenue from our EECS business, which accounted for 14.4% of our total revenue.

2.3 Main Operational Measures

2.3.1 Reduce cost and boost efficiency to maintain steady growth in profits

In 2019, we reported stable growth in our total revenue due to the following reasons: First, we made concerted efforts to implement a market competitive strategy of stabilizing our existing business while developing our incremental business in order to ensure the steady growth in the power business and electricity tariff income. In the meantime, we were able to more effectively control the purchase cost of electricity. Second, we implemented strict management of our operating costs. Efforts were made in three particular aspects: (i) strengthen our budget planning management, process control and postmortem analysis, and adopt a performance-based assessment system; (ii) put emphasis on the management of accounts receivable and inventory and reduce operating costs; and (iii) enhance financing management and reduce costs of capital. We were able to accomplish these by strengthening our working capital, financing analysis and monitoring the availability of capital to meet our operational needs.

2.3.2 Implement economic scheduling to optimize resource allocation

Based on the power grid structure and taking electricity price as an economic lever, we realized the balance of inter-county load and power supply allocation in case of power shortage and the optimization of resource allocation, and were able to take advantage of the power grid interconnection and its scientific scheduling capability.

2.3.3 Reinforce power grid to lay a solid foundation for safe generation

The principal part of the new Wangchang 220kV substation project has been completed. Besides, the Company enhanced its informatization construction, technological updating, application of new technology, and management and control of power grid equipment. Specifically, among others, 14 centralized control stations were built, and 78 of all 79 substations were unattended. In 2019, the total number of power outages in the power grid reached 2,569, representing a year-on-year decrease of about 28.2% compared with 3,580 in 2018, indicating that the reliability of our power supply has been further improved.

2.3.4 Strengthen professional skills to improve the quality of power supply service

In order to strengthen professional skills, the Company organized 126 trainings for professional technicians in metrology verification, powerline maintenance, preliminary trial and maintenance, and substation operation. 1,125 staff participated in the post-training test with a passing rate of 99.91%. The Company also optimized its service process, reduced the processing time, and simplified the process, realizing an average of no more than 40 working days for users to connect electricity and an increase of over 30% in overall efficiency. Modern information technology was applied to achieve multi-channel and multi-model payment with a utilization rate of 91.40%.

2.3.5 Introduce talents to vitalize high quality development

To begin with, the Company adjusted and improved the settings of 14 functional departments at its headquarters and one directly-controlled production organization to further define the functional responsibilities of each department. Secondly, a two-way choice job fair was held. The average age of 28 middle-level employees is 38 years old, 3-year lower than the original, 11 of whom have master's degrees. Thirdly, multi-channels such as campus recruitment, social recruitment, and internal recruitment were used to strengthen the introduction of talents.

III. Financial Review

Analysis of Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue

Business	Year ended 31 December	
	2019 Revenue (RMB'000)	2018 Revenue (RMB'000)
General power supply business	1,927,338	1,741,476
Incremental power transmission and distribution business ⁽¹⁾	188,325	22,660
EECS business ⁽²⁾	357,070	266,959
Total	2,472,733	2,031,095

Notes:

- (1) Incremental power transmission and distribution business was disclosed in power business in previous years.
- (2) Includes revenue from the sales of electric equipment and materials of RMB20.0 million for the years ended 31 December 2019.

Revenue increased by 21.7% from RMB2,031.1 million for the year ended 31 December 2018 to RMB2,472.7 million for the year ended 31 December 2019, primarily due to (i) an increase of RMB185.8 million in revenue from our general power supply business as a result of an increase in the amount of electricity sales made to our household use, general industrial and commercial use, and large-sale industrial use in 2019, and (ii) increase of RMB165.6 million in revenue from incremental power transmission and distribution business, as the expansion of incremental distribution for an increase in the number of our customers by approximately 32 in 2019 compared to 2018.

General Power Supply Business

Revenue generated from general power supply business increased by 10.7% from RMB1,741.5 million for the year ended 31 December 2018 to RMB1,927.3 million for the year ended 31 December 2019. The increase was primarily due to an increase in the number of our household, general industrial and commercial and large-scale industrial customers by approximately 29,360, 4,300 and 137, respectively, in 2019 compared to 2018. Revenue generated from general power supply business accounted for 78.0% and 85.7% of our total revenue for the years ended 31 December 2019 and 2018, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business increased by 729.5% from RMB22.7 million for the year ended 31 December 2018 to RMB188.3 million for the year ended 31 December 2019. The increase was primarily due to an increase in the number of our customers by approximately 32 in 2019 compared to 2018.

EECS Business

Revenue generated from the EECS business increased by 33.7% from RMB267.0 million for the year ended 31 December 2018 to RMB357.1 million for the year ended 31 December 2019. The increase was primarily due to an increase of the number of the EECS projects the Group undertook in 2019.

Cost of Sales

Business	Year ended 31 December	
	2019 (RMB'000)	2018 (RMB'000)
General power supply business	1,555,826	1,411,112
Incremental power transmission and distribution business	176,431	19,414
EECS business	298,099	226,659
Total	2,030,356	1,657,185

Cost of sales increased by 22.5% from RMB1,657.2 million for the year ended 31 December 2018 to RMB2,030.4 million for the year ended 31 December 2019, mainly due to an increase in electricity purchase from third-party suppliers as a result of the expansion in the scale of general power supply business and incremental power transmission and distribution business.

General Power Supply Business

Cost of sales associated with our general power supply business increased by 10.3% from RMB1,411.1 million for the year ended 31 December 2018 to RMB1,555.8 million for the year ended 31 December 2019. The increase was primarily due to an increase in electricity purchases from third-party suppliers as a result of an increase in the scale of general power supply business in 2019. Cost of sales from general power supply business accounted for 85.1% and 76.6% of our total cost of sales for the years ended 31 December 2018 and 2019, respectively.

Incremental Power Transmission and Distribution Business

Cost of sales associated with the incremental power transmission and distribution business increased by 809.3% from RMB19.4 million for the year ended 31 December 2018 to RMB176.4 million for the year ended 31 December 2019. The increase mainly due to an increasing scale of our incremental power transmission and distribution business in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EECS Business

Cost of sales associated with the EECS business increased by 31.5% from RMB226.7 million for the year ended 31 December 2018 to RMB298.1 million for the year ended 31 December 2019. The increase was primarily due to an increase in the number of EECS projects we undertook in 2019.

Gross Profit and Gross Profit Margin

Business	Year ended 31 December			
	2019		2018	
	Gross Profit (RMB'000)	Gross Profit Margin %	Gross Profit (RMB'000)	Gross Profit Margin %
General power supply business	371,512	19.3	330,364	19.0
Incremental power transmission and distribution business	11,894	6.3	3,246	14.3
EECS business	58,971	16.5	40,300	15.1
Total	442,377	17.9	373,910	18.4

Our gross profit increased by 18.3% from RMB373.9 million for the year ended 31 December 2018 to RMB442.4 million for the year ended 31 December 2019. Gross profit margin decreased from 18.4% for the year ended 31 December 2018 to 17.9% for the year ended 31 December 2019 mainly due to the decrease of the gross profit margin of the incremental power transmission and distribution business from 14.3% for the year ended 31 December 2018 to 6.3% for the year ended 31 December 2019.

General Power Supply Business

The gross profit under general power supply business increased by 12.4% from RMB330.4 million for the year ended 31 December 2018 to RMB371.5 million for the year ended 31 December 2019. The increase was primarily due to an increase in the amount of electricity sales made to our household use, general industrial and commercial use, and large-sale industrial use in 2019.

Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business increased by 271.9% from RMB3.2 million for the year ended 31 December 2018 to RMB11.9 million for the year ended 31 December 2019. The increase was primarily because we entered into the contracts with approximately 32 new customers during 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

EECS Business

The gross profit of EECS business increased by 46.4% from RMB40.3 million for the year ended 31 December 2018 to RMB59.0 million for the year ended 31 December 2019. The corresponding gross profit margin increased from 15.1% for the year ended 31 December 2018 to 16.5% for the year ended 31 December 2019. The increase was primarily due to the new EECS projects we undertook during 2019 had a higher gross profit margin compared to other EECS projects we undertook.

Other Income

Other income is generally comprised of (i) government grants; (ii) interest income; (iii) fair value changes of other financial assets; and (iv) others. Other income decreased by 45.9% from RMB52.5 million for the year ended 31 December 2018 to RMB28.4 million for the year ended 31 December 2019, mainly due to a decrease of fair value of other financial assets and no long-aged payables written-off in 2019.

Administrative Expenses

Administrative expenses primarily consist of (i) staff and labor costs; (ii) depreciation and amortization; (iii) taxes; (iv) office and travelling expenses; (v) vehicle costs; and (vi) others. Administrative expenses increased by 5.2% from RMB181.6 million for the year ended 31 December 2018 to RMB191.0 million for the year ended 31 December 2019, primarily due to an increase of staff and labor costs and consulting commissions during 2019.

Impairment Losses on Trade and Other Receivables and Contract Assets

Impairment losses on trade and other receivables and contract assets increased significantly by 82.5% from RMB11.4 million for the year ended 31 December 2018 to RMB20.8 million for the year ended 31 December 2019. The increase was primarily due to an increase of RMB12.3 million in impairment losses on trade receivables and contract assets in relation to our business.

Other Expenses

Other expenses primarily consist of (i) impairment losses on property, plant and equipment; (ii) net losses on disposal of property, plant and equipment; and (iii) others. Other expenses increased from RMB3.5 million for the year ended 31 December 2018 to RMB4.6 million for the year ended 31 December 2019. The increase was primarily due to an increase of RMB2.4 million in earthquake relief work in 2019.

Finance Costs

Finance costs increased by 10.6% from RMB35.7 million for the year ended 31 December 2018 to RMB39.5 million for the year ended 31 December 2019, primarily due to an increase of RMB8.3 million in foreign exchange loss.

Share of Profits Less Losses of Associates

Share of profits less losses of associates decreased by 74.4% from RMB3.9 million for the year ended 31 December 2018 to RMB1.0 million for the year ended 31 December 2019, primarily due to a decrease of RMB3.3 million in profits from two small loan company associates of the Company in 2019 as a result of the adverse loan market conditions.

Income Tax

Income tax expenses were RMB28.7 million and RMB38.5 million for the years ended 31 December 2018 and 2019 at effective tax rates of 15% and 18%, respectively. The increase in income tax was caused by an increase of RMB11.3 million in current portion of the PRC corporate income tax provision for 2019, as a result of an increase in profit before taxation of our subsidiaries.

Profit for the Year

As a result of the above, profit for the year increased by 4.7% from RMB169.4 million for the year ended 31 December 2018 to RMB177.4 million for the year ended 31 December 2019.

Analysis of Key Items of Consolidated Statement of Financial Position

Property, Plant and Equipment

	As at 31 December	
	2019 (RMB'000)	2018 (RMB'000)
Property, Plant and Equipment	2,671,074	2,630,475

Our property, plant and equipment, which consisted primarily of plants and buildings, machinery, vehicles, office equipment, properties leased for own use and projects under construction increased from RMB2,630.5 million as of 31 December 2018 to RMB2,671.1 million as of 31 December 2019, mainly due to an increase in the number of projects under construction in 2019.

Intangible Assets

Our intangible assets increased from RMB4.4 million as of 31 December 2018 to RMB4.7 million as of 31 December 2019, primarily because of an increase of software we acquired in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventories

Our inventories consisted primarily of raw materials, spare parts and others. The table below sets forth the breakdown of our inventory as of the indicated dates:

	As at 31 December	
	2019 (RMB'000)	2018 (RMB'000)
Raw materials	56,647	55,696
Spare parts and others	199	308
Total	56,846	56,004

Our inventories remained relatively stable at RMB56.8 million as at 31 December 2019 compared to RMB56.0 million as at 31 December 2018.

Our average inventory turnover days (calculated by using the average of opening and closing balance of the inventory for a period divided by the cost of sales of the period and multiplied by the number of days in the period) remained relatively stable at 9.7 days as at 31 December 2018 compared to 10.1 days as at 31 December 2019.

Trade and Other Receivables

Our trade and other receivables were RMB331.7 million and RMB394.4 million as at 31 December 2018 and 2019, respectively. The increase in our trade and other receivables were mainly due to an increase of trade receivables due to adjustment of settlement date in marketing system.

The turnover days of our average trade and other receivables (calculated by using the average of opening and closing balance of the trade receivables for a period divided by the revenue of the period and multiplied by the number of days in the period) decreased from 49.0 days for the year ended 31 December 2018 to 46.9 days for the year ended 31 December 2019. The decrease was mainly due to the adjustment of measures of reducing the balance of accounts receivables the Group undertook in 2019.

Trade and Other Payables

Our trade and other payables were RMB644.6 million and RMB791.7 million as at 31 December 2018 and 2019, respectively. The increase in our trade and other payables was mainly due to the increase of trade payables due to adjustment of settlement date in marketing system.

The average turnover days of our trade and other payables (calculated by using the average of opening and closing balance of the trade payables for a period divided by the cost of the period and multiplied by the number of days in the period) stayed relatively stable at 79.0 days and 78.4 days for the years ended 31 December 2018 and 2019, respectively.

Contract Liabilities

Our contract liabilities increased by 14.7% from RMB179.5 million as of 31 December 2018 to RMB205.8 million as of 31 December 2019, primarily due to the increase of deposit and advance payment received from EECS business, which increased significantly in 2019.

Liquidity and Financial Resources

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

As at 31 December 2019, our cash and cash equivalents amounted to RMB780.5 million (31 December 2018: RMB798.0 million).

As at 31 December 2019, the total borrowings of our Group amounted to RMB591.8 million (31 December 2018: RMB764.3 million), including bank and other borrowings. All of our bank and other borrowings bear interest at floating rate. For details of our borrowings, please see note 23 to the financial statement.

As at 31 December 2019, the gearing ratio of our Group was 21.7% (31 December 2018: 28.9%). Gearing ratio is calculated based on our total interest-bearing liabilities as of 31 December 2019 divided by total equity as of the same date.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Dividend

The Board proposed to declare a final dividend of RMB0.1 per Share (tax inclusive) for the year ended 31 December 2019 to Shareholders whose names appeared on the register of members of the Company on 28 June 2020 (the “Record Date”), with the total amount of dividend amounting to approximately RMB107,435,770. Subject to approval of the declaration of dividend by Shareholders at the Annual General Meeting, the final dividend is expected to be paid on or before 17 July 2020. For more details, please refer to “Dividends and Distribution” of this report.

V. 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 were 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. Our Group has utilized RMB100.7 million of such proceeds from the Global Offering according to those disclosed in the prospectus as at 31 December 2019. The remaining of RMB279.8 million has not been used.

Use of Proceeds	Amount unused as at 1 January 2019 (RMB'000)	Amount used for the year (RMB'000)	Amount unused as at 31 December 2019 (RMB'000)	Estimated schedule ⁽¹⁾
	Acquisition of power-related assets	152,193	–	152,193
Construction and optimization of power grid	114,145	59,500	54,645	2020-2021
Establishment of centralized power dispatching and control center and promotion of smart grid system	76,097	39,000	37,097	2020-2021
Working capital	38,048	2,210	35,838	2020-2021
Total	380,483	100,710	279,773	

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.

VI. 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 commitment and has determined that it is more likely to make the commitment.

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

	As at 31 December	
	2019	2018
	(RMB'000)	(RMB'000)
Contracted for	24,014	31,963

VII. Significant Investments Held, Major Acquisitions and Disposals

For the year ended 31 December 2019, the Group did not have any significant investments held, nor were there any major acquisitions or disposals of subsidiaries, associates, or joint ventures.

VIII. Pledges of Our Group's Assets

No property, plant and equipment were pledged to banks as at 31 December 2019 (31 December 2018: nil).

IX. Foreign Exchange Risk

Our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. The Group carried out business in the PRC and receives revenue and pays its costs/expenses in RMB. The Group has unutilised proceeds from the Global Offering and distributed dividends in Hong Kong dollar, and recognises net foreign exchange losses of RMB8.3 million as at 31 December 2019.

X. Contingent Liabilities

As at 31 December 2019, our Group did not have any contingent liabilities (31 December 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

XI. Major Investment Plan

We plan to expedite the construction of the 220 kV main power grids, including the investment in the construction of new 220 kV substation project in Wangchang of Pingshan County and Lianhua of Xingwen County, in order to promote the voltage level of the backbone power grids, and improve the power supply and support capability, operational efficiency and service level of the provincial Yibin power grid. The funds for this project are mainly from the proceeds from the Global Offering.

XII. Employee and Remuneration Policy

As at 31 December 2019, the Company had a total of 2,968 full-time employees (31 December 2018: 3,066). The related employee costs (including directors' fees) for the year were approximately RMB383.4 million. The Company believes that attracting, recruiting and retaining high-quality employees is essential to the success of the Company. Our employee compensation is determined based on current industry practices and employees' educational background, experience and performance. The Company has contributed to a number of employee social security plans managed by local governments for employees, including housing provident funds, pensions, medical insurance, social insurance and unemployment insurance, etc., and provide employees with adequate job training in accordance with the laws and regulations in China. To attract outstanding employees, the remuneration committee under the Board regularly reviews employees' remuneration policies and benefits.

XIII. Subsequent Events

There was no important event affecting the Company nor any of its subsidiaries after 31 December 2019 and up to the date of this report.

XIV. Outlook

Our Company actively advocates strategy-oriented philosophy. In accordance with the decision by the shareholders and the Board in this regard, the Company will strive to increase assets, expedite the construction of advanced power grids, strengthen risk control capability, improve the quality of power supply service to ensure stable growth in operating results, remarkable returns to Shareholders and high-quality and sustainable development of the Company. The focuses of our Company's work in 2020 are as follows:

(1) Push forward acquisition and restructuring to expand business scale

The Company will, with the support of Shareholders, seek opportunity for acquisition of quality power grid and power asset to expand the scale of assets, enhance agglomeration effect, diversify sources of profit and improve the quality of overall development.

(2) Reinforce risk management and control to improve the management level

The Company will further improve its refined management level, reinforce risk management and control capability, establish a sound compliance system, standardize corporate governance, optimize the management of substantial events and improve the efficiency decision-making process and operations to boost sustained growth and development.

(3) Speed up the construction of power grid to improve service capability

The Company will speed up the construction of 220 kV power grid, complete the construction of Wangchang 220kV substation in Pingshan County and put it into operation and duly initiate other 220 kV power grid construction projects. Efforts will also be made in accelerating informatization construction, optimizing business processing procedures, enriching methods of online service to continuously enhance quality service capability.

(4) Expand business in full strength to perfect industrial landscape

In accordance with the policies on power system reform, the Company will further clarify its business structure, optimize the corporate structure, improve the quality and efficiency of internal business collaboration, vigorously expand market-based business and orderly boost investment in and construction of incremental distribution network. The Company will also continue to optimize the industrial landscape by combining the current development condition in local regions.

(5) Quicken talents cultivation to vitalize development

The Company will step up efforts to set up a talent team, increase training of employees, further improve the incentive and restraint mechanism, improve the overall quality of the team, and stimulate the enthusiasm of employees.

REPORT OF THE BOARD OF DIRECTORS

In 2019, 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 2019 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 generation, distribution and sales 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 our Board at its discretion and will be subject to Shareholders' approval. A decision to declare or to pay any dividends, and the amount of any dividends, will depend on, among other things, our operating results, cash flows, financial condition, operating and capital expenditure requirements, distributable profits as determined under generally accepted accounting principles of the PRC (the "PRC GAAP") or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations and other factors that our Directors may consider relevant. In any event, the Company will pay dividends out of the profit after tax only after the following allocations is made:

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

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

Dividends and Distribution

The Board proposed to declare a final dividend of RMB0.1 per Share (tax inclusive) for the year ended 31 December 2019 to Shareholders whose names appeared on the register of members on 28 June 2020 (the “Record Date”), with the total amount of dividend amounting to approximately RMB107,435,770. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 17 July 2020.

For the distribution of dividends, dividends for holders of Domestic Shares and Unlisted Foreign Shares will be distributed and paid in RMB, while dividends for holders of H Shares will be declared in RMB but paid in HK\$. The exchange rate adopted for conversion was the average of the medium conversion price between RMB and HK\$ as announced by China Foreign Exchange Trading Center for the calendar week immediately prior to 24 March 2020, being the date of proposed declaration of dividend (i.e. 17 March 2020 to 23 March 2020) (HK\$1.0 to RMB0.9092). Accordingly, the amount of the final dividends payable in HK\$ will be approximately HK\$0.10999 per Share.

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.

REPORT OF THE BOARD OF DIRECTORS

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.

Closure of Register of Members

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 18 May 2020 to 17 June 2020 (both days inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on 18 May 2020 are entitled to attend and vote at the forthcoming Annual General Meeting. In order to be qualified to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on 15 May 2020.

In order to determine the entitlement of Shareholders for the final dividend, subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from 23 June 2020 to 28 June 2020 (both days inclusive), during which period no transfer of Shares of the Company will be effected. The Company will distribute final dividends to Shareholders which are on the register of members of the Company on 28 June 2020. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on 22 June 2020.

Business Review

The business review and performance of the Company for the year ended 31 December 2019 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 2019 are set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of the Report of the Board of Directors.

Corporate Governance

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

Share Capital

Details of the changes in the share capital of the Company during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements of this annual report.

Reserves

Details of the changes in the Company's reserves during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements of this annual report.

Property, Plant and Equipment

Details of the changes in the Company's property, plant and equipment are set out in note 11 to the consolidated financial statements of this annual report.

Donation

During the year ended 31 December 2019, the Group's outward donations were RMB167,900.

Directors

During the year ended 31 December 2019 and up to the date of this annual report, the Board is composed of:

Zeng Yong	Chairman, Executive Director
Wang Heng	Deputy Chairman, Executive Director and General Manager (resigned on 15 April 2019)
Li Hui	Deputy Chairman, Executive Director and General Manager
Xie Peixi	Executive Director (appointed on 19 June 2019)
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Wang Chengke	Non-executive Director
Zhou Yanbin	Non-executive Director
Kin Kwong Kwok Gary	Independent Non-executive Director
Fan Wei	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

The biographies details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report.

REPORT OF THE BOARD OF DIRECTORS

Interests of Directors and Supervisors in Transactions, Arrangements or Contracts

During the year ended 31 December 2019, 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.

Directors' and Supervisors' Right to Acquire Shares or Debentures

During the year ended 31 December 2019, 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.

Director and Supervisor 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 commenced on the Listing Date and is consistent with the term of the third session of the Board of the Group. 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 first 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 2019, 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 8 to the consolidated financial statements in this annual report.

Determination of and Basis for Determination of Remuneration of the Directors, Supervisors and Senior Management

As of 31 December 2019, there were eleven Directors in the Company, including four non-executive Directors who did not receive remuneration from the Company; four independent non-executive Directors who have received remuneration from the Company since January 2019, for which the remuneration shall be subject to the remuneration standards approved by the general meeting; and three executive Directors, including Mr. Zeng Yong, 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.

REPORT OF THE BOARD OF DIRECTORS

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

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

Directors', Supervisors' and Senior Management's Interests in Competing Business

During the year ended 31 December 2019, to the best knowledge of the Board, none of the Directors, Supervisors, senior management 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 2019, 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 2019, 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:

Long position in the ordinary Shares of the Company as at 31 December 2019

Name of shareholder	Capacity	Class of Shares	Number of Shares	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)	Beneficial owner and interest of controlled corporations	Domestic Shares	419,336,000	39.03	59.27
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	Domestic Shares	394,398,400	36.71	55.74
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner	Domestic Shares	394,398,400	36.71	55.74
China Power International Development Limited (中國電力國際發展有限公司)	Beneficial owner	Unlisted Foreign Shares	98,039,200	9.13	100
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 3)	Interest of controlled corporations	Domestic Shares	98,039,200	9.13	13.86
Three Gorges Capital Holdings Company Limited* (三峽資本控股責任有限公司)	Beneficial owner	Domestic Shares	98,039,200	9.13	13.86
Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	Domestic Shares	92,406,000	8.60	13.06
Yibin City State-owned Assets Operation Co., Ltd.* (宜賓市國有資產經營有限公司)	Beneficial owner	Domestic Shares	65,359,500	6.08	9.24
Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	5.15	20.60
Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) (Note 4)	Interest of controlled corporations	H Shares	46,326,000	4.31	17.23
SCIG International Limited	Beneficial owner	H Shares	46,326,000	4.31	17.23
Ou Zongrong (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Lin Shuying (Note 5)	Interest of spouse	H Shares	31,638,000	2.94	11.77
RoYue Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro Properties Group Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro International Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro Hong Kong Limited	Beneficial owner	H Shares	31,638,000	2.94	11.77
Sichuan Furun Enterprise Reorganization Investment Co., Ltd.* (四川富潤企業重組投資有限責任公司)	Beneficial owner	H Shares	31,072,000	2.89	11.56
Aegis Investment Holdings Limited	Beneficial owner	H Shares	30,508,000	2.84	11.35

REPORT OF THE BOARD OF DIRECTORS

Notes:

1. As at 31 December 2019, the Company has issued 707,518,500 Domestic Shares, 98,039,200 Unlisted Foreign Shares and 268,800,000 H Shares. The total number of issued Shares was 1,074,357,700 shares.
2. As at 31 December 2019, Hydropower Group held 394,398,400 Domestic Shares. Hydropower Group is wholly owned by Energy Investment Group which is in turn held by Sichuan Development as to 67.80%. Therefore, Energy Investment Group is deemed to be interested in 394,398,400 Domestic Shares held by Hydropower Group pursuant to Part XV of the SFO; Sichuan Development is also deemed to be interested in the said 394,398,400 Domestic Shares. In addition, Sichuan Development directly held 24,937,600 Domestic Shares of the Company, thus Sichuan Development was deemed to hold a total of 419,336,000 Domestic Shares.
3. As at 31 December 2019, Three Gorges Capital Holdings Company Limited held 98,039,200 Domestic Shares. Three Gorges Capital Holdings Company Limited is directly wholly-owned by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation is deemed to be interested in 98,039,200 Domestic Shares.
4. As at 31 December 2019, SCIG International Limited held 46,326,000 H Shares. SCIG International Limited is directly wholly-owned by Sichuan Provincial Investment Group Company Limited. Therefore, pursuant to Part XV of the SFO, Sichuan Provincial Investment Group Company Limited is deemed to be interested in 46,326,000 H Shares held by SCIG International Limited.
5. As at 31 December 2019, Zhenro Hong Kong Limited held 31,638,000 H Shares. Zhenro Hong Kong Limited is directly wholly-owned by Zhenro International Limited which in turn is directly wholly-owned by Zhenro Properties Group Limited. RoYue Limited, directly wholly-owned by Mr. Ou Zongrong, held 55.26% of equity in Zhenro Properties Group Limited. Therefore, Zhenro International Limited, Zhenro Properties Group Limited, RoYue Limited and Mr. Ou Zongrong are deemed to be interested in 31,638,000 H Shares according to Part XV of the SFO. In addition, Ms. Lin Shuying is the spouse of Mr. Ou Zongrong. Therefore, Ms. Lin Shuying is deemed to be interested in 31,638,000 H Shares according to Part XV of the SFO.

Changes to Information on Directors and Supervisors

According to Rule 13.51B(1) of the Listing Rules, changes in information about Directors and Supervisors are as follows:

With effect from 15 April 2019, Mr. Wang Heng resigned as an executive Director and a member of the remuneration committee of the Company due to his other business commitments. With effect from 15 April 2019, Mr. Li Hui, an executive Director, the general manager, and deputy chairman of the Board, has been appointed as a member of remuneration committee of the Company. With effect from 19 June 2019, Ms. Xie Peixi has been appointed as an executive Director. Please refer to the announcements of the Company dated 15 April 2019 and 19 June 2019 for more details.

Mr. Li Hui resigned as the secretary to the Board on 30 August 2019 and Mr. Li Rui was appointed as the secretary to the Board with effect from the same date.

Mr. Zhou Yanbin resigned as the chairman of Sichuan Jiuhe Electricity Limited* (四川九河電力股份有限公司) in February 2020 and was appointed as the chairman of Yibin Qingyuan Water Investment Co., Ltd.* (宜賓市清源水務投資有限公司) in January 2020.

Mr. Kin Kwong Kwok Gary was appointed as the chief financial officer of Fortunet E-Commerce Group Limited* (鑫網易商集團有限公司) in January 2020.

Upon specific enquiry by the Company and following confirmations from the Directors and Supervisors, save as disclosed above, there had been no other change to any of the information required to be disclosed in relation to any Director and Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the year ended 31 December 2019 that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

Non-exempt Continuing Connected Transactions

During the year ended 31 December 2019, the Group has the following continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

(1) Rural Power Grid Assets Management and Maintenance Agreement (2018-2020)

On 23 November 2018, the Company entered into a rural power grid assets management and maintenance agreement with Hydropower Group, a Controlling Shareholder, pursuant to which the Group agreed to provide management and maintenance service 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 term of the Rural Power Grid Assets Management and Maintenance Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

The Rural Power Grid Assets Management and Maintenance Agreement was entered into because the Company is familiar with electricity demand and power grid operation in certain parts of Cuiping District, Xuzhou District, Xingwen County, Pingshan County, Gong County, Gao County, and Junlian County in Yibin City, Sichuan Province (the "Seven Counties and Districts").

The annual service fees payable by Hydropower Group to the Company pursuant to the provision of management and maintenance services shall be determined based on arms' length negotiation between the parties by reference to the cost standards stipulated under 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)), 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 substation	6,452
	110 kV transformer substation	2,875
Power supply lines (RMB/km)	35 kV power transformation lines	3,637
	110 kV power transformation lines	4,704
Power distribution networks (RMB/km)	10 kV power distribution networks	1,053

It was proposed that the annual caps under the Rural Power Grid Assets Management and Maintenance Agreement for each of the three financial years ended 31 December 2020 would not exceed RMB520,000, RMB11,200,000, and RMB13,300,000, respectively. The annual caps are determined based on (i) the expected total capacity of the transformer substations under operation; and (ii) the expected total length of power supply lines and distribution networks under operation, assuming that the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects. Further, as the majority of the Excluded Rural Power Grid Projects are expected to be completed and put into use after 2018, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

As of 29 November 2019, the annual cap for the year ended 31 December 2019 was adjusted to RMB13,000,000 (tax inclusive, and RMB11,504,424 (tax exclusive)), which was based on: (1) the actual amount of management and maintenance services provided by the Company according to the Rural Power Grid Assets Management and Maintenance Agreement for the six months ended 30 June 2019 and for the ten months ended 31 October 2019, being approximately RMB6,465,132 and approximately RMB10,692,121, respectively; and (2) the anticipated increase of the services according to the construction process and the volume of the power grid assets of the Excluded Rural Power Grid Projects.

During the year ended 31 December 2019, the actual excluding tax transaction amount under the Rural Power Grid Assets Management and Maintenance Agreement was RMB11,357,239. More details of the Rural Power Grid Assets Management and Maintenance Agreement are set forth in the Prospectus and the announcement of the Company dated 29 November 2019.

(2) Rural Power Grid Assets Usage Agreement (2018-2020)

On 23 November 2018, the Company entered into a rural power grid assets usage agreement with Hydropower Group, a Controlling Shareholder pursuant to which the Group has the rights to use the Excluded Rural Power Grid Projects (the “Rural Power Grid Assets Usage Agreement”).

The term of the Rural Power Grid Assets Usage Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

The Company is the only authorized regional power supplier in the designated statutory area that covers the Seven Counties and Districts and certain of the surrounding areas where the Excluded Rural Power Grid Projects, a policy-directed projects for the benefits of people (惠民工程), are located. And the Company currently uses the Excluded Rural Power Grid Projects from time to time after certain part of the Excluded Rural Power Grid Projects are completed and connected to our power grid. Therefore, Hydropower Group authorized us to use the Excluded Rural Power Grid Projects.

The annual usage fees payable by the Company to Hydropower Group shall be the volume of our electricity passing through the Excluded Rural Power Grid Projects multiplied by the unit usage price, being RMB0.0853/kWh, as recommended in the power grid report prepared by Sichuan Electric Power Design & Consulting Co., Ltd.* (四川電力設計諮詢有限責任公司) (“Sichuan Power Consulting”) as commissioned by the Company detailing the information of the Excluded Rural Power Grid Projects.

The formula for calculation of the per kWh usage price is set out below:

$$\text{RMB0.4453/kWh} \times 19.15\% = \text{RMB0.0853/kWh}$$

REPORT OF THE BOARD OF DIRECTORS

RMB0.4453/kWh refers to the price standards of electricity transmission and distribution in Sichuan Province under the Notice on the Price of Electricity Transmission and Distribution of Sichuan Grid for the Years from 2017 to 2019 and the Relevant Matters (Chuan Fagai Jiage [2017] No. 378)* (關於四川電網2017-2019年輸配電價及有關事項的通知(川發改價格[2017]378號)), with reference to the average unit cost of power supply of electricity companies in Sichuan Province, considering the factors including depreciation costs and the operation costs, plus certain profit margin.

19.15% refers to the estimated per kWh depreciation rate of the Excluded Rural Power Grid Projects arrived at with our depreciation costs divided by our total costs for power supply.

The per kWh usage price is subject to PRC regulations and policies issued by the government from time to time.

It was proposed that the annual caps under the Rural Power Grid Assets Management and Maintenance Agreement for each of the three financial years ended 31 December 2020 would not exceed RMB570,000, RMB13,300,000, and RMB17,000,000, respectively. The annual caps are determined based on the expected electricity volume passing through the Excluded Rural Power Grid Projects assuming that the relevant parts of the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects, and the increase in annual caps is also in line with the increase in proposed investment in the construction of the Excluded Rural Power Grid Projects for the three years ended 31 December 2020. Further, as the majority of the Excluded Rural Power Grid Projects are expected to be completed and put into use after 2018, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

On 29 November 2019, the annual cap for the year ended 31 December 2019 was adjusted to RMB16,000,000 (tax inclusive, and RMB14,132,692 (tax exclusive)), which was based on: (1) the expected progress of operation of the Excluded Power Grid Projects; (2) the actual amount of the usage fees under the Rural Power Grid Assets Usage Agreement for the six months ended 30 June 2019 and for the ten months ended 31 October 2019, being approximately RMB7,826,728.67 and approximately RMB12,529,570.00, respectively; and (3) the anticipated amount of electricity under the Excluded Power Grid Projects according to the expected increase in power sales of the Group in these areas.

During the year ended 31 December 2019, the actual excluding tax transaction amount under the Rural Power Grid Assets Usage Agreement was RMB13,336,255. More details of the Rural Power Grid Assets Usage Agreement are set forth in the Prospectus and the announcement of the Company dated 29 November 2019.

(3) Master Products Purchase Agreement (2018-2020)

On 23 November 2018, the Company entered into a master products purchase agreement with Sichuan Energy Investment Material Industry Group Co., Ltd.* (四川能投物資產業集團有限公司) (“Material Industry”), pursuant to which the Company agreed to purchase electric related equipment and materials from Material Industry or its subsidiaries (the “Master Products Purchase Agreement”). Material Industry is an associate of Energy Investment Group and therefore is a connected person of the Company pursuant to the 14A.07 of the Listing Rules.

The term of the Master Products Purchase Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

In order to ensure timely delivery and quality of electric related equipment and materials sourced from external suppliers, the Group will continue to procure from reliable suppliers. As Material Industry has so far been a reliable supplier of the Group, and is familiar with the Group’s standards and requirements, the Group expect to continue such transactions with them after the Listing.

The price of the electric related equipment and materials will be determined on arm’s length negotiations and with reference to the public bidding prices of the relevant products, which should be in any event no less favorable to our Group than those provided by Independent Third Parties.

It was proposed that the annual caps under the Master Products Purchase Agreement for each of the three financial years ended 31 December 2020 would not exceed RMB900,000, RMB9,000,000, and RMB9,000,000, respectively. The annual caps are determined based on the average historical annual transaction amount during the Track Record Period. In respect of the annual cap for the year ended 31 December 2018, it is estimated on a pro-rata monthly basis of the annual caps for the years ended 31 December 2019 and 2020.

During the year ended 31 December 2019, the actual transaction amount under the Master Products Purchase Agreement was nil. More details of the Master Products Purchase Agreement are set forth in the Prospectus.

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

On 28 March 2019, Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司) (“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”) (the “Electricity Purchases and Sales Agreement”), pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to the Group. Yiliangruiyuan Hydropower is an indirect subsidiary of Hydropower Group and Energy Investment Group, and therefore is a connected person of the Company pursuant to the 14A.07 of the Listing Rules.

The term of the Electricity Purchases and Sales Agreement is from 28 March 2019 to 31 December 2021.

The proposed annual caps for intended transactions under the Electricity Purchases and Sales Agreement for the years ended 31 December 2019, 2020 and 2021 are RMB16,640,000 (tax inclusive, and RMB16,155,340 (tax exclusive)), RMB20,000,000 and RMB20,000,000, respectively. The annual caps were determined based on the following factors: the unit price of electricity to be sold under the Electricity Purchases and Sales Agreement; the estimated amount of annual gross electricity to be generated by the hydropower station of Yiliangruiyuan Hydropower (the “Hydropower Station”) which is calculated according to the rated output capacity of electricity generation and the annual utilization hours of the Hydropower Station, taking into account the effect of the water-sufficient and water-deficit seasons; the actual volume of the on-grid electricity per year calculated by deducting the estimated amount of electricity waste during the process of transmission from the amount of annual gross generation electricity of the Hydropower Station.

From 28 March 2019 to 31 December 2019, the actual excluding tax transaction amount under the Electricity Purchases and Sales Agreement was RMB15,419,417. More details of the Electricity Purchases and Sales Agreement are set forth in the announcement of the Company dated 28 March 2019.

(5) EPC Contract for Wangchang 220 kV Transformer Substation Construction Project in Pingshan County (2019-2020)

On 27 June 2019, 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 EPC Contract with Sichuan Energy Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司) (“Sichuan Energy Construction”), and PowerChina Construction Group Chengdu Engineering Corporation Limited* (中國電建集團成都勘測設計研究院有限公司) (collectively, the “Contractors”), an independent third party, pursuant to which, the Contractors agreed to provide engineering, procurement and construction service to the Company for the project (the “EPC Contract”). Sichuan Energy Construction is a subsidiary of Energy Investment Group and therefore a connected person of the Company pursuant to the 14A.07 of the Listing Rules.

The period of the EPC Contract is 200 calendar days, commencing from the date of the work commencement notice issued by Pingshan Electricity to the Contractors.

The proposed annual caps for intended transactions under the EPC Contract for the years ended 31 December 2019 and 2020 are RMB46,975,786 (tax inclusive, and RMB41,571,492 (tax exclusive)) and RMB11,743,946, respectively. The annual caps were determined based on the following factors: the estimated construction schedule of the project under the EPC Contract, the major portion of which will be completed before the end of the year 2019; and the maximum contract price, RMB58,719,732, of the EPC Contract.

From 27 June 2019 to 31 December 2019, the actual excluding tax transaction amount under the EPC Contract was RMB40,803,630. More details of the EPC Contract are set forth in the announcement of the Company dated 27 June 2019.

(6) Engineering Supervision Contract for Wangchang 220 kV Transformer Substation Construction Project in Pingshan County (2019-2020)

On 15 July 2019, Pingshan Electricity, a wholly-owned subsidiary of the Company, entered into the engineering supervision contract with Sichuan Yilian Construction Project Management Co., Ltd.* (四川億聯建設工程項目管理有限公司) (“Sichuan Yilian”), pursuant to which, Sichuan Yilian agreed to provide engineering supervision service to Pingshan Electricity for the project (the “Engineering Supervision Contract”). Sichuan Yilian is a subsidiary of Energy Investment Group and therefore is a connected person of the Company pursuant to 14A.07 of the Listing Rules.

The contract price is RMB630,000, the successful tender price offered by Sichuan Yilian in the public tender and is accepted by the bid evaluation committee (評標委員會) for the project after thorough evaluation, pursuant to the relevant laws and regulations of the PRC.

The proposed annual caps for intended transactions under the Engineering Supervision Contract for the years ended 31 December 2019 and 2020 are RMB504,000 (tax inclusive, and RMB475,472 (tax exclusive)) and RMB126,000, respectively. The annual caps of the Engineering Supervision Contract were determined based on the following factors: the estimated construction schedule of the project, the major portion of which will be completed before the end of the year 2019; and the maximum contract price of RMB630,000 of the Engineering Supervision Contract.

From 15 July 2019 to 31 December 2019, the actual excluding tax transaction amount under the Engineering Supervision Contract for Wangchang 220 kV transformer substation construction project in Pingshan County was RMB475,462. More details of the Engineering Supervision Contract are set forth in the announcement of the Company dated 15 July 2019.

(7) Yuqing Project EPC Contract (2019-2020)

On 29 November 2019, Gong County Electricity, a wholly owned subsidiary of the Company, entered into the Yuqing Project EPC Contract with Sichuan Energy Construction, a connected person, and Sichuan Power Consulting, an independent third party, pursuant to which, Sichuan Energy Construction and Sichuan Power Consulting agreed to provide engineering, procurement and construction service to the Company for the Yuqing substation capacity increase and technique transformation project in Gong County (the “Yuqing Project”) (the “Yuqing Project EPC Contract”).

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

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

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

From 29 November 2019 to 31 December 2019, the actual transaction amount under the Yuqing Project EPC Contract was nil. More details of the Yuqing Project EPC Contract are set forth in the announcement of the Company dated 29 November 2019.

Auditor's Opinion

The auditor of the Company, KPMG, 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. KPMG has reviewed the transactions in accordance with Rule 14A.56 of the Listing Rules and confirmed to the Board that nothing has come to their attention that causes them to believe that: (i) such 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.

Review by the Independent Non-Executive Directors

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

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

Purchase, Sale or Redemption of Listed Securities of the Company

The Company and any of its subsidiaries have not purchased, sold or redeemed any of the listed securities of the Company in 2019.

Major Customers and Suppliers

During the year ended 31 December 2019, the total purchasing amount by the Group from five largest suppliers accounted for 38.14% of the total cost of sales amount for the year ended 31 December 2019, of which the purchasing amount from the largest supplier accounted for 21.63% of the total cost of sales amount for the year ended 31 December 2019.

During the year ended 31 December 2019, the total sales amount by the Group from five largest customers accounted for 16.81% of the total sales for the year ended 31 December 2019, of which the sales amount from the largest customer accounted for 7.39% of the total sales for the year ended 31 December 2019.

During the year ended 31 December 2019, 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.

Pre-emptive Right and Share Option Arrangements

During the year of 2019, the Company had no pre-emptive right and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive right.

Environmental Policies and Performance

The Company strictly complies with laws and regulations in relation to environmental protection and soil and water conservation, and advocates the development philosophy of lower carbon, energy conservation and environmental protection. In practice, the Company carries out environmental impact assessment regularly and implement 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 year ended 31 December 2019, the Company has repeatedly been inspected by the regional environmental protection administrative authorities and has no non-compliance records.

Public Float

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

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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 2019, 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 year ended 31 December 2019. 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 2019.

Risks

(1) Operational Risk

1. With the imminent implementation of Sichuan's "double-parity" policy, the Company's operating model and profitability will be profoundly affected and changed, which will bring great risks and challenges to the Company's future survival, development and management.
2. The power generation of the Company depends on hydrological conditions and may face seasonal business risk. As the power generation of the hydropower plant relies on the ever-changing hydrological conditions in the area where the hydropower plant is located, when the hydrological, climatic, or environmental conditions change, the Company's power generation will change accordingly, which will affect the Company's profitability.

(2) Significant Investment Risk

The Company is currently in a period of accelerating development. The construction of significant investment projects will be launched in succession. The efficient use and supervision of proceeds from the Listing especially will have a material impact on the Company's future development.

(3) Industry Policy Risk

The Company's principal business is the public power supply business for public welfare, and its major business activities are regulated by government authorities. If there are relatively material changes in terms of industrial policies such as energy landscape and price formation mechanism in China, it will affect the Company's existing profit model and have an impact on the Company's operating efficiency in a certain period of time.

(4) Financial Risk

1. Foreign exchange risk: Our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. The Group carries out business in the PRC and receives revenue and pays its costs/expenses in RMB. The Group has unutilised proceeds from the Global Offering and distributed dividends in Hong Kong dollar, and recognised net foreign exchange losses of RMB8.3 million as at 31 December 2019.
2. Funding risk: With the development of the Company, major investment activities will increase. Whether the capital is adequate will dramatically affect the Company's operations and development. Therefore, fund-related activities are exposed to financial risk.

REPORT OF THE BOARD OF DIRECTORS

Material Legal Proceedings

On 11 January 2018, Gong Qinglin Mining Co., Ltd. (珙縣慶林礦業有限公司) (“Qinglin Mining”) filed with Yibin Intermediate People’s Court against Hydropower Group, the Company and one of its subsidiaries, Gong County Electricity. For more details about the aforementioned legal proceeding, please see the section headed “Business – Legal and Regulatory Compliance – Legal Proceedings” in the Prospectus. Qinglin Mining submitted the nolle prosequi application to the Yibin Intermediate People’s Court on 17 January 2019. The Yibin Intermediate People’s Court made an order approving the nolle prosequi application from Qinglin Mining on 20 January 2019. Saved as above, during the year ended 31 December 2019, the Company had not been involved in any material legal proceedings nor arbitration, and the Directors are not aware of any legal proceedings or claims of material importance pending or threatened against the Company.

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

KPMG, Certified Public Accountants, has been our auditor since the Listing Date and has been appointed as the auditor of the Company for the year ended 31 December 2019. The Company’s consolidated financial statements for the year ended 31 December 2019 have been audited by KPMG. A resolution to re-appoint KPMG as the auditor of the Company for the year of 2020 will be proposed at the AGM.

On behalf of the Board

Zeng Yong

Chairman

Chengdu, 22 April 2020

REPORT OF THE SUPERVISORY COMMITTEE

1. Basic Composition of the Supervisory Committee

The Company established the Supervisory Committee on 8 September 2011. As of 31 December 2019, the Supervisory Committee of the Company consisted of six members, including Mr. Zeng Zhiwei, Ms. Chen Yingchun, Mr. Ouyang Yu, Ms. Li Jia, Mr. Hu Changxian and Ms. Fu Ruoxue, of which Mr. Zeng Zhiwei was the chairman of the Supervisory Committee, Ms. Li Jia and Mr. Hu Changxian are employee representative supervisors. The term of office of the Supervisor 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 Listing Rules, 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 interests of Shareholders.

2. Meetings of the Supervisory Committee

In 2019, the Supervisory Committee held two meetings of the Supervisory Committee, and reviewed 6 proposals and relevant reports and the relevant changes of the Supervisory Committee. All supervisors attended the meetings in person or entrusted other supervisors to attend, and there was no unexcused absence. For more details, please refer to "Corporate Governance Report" of 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 year ended 31 December 2019, through supervising the Company's Directors and senior management, the Supervisory Committee believed that the Company's 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.

REPORT OF THE SUPERVISORY COMMITTEE

4. Independent Opinion of the Supervisory Committee on the Operation of the Company

4.1 Independent Opinion on the Company's Legal Operation

The Company's Supervisory Committee supervised the Company's operation according to law, and believed that the decision-making procedures of the general meeting and the Board of Directors of the Company were legal. The Company's Board of Directors 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.

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 2020, 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

Zeng Zhiwei

Chairman

Sichuan, China

22 April 2020

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2019, 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 2019 to 31 December 2019, the Company has complied with all the applicable Corporate Governance Code provisions.

3. Compliance with the provisions of the Model Code by Directors and Supervisors

The Company formulated and implemented an internal rule that is not below the standard of Model Code and adopted the rule as the code of conduct for the Company's directors and supervisors to purchase securities. 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.

b) Make enquiries to the Company

Shareholders, upon payment of reasonable expenses, are entitled to make enquiries about the Company and the Company shall make the relevant documents available at the Company's domicile and place of business in Hong Kong for inspection by the public and Shareholders.

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 Company and submit them in writing 10 days before the convening of the general meeting.
- (2) When the Company convenes a general meeting, a written notice of the meeting shall be given 45 days before the date of the 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 general meeting shall deliver to the Company his/her written reply concerning his/her attendance at such meeting 20 days before the date of the meeting.

4.2 General meeting

During the year ended 31 December 2019, the Company convened one general meeting as follows:

Meeting name	Time	Convening Method	Number of shareholders or their proxies in attendance	Shares represented	Proportion
2018 annual general meeting	19 June 2019	Site	12	910,049,700 shares	84.71%

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

5. The Board

5.1 Composition of the Board

At the end of Reporting Period, the Board of the Company is composed of:

Zeng Yong	Chairman, Executive Director
Li Hui	Deputy Chairman, Executive Director and General Manager
Xie Peixi	Executive Director (appointed on 19 June 2019)
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Wang Chengke	Non-executive Director
Zhou Yanbin	Non-executive Director
Kin Kwong Kwok Gary	Independent Non-executive Director
Fan Wei	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

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

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

5.2 Board meetings

During the year ended 31 December 2019, the Company convened 13 Board meetings in total, at which 56 proposals were considered and approved.

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

Director	General Meeting	Board	Remuneration Committee	Risk control Committee	Audit Committee	Nomination Committee
Executive Directors						
Zeng Yong	1/1	13/13	–	–	–	3/3
Wang Heng (<i>Note 1</i>)	1/1	3/3	–	–	–	–
Li Hui	1/1	13/13	4/4	–	–	–
Xie Peixi (<i>Note 2</i>)	–	8/8	–	–	–	–
Non-executive Directors						
Li Yu (<i>Note 3</i>)	1/1	12/13	–	1/1	–	–
Han Chunhong	1/1	13/13	–	–	6/6	–
Wang Chengke	1/1	13/13	–	–	–	–
Zhou Yanbin	1/1	13/13	–	–	–	–
Independent non-executive Directors						
Kin Kwong Kwok Gary	1/1	13/13	–	1/1	6/6	–
Fan Wei	1/1	13/13	–	1/1	6/6	–
Wang Peng	1/1	13/13	4/4	–	–	3/3
He Zhen	1/1	13/13	4/4	–	–	3/3

Notes:

1. Mr. Wang Heng resigned as a Director of the Company on 15 April 2019.
2. Ms. Xie Peixi was appointed as a Director on 19 June 2019.
3. Ms. Li Yu failed to attend the seventh meeting of the third board of directors held on 28 March 2019 due to her work.

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. During the year ended 31 December 2019, all Directors, namely Mr. Zeng Yong, Mr. Li Hui, Ms. Xie Peixi, Ms. Han Chunhong, Ms. Li Yu, Mr. Wang Chengke, Mr. Zhou Yanbin, Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng had attended special training on insider information and training on notifiable transactions 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

During the year ended 31 December 2019, nine senior management team members of the Company were granted remunerations totaling RMB3.967 million (before tax).

The following table sets out the remuneration paid to senior management of the Company categorized by range during the year ended 31 December 2019 in this annual report:

Remuneration range (RMB'000)	Number of individuals
0-500	4
500-1,000	5

Details for remuneration of Directors are set out in Note 8 to the consolidated financial statements in this annual report.

5.5 The Board and senior management

The Company's chairman and general manager are served by different persons. The Board and senior 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) The Board

The Board exercises the following functions and powers:

- (1) to convene general meetings, to propose at a general meetings 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;

CORPORATE GOVERNANCE REPORT

- (11) to approve the appointment or replacement of executive directors, directors (candidates), supervisors (candidates), and chairman of the Supervisory Committee (candidates) of the Company's wholly-owned subsidiaries, controlling subsidiaries and joint-stock subsidiaries;
- (12) to draw up the Company's basic management system;
- (13) to draw up proposals for amendments to the Articles of Association;
- (14) to determine the establishment of the Company's domestic or overseas branches;
- (15) to decide on the matters such as merger, division, reorganization or dissolution of the Company's wholly-owned subsidiaries and controlling subsidiaries;
- (16) to decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- (17) to propose at general meetings a resolution in respect of candidates for independent non-executive directors and replacement of independent non-executive directors;
- (18) to propose at general meetings for the appointment, renewal or removal of accountant's firm conducting auditing for the Company;
- (19) to hear the work report and inspect the work of the general manager;
- (20) to manage information disclosure of the Company;
- (21) to formulate the equity incentives plan;
- (22) 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;
- (23) to formulate and review the corporate governance policy and practices of the Company;
- (24) to review and supervise the training and continuing professional development of directors, supervisors and senior management staff;

CORPORATE GOVERNANCE REPORT

- (25) to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;
- (26) to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and directors;
- (27) 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;
- (28) 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;
- (29) to exercise other powers conferred by the Articles of Association or general meetings;
- (30) other matters as required by the PRC laws and regulations.

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

During the year ended 31 December 2019, 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.

2) Senior Management

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

The general manager shall exercise the following functions and powers:

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

5.6 Special committees of the Board

5.6.1 Audit committee

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

At the end of the Reporting Period, the Audit Committee comprises Mr. Kin Kwong Kwok Gary, Ms. Han Chunhong and Mr. Fan Wei, with Mr. Kin Kwong Kwok Gary serving as the chairman. During the year ended 31 December 2019, the audit committee held six meetings and considered 15 proposals. The Group’s unaudited interim results for the six months ended 30 June 2019 and the audited annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group for selection and appointment of the external auditors and the financial management and internal control systems of the Group.

5.6.2 Remuneration committee

The remuneration committee of the Company (“Remuneration Committee”) is responsible for proposing to the Board on remuneration policies and structure for all Directors and senior managers of the Company, and establishment of formal and transparent procedures for the formulation of remuneration policies or plans.

At the end of the Reporting Period, the Remuneration Committee comprises Mr. Wang Peng, Mr. Li Hui and Ms. He Zhen, with Mr. Wang Peng serving as the chairman. During the year ended 31 December 2019, the Remuneration Committee held four meetings and considered seven proposals. During the year ended 31 December 2019, the Remuneration Committee also reviewed and recommended to the Board the remuneration packages of the Directors including the executive Directors and the senior management, and reviewed remuneration policies and standard of the Group.

5.6.3 Nomination committee

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

At the end of the Reporting Period, the Nomination Committee comprises Mr. Zeng Yong, Ms. He Zhen and Mr. Wang Peng, with Mr. Zeng Yong serving as the chairman. During the year ended 31 December 2019, the nomination committee held three meetings and considered seven proposals. During the year ended 31 December 2019, the Nomination Committee reviewed and recommended the appointment of Mr. Li Hui as the vice chairman and the general manager; Ms. Xie Peixi as an executive Director; Mr. You Xiao as the vice general manager; Mr. Peng Wanzhang as the chief economist; Mr. Wang Xu as the chief engineer; and Mr. Li Rui as the secretary to the Board.

Nomination policy

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

5.6.4 Risk control committee

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

At the end of the year ended 31 December 2019, the Risk Control Committee comprises Mr. Fan Wei, Ms. Li Yu and Mr. Kin Kwong Kwok Gary, with Mr. Fan Wei serving as the chairman. During the year ended 31 December 2019, the Risk Control Committee held one meeting and considered one proposal. During the year ended 31 December 2019, the Risk Control Committee reviewed the risk control and management of the Group.

5.7 Board diversity policy

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

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.

At the end of the Reporting Period, the Supervisory Committee is comprised of six members, including Mr. Zeng Zhiwei, Ms. Chen Yingchun, Mr. Ouyang Yu, Ms. Li Jia, Mr. Hu Changxian and Ms. Fu Ruoxue. Specifically, Ms. Li Jia and Mr. Hu Changxian are employee representative Supervisors.

During the year ended 31 December 2019, the Supervisory Committee held two meetings and reviewed and approved six proposals including the working report of the Supervisory Committee for 2018, the Financial Report on the final account for 2018, and the profit distribution proposal for 2018, etc.

Details of the attendance of each Supervisor for the meetings of the Supervisory Committee during the year ended 31 December 2019 are set out in the following table:

Supervisors	Meetings to be attended	Meetings attended	Attendance
Zeng Zhiwei	2	2	100%
Chen Yingchun	2	2	100%
Ouyang Yu	2	2	100%
Li Jia	2	2	100%
Hu Changxian	2	2	100%
Fu Ruoxue	2	2	100%

7. Joint company secretaries

In accordance with the Listing Rules, the Company engaged Mr. Li Hui and Ms. Wong Wai Ling, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretaries. Ms. Wong is a member of the Hong Kong Institute of Chartered Secretaries, and is qualified to act as a joint company secretary of the Company. Mr. Li is the main contact of Ms. Wong at 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 year ended 31 December 2019.

8. Internal control and risk management

As of 31 December 2019, the Company has set up 18 basic management systems, including the Articles of Association, the Rules of Procedure for the General Meeting, the Rules of Procedure for the Board of Directors, and the Internal Control Management System, etc. In combination with its actual situation, the Company formulated the Administration Authority Manual for Subsidiaries of Sichuan Energy Investment Development Co., Ltd., the Investor Relationship Management System, the Management System of Funds Raised and other supporting systems, and established a relatively complete internal control and risk management system.

The Board is responsible for establishing and maintaining a sound internal control and risk management system. The audit committee of the Board 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 year ended 31 December 2019, including the Company's resources in accounting and financial reporting functions, staff qualifications and experience, as well as the adequacy of training courses and budget. The Board believes that the Company's internal control and risk management systems are effective.

9. Information disclosures

The chairman of the Company is the first responsible person for the Company's information disclosure management, and the head of finance of the Company is responsible for the specific coordination. During the year ended 31 December 2019, the Company continued to strengthen the construction of modern enterprise systems and standard operational management. It has made a study on domestic and foreign laws and regulations on securities supervision, and established an Information Disclosure Management System in line with the laws and regulations of listed companies. Also, the Company has reinforced the insider information management mechanism and information disclosure approval process of the Company, standardized the behaviors of corporate information disclosure, to ensure the fairness and completeness of information disclosure, protect the legitimate rights and interests of the Company and its Shareholders. In accordance with the requirements of the Listing Rules, the Company disclosed the information that needs to be disclosed in a timely and effective manner during the year ended 31 December 2019.

10. Auditors' remuneration

During the year ended 31 December 2019, the audit service fee paid or payable to the Company's auditor, KPMG was about RMB2,600,000. During the year ended 31 December 2019, the auditor did not provide significant non-audit services to the Company.

11. Director's report on financial responsibility

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

The Directors take responsibility for supervising the preparation of financial reports. In the preparation of the financial statements for the year ended 31 December 2019, 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 year ended 31 December 2019.

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

12. Articles of Association and amendments

There has been no change in the Articles of Association from 1 January 2019 to 31 December 2019.

13. Important Relations

13.1 Investor Relations

The Company attaches importance to providing investors with accurate information in a timely manner. According to domestic and foreign regulatory laws and regulations on securities, the Company has formulated the Investor Relationship Management System in line with the provisions of listed companies, and has established different communication channels with investors so that they can know the latest business development and financial performance, including the annual general meeting, the publication of annual report, announcement and circular on the websites of the Stock Exchange and the Company, to maintain a high degree of transparency.

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

Address:	No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC
Telephone number:	+86 (28) 86299666
Fax:	+86 (28) 86299666
E-mail:	db@scntgf.com
Company Website:	http://www.scntgf.com

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

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

13.2 Employee Relations

The Company attaches importance to employee relations, through standardized and institutionalized management, it insists on standardizing employment procedures according to law, whereby the labor relations are harmonious on the whole. The Company has been rated as "AA-level Model Enterprise with Harmonious Labor Relations in Chengdu City" by Chengdu Labor Relations Coordination Tripartite Committee(成都市協調勞動關係三方委員會).

13.3 Relations with Customers and Suppliers

The Company has its business established on the basis of customer-oriented culture, and is dedicated to setting up a smooth communication and reporting mechanism with provincial, municipal and district as well as county-level governments; meanwhile, as it is of vital importance to the long-term development of the Company by maintaining good relationship with the customers and suppliers, the Company has been providing the customers with high-quality and high-level services.

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
Zeng Yong	56	Executive Director, Chairman, Chairman of the Nomination Committee
Li Hui	56	Executive Director, Deputy Chairman, Member of the Remuneration Committee
Xie Peixi	38	Executive Director, Chairman of the Labor Union
Han Chunhong	42	Non-executive Director, Member of the Audit Committee
Li Yu	34	Non-executive Director, Member of the Risk Control Committee
Wang Chengke	53	Non-executive Director
Zhou Yanbin	53	Non-executive Director
Kin Kwong Kwok		Independent Non-executive Director, Chairman of the Audit Committee, Member of the
Gary	43	Risk Control Committee
Fan Wei	35	Independent Non-executive Director, Chairman of the Risk Control Committee, Member of the Audit Committee
He Zhen	44	Independent Non-executive Director, Member of the Nomination Committee, Member of the Remuneration Committee
Wang Peng	46	Independent Non-executive Director, Chairman of the Remuneration Committee, Member of the Nomination Committee

SUPERVISORS		
Name	Age	Position
Zeng Zhiwei	38	Supervisor, Chairman of the Supervisory Committee
Chen Yingchun	43	Supervisor
Ouyang Yu	42	Supervisor
Fu Ruoxue	46	Supervisor
Li Jia	44	Supervisor
Hu Changxian	48	Supervisor

SENIOR MANAGEMENT		
Name	Age	Position
Li Hui	56	General Manager
Ding Daijun	51	Deputy General Manager
Wang Yuanchun	44	Deputy General Manager
Li Rui	41	Deputy General Manager, Secretary to the Board
You Xiao	50	Deputy General Manager
Li Bi	41	Chief Financial Officer
Wang Xu	51	Chief Engineer
Peng Wanzhang	46	Chief Economist

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Members of the Board of Directors

Mr. Zeng Yong, aged 56, joined the Group in June 2012 and is currently the Party secretary, the Chairman of the Board, an executive Director and the chairman of the nomination committee of the Group. In December 2014, Mr. Zeng graduated from Southwestern University of Finance and Economics* (西南財經大學) with a master degree of senior management business administration. Before joining the Group, he served as the deputy head of station and head of station in Yibin County Dengtouxu Power Station* (宜賓縣鄧頭溪電站) from December 1985 to October 1991, the general manager in Yibin County Gaochang Power Supply Co., Ltd.* (宜賓縣高場供電公司) from June 1992 to May 1994, the manager of Sichuan Yibin Changyuan Industrial Co., Ltd.* (四川省宜賓縣長源實業有限公司) from January 1991 to March 2000, the general manager of Sichuan Changyuan Electric Power Co., Ltd.* (四川長源電力股份有限公司) from March 2000 to September 2001, the chairman of the board in Sichuan Changyuan Electric Power Co., Ltd. from September 2001 to July 2005, the chairman of the board in Sichuan Hydropower Investment & Management Group Changyuan Electric Power Co., Ltd.* (四川省水電集團長源電力有限公司) from July 2005 to June 2010, a general manager assistant, an employee director and the deputy general manager in the Hydropower Group from January 2006 to January 2007, January 2007 to January 2010 and January 2010 to May 2012, respectively, the general manager in our company from June 2012 to June 2014, and a director and the chairman of Sichuan Energy Investment Power Sale Co., Ltd.* (四川能投售電有限責任公司) from November 2016 to April 2017. Outside the Group, Mr. Zeng is currently the chairman of the board of directors of Hydropower Group.

Mr. Li Hui, aged 56, joined the Group in September 2011 and is currently the vice secretary of party committee, an executive Director, deputy chairman, member of Remuneration Committee of the Group and general manager of the Group. Mr. Li is an engineer with a master degree of senior management business administration from Southwestern University of Finance and Economics* (西南財經大學). Mr. Li served as the deputy general manager in the Company from September 2011 to June 2016 and the secretary to the Board of the Company from March 2015 to August 2019. Before joining the Group, he served as a deputy chief and the chief of national assets management section in Local Electric Power Bureau of Sichuan Province* (四川省地方電力局) from January 1997 to January 2005, an office administrator of the board and the general manager assistant in Hydropower Group from January 2005 to June 2010 and March 2008 to September 2011, a deputy chairman of the board in Leshan City Jinyang Electricity Development Co., Ltd.* (樂山市金洋電力開發有限責任公司) from October 2005 to December 2011.

Ms. Xie Peixi, aged 38, joined the Group in January 2019 and is currently an executive Director, the vice secretary of party committee and the Chairman of labor union of the Group. Ms. Xie is a political analyst (政工師) with a bachelor degree of law from Chengdu University of Information Technology* (成都信息工程大學). Before joining the Group, she once worked in Dazhou Urban Planning and Construction Management Supervisory Branch* (達州市城市規劃建設管理監察支隊) from December 1999 to April 2000. Ms. Xie successively served as the director of Dazhou Women's Association in Joint Law Enforcement Branch for Urban Management* (達州市城市管理聯合執法支隊婦女會) from May 2004 to July 2007, the secretary of communist youth league, vice chairwoman of labor union, and the director of female worker committee and the director of labor union office in Sichuan Province Hydropower Investment and Management Group Co., Ltd. from April 2008 to March 2019, May 2015 to March 2019 and December 2015 to March 2017, respectively, a director of staff and the chairwoman of labor union in Sichuan Energy Investment Power Sale Co., Ltd.* (四川能投售電有限責任公司) from November 2016 to January 2019.

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Ms. Han Chunhong, aged 42, joined the Group in March 2018 and is currently a non-executive Director and a member of the Audit Committee. Ms. Han is an intermediate 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 deputy general manager (performing the duties of 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, and the deputy general manager of capital operation department in China Power since December 2017.

Ms. Li Yu, aged 34, joined the Group in October 2016 and is currently a non-executive Director and a member of the risk control committee. Ms. Li is a senior economist with a master degree of international relationships from Tsinghua University* (清華大學). Ms. Li is currently the investment head of fund department in Three Gorges Capital Holdings Co., Ltd* (三峽資本控股有限公司). She served as the department head and the project manager in China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (stock code: 916.HK) from July 2010 to June 2016, and she joined Three Gorges Capital in June 2016 and served as the investment head in Three Gorges Capital since December 2016.

Mr. Wang Chengke, aged 53, joined the Group in May 2017 and is currently a non-executive Director. Mr. Wang graduated from the Correspondence College of Party School of Sichuan Committee of C.P.C.* (四川省委黨校函授學院), majoring in economic management. Mr. Wang is currently the chairman 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). Before joining the Group, he served as a clerk, a staff member and a secretary in Personnel Bureau of Gao County* (高縣人事局) from July 1986 to October 1994. He successively served in Organization Department of Gao County* (高縣組織部) as a secretary, the organizer, the deputy head and concurrently the director of Party Building Office* (黨建辦公室), and the director of Research Office of the Party* (黨研室) from October 1994 to February 2003, the head of Development and Reform Bureau of Gao County* (高縣發展和改革局) from February 2003 to October 2010, and the general manager and person in charge in the Gao County State-owned Assets Co.* (高縣國有資產公司) since September 2010 and was subsequently promoted to chairman of board.

Mr. Zhou Yanbin, aged 53, joined the Group in September 2011 and is currently a non-executive Director. Mr. Zhou graduated from the Party School of Sichuan Committee of C.P.C.* (中央四川省委黨校), majoring in politics. Mr. Zhou is currently the chairman of Yibin Qingyuan Water Investment Co., Ltd.* (宜賓市清源水務投資有限公司). Before joining the Group, he served as an office administrator in the State-owned Assets Supervision and Administration Commission of the People's Government of Yibin City* (宜賓市政府國有資產監督管理委員會) from August 2005 to June 2008. He concurrently served as a director in Yibin Investment Group Co., Ltd.* (宜賓市投資集團有限責任公司) from December 2007 to June 2008, and the chairman of the board in Sichuan Jiuhe Electricity Limited* (四川九河電力股份有限公司) from June 2008 to February 2020.

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Mr. Kin Kwong Kwok Gary, aged 43, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the audit committee and a member of the risk control committee. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants with a bachelor degree of professional accountancy from the Chinese University of Hong Kong. Mr. Kwok is currently the chief financial officer in Fortunet E-Commerce Group Limited* (鑫網易商集團有限公司). Before joining the Group, he served as an accountant in Deloitte Touche Tohmatsu from September 1998 to August 2000, worked in the corporate finance department of KaWah Capital Limited* (嘉華金融有限公司) and BOCI Asia Limited* (中銀國際(亞洲)有限公司) from September 2000 to May 2003, also served as an investment manager and the deputy general manager in CITIC International Assets Management Limited* (中信國際資產管理有限公司) from January 2004 to July 2012, and the chief financial officer and an executive Director in TTG Fintech Limited (previously known as TTG Mobile Coupon Services Limited, ARBN 158 702 400) from July 2012 to December 2017 and September 2012 to December 2017, respectively.

Mr. Fan Wei, aged 35, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the risk control committee and a member of the audit committee. Mr. Fan graduated from Tsinghua University* (清華大學) with a doctor (post doctorate) degree of public administration. Mr. Fan is currently a deputy general manager in Fixed Income Department of Shenwan Hongyuan Securities Co., Ltd.* (申萬宏源證券有限公司) (stock code: 166.SZ). Before joining the Group, he served as the assistant of the secretary (temporary position) (掛職) of Youth League Committee of Jilin Province from January 2015 to May 2016, a part-time graduate supervisor for Tsinghua University School of Economics and Management for the years from 2014 to 2018, and an external graduate supervisor for School of Economics of Peking University from November 2016 to October 2018.

Ms. He Zhen, aged 44, joined the Group in March 2018 and is currently an independent non-executive Director, a member of the nomination committee and a member of the remuneration committee. Ms. He was credited as an associated professor by Southwest Minzu University* (西南民族大學) with a doctor degree of civil and commercial law from Southwestern University of Finance and Economics* (西南財經大學). Ms. He has been a teacher, the director of constitution and administrative law teaching and research section and a master tutor in Southwest Minzu University Law School since July 2003, a part-time lawyer in Sichuan Sunshare Law Firm* (四川泰常律師事務所) since November 2013. Ms. He has 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) since April 2017, an independent non-executive Director of Sichuan Jinshi Leasing Co., Ltd.* (四川金石租賃股份有限公司) since December 2017 and an independent non-executive Director of Chengdu Dahongli Machinery Co., Ltd.* (成都大宏立機器股份有限公司) since December 2017. 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.

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Mr. Wang Peng, aged 46, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the remuneration committee and a member of the nomination committee. Mr. Wang is a professor in North China Electric Power University* (華北電力大學) with a doctor degree of power system and its automation from North China Electric Power University* (華北電力大學). Mr. Wang is currently a professor in North China Electric Power University and an independent non-executive Director of OneForce Holdings Limited (a listed issuer on the Stock Exchange, stock code: 1933). Before joining the Group, he served as a teaching staff in North China Electric Power University* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC* (國家能源局華北監管局)) from May 2005 to May 2015.

II. Members of the Supervisory Committee

Mr. Zeng Zhiwei, aged 38, is currently the Chairman of the Supervisory Committee of the Company. Mr. Zeng is an economist with a master degree of economics majoring in finance from Hohai University* (河海大學). Mr. Zeng is currently the general manager of investment management department in Three Gorges Capital Holdings Co., Ltd. Before joining the Group, he served as the deputy general manager of investment management department and the deputy general manager of securities investment department in Three Gorges Capital Holdings Co., Ltd from March 2017 to June 2018 and June 2015 to March 2017, respectively.

Ms. Chen Yingchun, aged 43, is currently a Supervisor of the Company. Ms. Chen has a bachelor degree of law from the Party School of Sichuan Committee Xingwen Branch* (四川省委黨校興文分校). Ms. Chen is currently a member of discipline committee and the chairman of supervisory committee of Xingwen County Development Investment Group Co., Ltd.* (興文縣發展投資集團有限責任公司). Before joining the Group, she has served as the chairman of supervisory committee of Xingwen County Taiping Industrial Development Co., Ltd.* (興文縣太平實業開發有限責任公司) from March 2018 to now, and she once served as the deputy director of Xingwen County Mining Products Tax Collection and Management Office* (興文縣礦產品稅費徵管辦) from January 2010 to May 2015, and a party member and the deputy director of Xingwen County Tourism Management Bureau* (興文縣風景旅遊管理局) from July 2006 to January 2010.

Mr. Ouyang Yu, aged 42, is currently a Supervisor of the Company. Mr. Ouyang has a part-time bachelor degree of resources economics and management from Sichuan Agricultural University* (四川農業大學). Mr. Ouyang is currently the deputy manager 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). Before joining the Group, he served as the deputy manager of Junlian County State-owned Property Operating Co., Ltd.* (筠連縣國有資產經營有限公司) from June 2016 to June 2017 and the deputy unit head of Agricultural Finance Unit of Finance Bureau in Junlian County* (筠連縣財政局農業股) from March 2012 to June 2016.

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Ms. Fu Ruoxue, aged 46, is currently a Supervisor of the Company. Ms. Fu is a senior accountant with a part-time bachelor degree jointly granted by Southwestern University of Finance and Economics* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee* (四川省高等教育自學考試委員會). Ms. Fu is currently a specialized supervisor in Sichuan Development Holding Co., Ltd.* (四川發展(控股)有限責任公司). Before joining the Group, she served as the head of the audit department in Sichuan Energy Investment Liangli Logistics Development Limited* (四川能投量力物流發展有限公司) from October 2013 to March 2016, a supervisor of the fourth supervisory committee, a member of discipline committee in Sichuan Chemical Company Ltd.* (川化股份有限公司) and a member of budget review committee of the labour union of Sichuan Chemical Company Ltd. from October 2008 to May 2012 and December 2008 to October 2013 respectively.

Ms. Li Jia, aged 44, joined the Company in April 2016 and is currently an employee representative Supervisor of our Company. Ms. Li has a bachelor degree of industrial and commercial administration from School of Economics and Management of Southwest Jiaotong University* (西南交通大學). Before joining the Group, she served as the deputy director of the general manager office and the party branch secretary of Sichuan Chemical Company Ltd.* (川化股份有限公司) from July 2014 to April 2016, and a supervisor, the head of comprehensive management department and a deputy office director of Sichuan Chemical Works Group Ltd.* (川化集團有限公司) from December 2014 to July 2017.

Mr. Hu Changxian, aged 48, joined the Company in January 2016 and is currently an employee representative Supervisor of our Company. Mr. Hu has a bachelor degree of applied physics from Physics Department of Southwest Minzu University* (西南民族大學). Before joining the Group, he served as the secretary of the general party branch and the deputy manager of supply and sales company of Sichuan Chemical Company Ltd.* (川化股份供銷公司) from July 2014 to January 2016, the deputy secretary of general party branch and the deputy head of gas factory of Sichuan Chemical Company Ltd.* (川化股份氣體廠) from August 2011 to August 2014, and the deputy office director and the deputy secretary of party branch of catalyst factory of Sichuan Chemical Company Ltd.* (川化股份催化廠) from April 2006 to August 2011.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. Senior Management

Mr. Li Hui, aged 56, joined the Group in September 2011 and is currently an executive Director, the deputy chairman and the general manager of the Group. For details of biography of Mr. Li Hui, please see the section headed "I. Members of the Board of Directors".

Mr. Ding Daijun, aged 51, joined the Group in October 2011 and is currently deputy general manager of the Group. Mr. Ding is an assistant engineer with a bachelor degree of 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 August 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 October 2012, and the general manager in Energy Investment Junlian Company* (能投筠連公司) from October 2012 to July 2014.

Mr. Wang Yuanchun, aged 44, joined the Group in May 2012 and is currently a deputy general manager. Mr. Wang is an engineer with a bachelor degree of administrative management from China Central Radio & TV University* (中央廣播電視大學). Mr. Wang is currently a Deputy General Manager of the Group, the secretary of the party committee and an executive director of Sichuan Energy Investment Junlian Electric Power Co., Ltd.* (四川能投筠連電力有限公司), and 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). Before joining the Group, he served as the head of station in Yibin County Kongtan Comprehensive Management Station* (宜賓縣孔灘綜合管理站), the leader and the squad leader of Gaosheng marketing group in Yibin Changyuan Electric Power Company Baihua Power Supply Station* (宜賓長源電力公司白花供電所), the deputy head and the chairman of the trade union in Sichuan Changyuan Electric Power Co., Ltd. Lichang Power Supply Station* (四川長源電力股份公司李場供電所), the deputy head in Sichuan Hydropower Investment & Management Group Yibin Changyuan Electric Power Company Baihua Power Supply Station* (四川省水電投資經營集團宜賓長源電力公司白花供電所) from August 2001 to February 2003, February 2003 to March 2004, March 2004 to February 2006 and February 2006 to May 2010, respectively, the deputy manager in Sichuan Hydropower Investment & Management 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 May 2010 to June 2011 and June 2011 to October 2013, respectively, the deputy general manager, an executive director and the general manager in Sichuan Energy Investment Junlian Electric Power Co., Ltd.* (四川能投筠連電力有限公司) from October 2013 to October 2014, July 2014 to October 2014 and September 2014 to July 2017, respectively.

Mr. Li Rui, aged 41, joined the Group in January 2017 and is currently a deputy general manager and secretary to the Board of the Group. Mr. Li is an assistant engineer with a bachelor degree of business administration from University of Science and Technology of China* (中國科學技術大學). He has served as the assistant to the chairman of the Company since January 2017. Before joining the Group, he served as a monitor and the shift supervisor of the power generation department in Wuhu Power Plant* (蕪湖發電廠) from January 2005 to January 2007 and January 2007 to December 2010, a manager and a senior manager of capital operation department in China Power International from December 2010 to May 2015 and from May 2015 to December 2016, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. You Xiao, aged 50, joined the Group in May 2019 and is currently a deputy general manager of the Group. Mr. You is an economist with a bachelor degree of finance from China Central Radio & TV University* (中央廣播電視大學). He has served as the deputy general manager of the Company since May 2019. Before joining the Group, he served as the director of Xinhua Savings Office in Shudu Branch of Bank of China, the director of Luoma Saving Office in Chengdu Branch of Bank of China, the director of Ximapeng Sub-office in Chengdu Qingyang Sub-branch of Bank of China, the director of Chengbei Sub-office, the director of business development department of Bank of China, the director of business division in Jinniu Branch of Bank of China, the governor of High-tech Industrial Development Zone Sub-branch, the director of Industrial and Trade Section in Business Division of Sichuan Branch of Bank of China from February 1990 to October 1991, October 1991 to March 1993, April 1994 to October 1994, October 1994 to April 2001, April 2001 to December 2001, December 2001 to August 2002, August 2002 to May 2003 and May 2003 to June 2005. A deputy director of business division, a deputy senior manager of business department in Bank of Communication, Chengdu Branch, a deputy senior manager of Business Development Department and a senior manager of Key Account Department in Bank of Communication, Sichuan Branch, from July 2005 to January 2006, January 2006 to April 2009, April 2009 to May 2010, and May 2010 to November 2011. A deputy general manager, an executive deputy general manager, a director, the secretary of party branch, the general manager of Chengdu Small Enterprises Credit Guarantee Co., Ltd.* (成都小企業融資擔保有限責任公司) from December 2011 to July 2014, July 2014 to September 2014, September 2014 to November 2014, November 2014 to January 2015 and January 2015 to May 2017. The general manager, the secretary of party branch and an executive director of Western Asset Management (Shenzhen) Co., Ltd.* (西部資產管理(深圳)有限公司) from August 2017 to December 2017, December 2017 to March 2018, and March 2018 to May 2019, respectively.

Ms. Li Bi, aged 41, joined the Group in October 2011 and is currently the chief financial officer of the Group. Ms. Li is a senior accountant with a bachelor degree of management majoring in accounting from Southwestern University of Finance and Economics* (西南財經大學). Ms. Li is currently the Chief Financial Officer and the Head of Finance and Assets Department of the Company, a director and the chief financial officer of Sichuan Energy Investment Yibin Power Sale Co., Ltd.* (四川能投宜賓售電有限公司), and a supervisor of Emeishan Jinkun Micro Credit Company* (峨眉山市金坤小額貸款公司). 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 December 2006 to July 2010, and 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Xu, aged 51, joined the Group in May 2013, and is currently the chief engineer of the Group. 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 in Production and Technology Department of Yibin Electric Power Bureau* (宜賓電業局生技部線損管理), a senior engineer in Yibin Meiyi Leasing Company* (宜賓美宜租賃公司), a senior engineer for consultation and power transformation design in Yibin Siwei Power Consultation and Design Institute* (宜賓四維電力諮詢設計院), a director and consulting engineer in Yibin Siwei Electric Power Consulting 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 46, joined the Group in July 2014, and is currently the chief economist of the Group. 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 secretary of the party committee and an executive director in Pingshan Electricity and a branch secretary of the party committee and the Chairman in Sichuan Energy Investment Yibin Power Sale Co., Ltd* (四川能投宜賓市售電有限公司). 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 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 and served as an assistant general manager of the Company from July 2014 to June 2019, respectively.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Sichuan Energy Investment Development Co., Ltd.

(incorporated in People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Sichuan Energy Investment Development Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 75 to 164, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters (Continued)

Revenue recognition from power business	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(i)).	
Key audit matter	How the matter was addressed in our audit
<p>The Group is an integrated power supplier and service provider in Yibin City, Sichuan Province.</p> <p>For the year ended 31 December 2019, the Group recorded total revenue from generating and supplying power ("power business") of RMB2,116 million, representing 86% of the Group's total revenue for the year.</p> <p>Revenue arising from power business is recognised at the point in time when power is supplied to customer.</p> <p>We identified revenue from power business 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.</p>	<p>Our audit procedures to assess revenue from power business included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue from power business; • involving our internal IT specialists to assist us in assessing the operating effectiveness of those 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 the appropriateness of the Group's accounting policies for revenue recognition with reference to the requirements 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 per sales department with the self-generated power volume recorded by meters and externally purchased power volume from suppliers; • comparing, on a sample basis, revenue transactions recorded during the year with the underlying power supply invoices, meter reading records, bank-in slips for settled balances and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies;

Key audit matters (Continued)

Revenue recognition from power business	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(i)).	
Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • obtaining confirmations, on a sample basis, from major customers with corresponding revenue recognised by the Group during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documents; and • scrutinising all revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documents.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (Continued)

Revenue recognition from construction service	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(iii)).	
Key audit matter	How the matter was addressed in our audit
<p>In addition to the power business, the Group recorded total revenue from provision of electrical engineering construction services of RMB337 million, representing 14% of the Group's total revenue for the year ended 31 December 2019.</p> <p>Revenue arising from construction service is recognised progressively over time by using the cost-to-cost method to estimate the percentage of completion, measured by the proportion of the actual costs incurred to-date relative to the estimated total costs.</p> <p>We identified revenue from provision of electrical engineering construction services 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.</p>	<p>Our audit procedures to assess revenue from provision of electrical engineering construction services included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue from construction service; • inspecting construction service contracts with customers, on a sample basis, to understand key terms and conditions of sales 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 the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable; testing a sample of entries recording cost subsequent to the year end to search for any unrecorded costs for the year; • discussing with management and the project managers, on a sample basis, about the progress of projects with reference to specifications stipulated in the contracts, corroborating status of the projects advised by the project managers with percentage of completion estimated based on actual costs recorded and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion; for major projects, also conducting site visits and physically inspecting status of the projects;

Key audit matters (Continued)

Revenue recognition from construction service	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(iii)).	
Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • 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 the most updated budgets, the relevant underlying agreements, and correspondence with suppliers; • recalculating the percentage of completion and the corresponding revenue recognised based on the latest budgeted costs and actual costs and agreed total revenue amounts, on a sample basis; • performing a retrospective review for major contracts completed during the current year by comparing final outcome of the contracts with previous estimates made for those contracts to assess reliability of the management's forecasting process; • obtaining confirmations, on a sample basis, from major customers for billed receivables at the year end and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documents; and • scrutinising all revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documents.

INDEPENDENT AUDITOR'S REPORT

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	4	2,472,733	2,031,095
Cost of sales	6(c)	(2,030,356)	(1,657,185)
Gross profit		442,377	373,910
Other income	5(a)	28,412	52,543
Administrative expenses		(190,994)	(181,618)
Impairment losses on trade and other receivables and contract assets	28(a)	(20,786)	(11,442)
Other expenses	5(b)	(4,581)	(3,451)
Profit from operations		254,428	229,942
Finance costs	6(a)	(39,535)	(35,696)
Share of profits less losses of associates	15	991	3,871
Profit before taxation		215,884	198,117
Income tax	7(a)	(38,451)	(28,745)
Profit for the year		177,433	169,372
Attributable to:			
Equity shareholders of the Company		176,249	169,150
Non-controlling interests		1,184	222
Profit for the year		177,433	169,372
Earnings per share			
Basic and diluted (RMB)	10	0.16	0.21

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

The notes on pages 81 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	<i>Note</i>	2019 RMB'000	2018 (Note) RMB'000
Profit for the year		177,433	169,372
Other comprehensive income for the year		-	-
Total comprehensive income for the year		177,433	169,372
Attributable to:			
Equity shareholders of the Company		176,249	169,150
Non-controlling interests		1,184	222
Total comprehensive income for the year		177,433	169,372

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 81 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	11	2,671,074	2,630,475
Interests in leasehold land held for own use	12	126,492	133,551
Intangible assets	13	4,749	4,436
Investment in associates	15	269,974	258,203
Other financial assets	16	110,198	117,111
Deferred tax assets	26(b)	31,857	30,500
		3,214,344	3,174,276
Current assets			
Inventories	17	56,846	56,004
Contract assets	18(a)	24,897	12,967
Trade and other receivables	19	394,417	331,732
Prepaid tax	26(a)	5,138	4,243
Restricted deposits	20	4,000	4,000
Cash and cash equivalents	21	780,496	797,970
		1,265,794	1,206,916
Current liabilities			
Trade and other payables	22	791,739	644,638
Contract liabilities	18(b)	205,792	179,539
Loans and borrowings	23	445,778	66,428
Lease liabilities	24	2,294	–
Deferred income	25	7,383	7,132
Current tax liabilities	26(a)	15,017	11,355
		1,468,003	909,092
Net current (liabilities)/assets		(202,209)	297,824
Total assets less current liabilities		3,012,135	3,472,100
Non-current liabilities			
Loans and borrowings	23	146,000	697,910
Lease liabilities	24	5,114	–
Deferred income	25	148,994	156,657
Deferred tax liabilities	26(b)	19,995	18,894
		320,103	873,461
NET ASSETS		2,692,032	2,598,639

The notes on pages 81 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019
(Expressed in Renminbi)

	<i>Note</i>	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
CAPITAL AND RESERVES	<i>27</i>		
Share capital		1,074,358	1,074,358
Reserves		1,603,695	1,518,766
Total equity attributable to equity shareholders of the Company		2,678,053	2,593,124
Non-controlling interests		13,979	5,515
TOTAL EQUITY		2,692,032	2,598,639

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

Approved and authorised for issue by the Board of Directors on 24 March 2020.

Zeng Yong
Director

Li Hui
Director

The notes on pages 81 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	State capital reserve benefits	PRC statutory reserve	Special reserve	Retained profits (Note)			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	805,558	95,317	878,019	42,342	3,842	286,429	2,111,507	5,293	2,116,800
Changes in equity for 2018:									
Profit for the year	-	-	-	-	-	169,150	169,150	222	169,372
Total comprehensive income for the year	-	-	-	-	-	169,150	169,150	222	169,372
Issue of ordinary shares under initial public offering, net of share issuance expenses	268,800	108,112	-	-	-	-	376,912	-	376,912
Transfer to statutory reserve	27(d)(iii)	-	-	15,264	-	(15,264)	-	-	-
Dividends approved in respect of the previous year	27(b)	-	-	-	-	(64,445)	(64,445)	-	(64,445)
Safety production fund	27(d)(iv)	-	-	-	1,130	(1,130)	-	-	-
Balance at 31 December 2018 and 1 January 2019	1,074,358	203,429	878,019	57,606	4,972	374,740	2,593,124	5,515	2,598,639
Changes in equity for 2019:									
Profit for the year	-	-	-	-	-	176,249	176,249	1,184	177,433
Total comprehensive income for the year	-	-	-	-	-	176,249	176,249	1,184	177,433
Investment from non-controlling shareholder	-	-	-	-	-	-	-	7,280	7,280
Transfer to statutory reserve	27(d)(iii)	-	-	3,814	-	(3,814)	-	-	-
Dividends approved in respect of the previous year	27(b)	-	-	-	-	(91,320)	(91,320)	-	(91,320)
Safety production fund	27(d)(iv)	-	-	-	2,576	(2,576)	-	-	-
Balance at 31 December 2019	1,074,358	203,429	878,019	61,420	7,548	453,279	2,678,053	13,979	2,692,032

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 81 to 164 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	2019 RMB'000	2018 (Note) RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	21(b)	494,052	335,408
PRC corporate income tax paid	26(a)	(35,940)	(19,793)
Net cash generated from operating activities		458,112	315,615
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(181,421)	(116,715)
Proceeds from sale of property, plant and equipment		287	62
Payment for investment in other financial assets		(2,920,400)	(4,844,000)
Redemption of other financial assets		2,923,197	4,847,575
Loans repaid by an associate	30(b)	-	1,000
Repayment of advance to related parties		-	5,758
Payment for investment in an associate		(10,780)	-
Interest received		11,266	1,441
Investment income received		-	7,527
Dividends received from associates		-	9,719
Net cash used in investing activities		(177,851)	(87,633)
FINANCING ACTIVITIES			
Proceeds from issuance of shares by initial public offering		-	403,906
Investment from non-controlling interests of a subsidiary		7,280	-
Capital element of lease rentals paid	21(c)	(1,600)	-
Interest element of lease rentals paid	21(c)	(308)	-
Proceeds from new bank loans	21(c)	400,000	750,000
Repayment of bank loans	21(c)	(572,060)	(572,030)
Repayment of other borrowings	21(c)	(500)	(6,364)
Interest paid	21(c)	(30,940)	(36,417)
Dividend paid to equity holders of the Company	21(b)	(91,320)	(64,445)
Net cash (used in)/generated from financing activities		(289,448)	474,650
Net (decrease)/increase in cash and cash equivalents		(9,187)	702,632
Cash and cash equivalents at 1 January		797,970	95,338
Effect of foreign exchanges rates changes		(8,287)	-
Cash and cash equivalents at 31 December	21(a)	780,496	797,970

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 81 to 164 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the other financial assets (see note 1(f)) are stated at their fair value. The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise indicated.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

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

As at 31 December 2019, current liabilities of the Group exceeded current assets by RMB202,209 thousand. Considering the Group's continuous net cash inflows from operating activities, undrawn banking facility as at 31 December 2019 (note 28(b)) and communication with banks based on which the Group believes short-term loans can be renewed or extended if necessary in view of the Group's good credit history, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments and debt obligations. As a result, the consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared on a going concern basis.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and the initial application has no cumulative effect on the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 29 (b). For an explanation of how the Group applies lessee accounting, see note 1(i).

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5%.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 as disclosed in note 29(b) to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	1,902
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(796)
	1,106
Less: total future interest expenses	(138)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	968
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	968

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities in the statement of financial position at 1 January 2019.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	2,630,475	968	2,631,443
Total non-current assets	3,174,276	968	3,175,244
Lease liabilities (current)	–	225	225
Current liabilities	909,092	225	909,317
Net current assets	297,824	(225)	297,599
Total assets less current liabilities	3,472,100	743	3,472,843
Lease liabilities (non-current)	–	743	743
Total non-current liabilities	873,461	743	874,204
Net assets	2,598,639	–	2,598,639

c. Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit for the year in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result and cash flows of the Group (Continued)

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 21(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flows (see note 21(d)).

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019			2018	
			Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C)	Hypothetical amounts for if under IAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under IAS 17
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	RMB'000	RMB'000	RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	254,428	4,294	(4,492)	254,230	229,942
Finance costs	(39,535)	308	-	(39,227)	(35,696)
Profit before taxation	215,884	4,602	(4,492)	215,994	198,117
Profit for the year	177,433	4,602	(4,492)	177,543	169,372

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	494,052	(1,908)	492,144	335,408
Net cash generated from operating activities	458,112	(1,908)	456,204	315,615
Capital element of lease rentals paid	(1,600)	1,600	-	-
Interest element of lease rentals paid	(308)	308	-	-
Net cash (used in)/generated from financing activities	(289,448)	1,908	(287,540)	474,650

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transactions costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments (see note 28(d)). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(t)(v)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income set out in note 1(t)(iv)).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(g) Property, plant and equipment

Items of property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment, are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

– Plants and buildings	20-50 years
– Machineries	10-30 years
– Motor vehicles	5-10 years
– Office equipment and fixture	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less any impairment losses (see note 1(j)), and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction-in-progress until it is substantially complete and ready for its intended use.

(h) Intangible assets (software)

Intangible assets (software) of the Group mainly consists of general administrative software and power generation, distribution and sales related systems. Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 5-10 years. Evaluation of the estimated useful lives of the intangible assets is with reference to the factors, including but not limited to the historical usage pattern, product life cycle, the useful life of the dependent assets, legal limits and technology development. Both the period and method of amortisation are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset of the Group is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(g) and 1(j)(ii)).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Leased assets (Continued)

As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Except for interests in leasehold land held for own use which are separately presented, the Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for leasehold land held for own use.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Leasehold land held for own use represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans to third parties and amounts due from related parties); and
- contract assets as defined in IFRS 15 (see note 1(l)).

Other financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-months ECLs: these are losses that are expected to result from possible default events with the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from possible default events over the expected lives of the items to which the ECL model applies.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs 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 reporting date.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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 reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- 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; and
- 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is 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 events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. 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.

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- interests in leasehold land held for own use;
- intangible assets; and
- investments in subsidiaries, associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i)).

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(k) Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j) (i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(t)(v)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

(o) Loans and borrowings

Loans and borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

(i) 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 at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(q) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and 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. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of electricity and goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of electricity

Sale of electricity is recognised upon transmission of power to the customers or the power grid controlled and owned by the state or regional grid companies. A receivable is recognised by the Group when the electricity power is transmitted at the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In cases where the customers make payment in advance, receipts in advance are recognised as revenue when the electricity power is transmitted to the customers.

(ii) Sales of other goods

Sale of other goods is recognised when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(t) Revenue and other income (Continued)

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on electric engineering projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and are subsequently recognised as other income in profit or loss over the useful life of the related asset.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(w) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(Expressed in thousands of RMB unless otherwise indicated)

2 Accounting judgement and estimates

Judgements and estimations used in preparation of financial reporting 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.

Note 28 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Construction contracts

As explained in policy note 1(t)(iii) revenue from construction contracts are recognised over time. Such revenue and profit 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 the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Loss allowances of trade and other receivables and contract assets

The loss allowances for trade 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 assumption 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.

(c) Depreciation and amortisation

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

2 Accounting judgement and estimates (Continued)

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

As described in note 1(j), assets other than inventories and financial assets are reviewed at the end of each reporting period to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

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

(e) Income taxes and deferred taxation

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

3 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 purposed 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 Mainland China and accordingly, no geographical information is presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

4 Revenue

The principal activities of the Group are generating and supplying of power and provision of power supply related equipment/projects engineering construction service.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2019 RMB'000	2018 RMB'000
Point in time		
Revenue from power business	2,115,663	1,764,136
Sales of electric equipment and materials	19,997	11,969
Over time		
Revenue from provision of electrical engineering construction services	337,073	254,990
Total	2,472,733	2,031,095

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing electrical engineering construction contracts is RMB71,957 thousand (2018: RMB58,781 thousand). This amount represents revenue expected to be recognised in the future from the electrical engineering construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur over the next 12 to 24 months.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for power business and electric equipment and materials such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for power business and electric equipment and materials that had an original expected duration of less than one year.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

5 Other income and expenses

(a) Other income

	2019 RMB'000	2018 RMB'000
Government grants (i)	14,596	7,517
Net gain on disposal of property, plant and equipment	–	12,888
Interest income (ii)	11,266	1,441
Fair value changes of other financial assets (iii)	(4,116)	16,840
Long-aged payable written-off	–	9,562
Others	6,666	4,295
	28,412	52,543

(b) Other expenses

	2019 RMB'000	2018 RMB'000
Impairment losses on property, plant and equipment	892	1,127
Net losses on disposal of property, plant and equipment	32	131
Others	3,657	2,193
	4,581	3,451

(i) Government grants mainly represented government subsidy in relation to the financial support from local government authorities for relocation projects and natural disasters.

(ii) Interest income represented the interest from bank deposits.

(iii) Fair value changes of other financial assets mainly came from the realised and unrealised net income or losses from the investment in structured deposits in banks measured at FVPL and the Group's investment in unlisted equity securities (see note 16).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	2019 RMB'000	2018 (Note) RMB'000
Interest on bank loans	30,940	33,198
Interest on bank overdrafts	–	2,498
Foreign exchange loss	8,287	–
Interest on lease liabilities (note 21(c))	308	–
	39,535	35,696

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

(b) Staff costs[#]

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	358,768	330,906
Contributions to defined contribution retirement plan	46,784	47,091
	405,552	377,997

Staff costs includes remuneration of directors, supervisors and senior management (note 8 and note 9).

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organised 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.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

6 Profit before taxation (Continued)

(c) Other items

	2019 RMB'000	2018 RMB'000
Amortisation#		
– Interests in leasehold land held for own use (note 12)	2,584	2,892
– Intangible assets (note 13)	1,368	1,607
Depreciation# (note 11)		
– Owned property, plant and equipment*	141,481	137,327
– Properties leased for own use*	1,709	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17*#	–	3,804
Impairment losses on		
– Trade and other receivables and contract assets	20,786	11,442
– Property, plant and equipment	892	1,127
Auditor's remuneration		
– Audit services	2,600	2,400
– Others	847	–
Repair and maintenance expenses#	44,175	46,642

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Cost of sales includes RMB448,658 thousand (2018: RMB432,286 thousand) relating to staff costs, depreciation and amortisation expenses, lease expenses and repair and maintenance expenses, which amounts are also included in the respective total amounts disclosed separately in note 6(b) or above for each of these types of expenses.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

7 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	RMB'000
Current tax-PRC corporate income tax ("CIT")		
Provision for the year	37,914	26,620
Under-provision in prior year	793	–
Deferred tax		
Origination and reversal of temporary differences	(256)	2,125
	38,451	28,745

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in (i) below, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25.0%.

- (i) 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 corporate income tax rate of 15.0% from 2011 to 2020. Certain subsidiaries operate in the western region of the PRC can enjoy a preferential corporate income tax rate of 15.0%, provided their revenues from principal activities contribute more than 70.0% of their total revenues in each of the year.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019	2018
	RMB'000	RMB'000
Profit before taxation	215,884	198,117
Notional taxation on profit before taxation, calculated at statutory rate	53,971	49,529
Effect of preferential tax rate <i>(note (a)(i))</i>	(24,237)	(21,220)
Tax effect of non-deductible expenses	1,027	466
Tax effect of non-taxable income	(756)	(1,515)
Tax effect of non-taxable profit	(2,001)	(2,830)
Tax effect of unused tax losses not recognised	10,016	4,661
Under-provision in prior year	793	–
Others	(362)	(346)
	38,451	28,745
Actual tax expense	38,451	28,745

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Executive director					
Mr. Zeng Yong (曾勇)	-	887	-	37	924
Mr. Wang Heng (王恒) (v)	-	352	-	11	363
Mr. Li Hui (李暉) (ii)	-	547	-	35	582
Ms. Xie Peixi (謝佩樺) (v)	-	280	-	32	312
Non-executive directors					
Mr. Zhou Yanbin (周燕賓)	-	-	-	-	-
Ms. Li Yu (李彧)	-	-	-	-	-
Mr. Wang Chengke (王承科)	-	-	-	-	-
Ms. Han Chunhong (韓春紅) (ii)	-	-	-	-	-
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江)	-	253	-	-	253
Mr. Fan Wei (範為)	-	156	-	-	156
Mr. Wang Peng (王鵬)	-	156	-	-	156
Ms. He Zhen (何真) (iv)	-	155	-	-	155
Supervisors					
Mr. Zeng Zhiwei (曾志偉)	-	-	-	-	-
Ms. Li Jia (李佳)	-	338	-	35	373
Mr. Hu Changxian (胡昌現)	-	332	-	35	367
Ms. Fu Ruoxue (傅若雪)	-	-	-	-	-
Ms. Chen Yingchun (陳迎春) (iii)	-	-	-	-	-
Mr. Ouyang Yu (歐陽煜) (iii)	-	-	-	-	-
	-	3,456	-	185	3,641

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Executive director					
Mr. Zeng Yong (曾勇)	-	657	-	42	699
Mr. Wang Heng (王恒) (v)	-	549	-	40	589
Mr. Li Hui (李暉) (ii)	-	490	-	40	530
Non-executive directors					
Mr. Duan Xingpu (段興普) (ii)	-	-	-	-	-
Ms. Wang Lu (王璐) (ii)	-	-	-	-	-
Mr. Zhou Yanbin (周燕賓)	-	-	-	-	-
Ms. Li Yu (李彧)	-	-	-	-	-
Ms. Li Bi (李蕊) (ii)	-	439	-	40	479
Mr. Wang Chengke (王承科)	-	-	-	-	-
Mr. Tian Qin (田欽) (ii)	-	-	-	-	-
Ms. Han Chunhong (韓春紅) (ii)	-	-	-	-	-
Mr. Zhu Jianhua (朱健華) (ii)	-	283	-	40	323
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江)	-	-	-	-	-
Mr. Fan Wei (範為)	-	-	-	-	-
Mr. Tang Qingli (唐清利) (iv)	-	-	-	-	-
Mr. Wang Peng (王鵬)	-	-	-	-	-
Ms. He Zhen (何真) (iv)	-	-	-	-	-
Supervisors					
Mr. Zhong Bingtao (鐘冰濤) (iii)	-	-	-	-	-
Mr. Luo Shangjun (羅尚筠) (iii)	-	-	-	-	-
Ms. Li Jia (李佳)	-	326	-	40	366
Mr. Hu Changxian (胡昌現)	-	321	-	40	361
Ms. Fu Ruoxue (傅若雪)	-	-	-	-	-
Mr. Zeng Zhiwei (曾志偉)	-	-	-	-	-
Ms. Chen Yingchun (陳迎春) (iii)	-	-	-	-	-
Mr. Ouyang Yu (歐陽煜) (iii)	-	-	-	-	-
	-	3,065	-	282	3,347

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments (Continued)

- (i) 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 9 below 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.
- (ii) On 27 March 2018, Mr. Tian Qin resigned as a non-executive director of the Company and Ms. Han Chunhong was appointed as a non-executive director of the Company. On 20 August 2018, Mr. Duan Xingpu and Ms. Li Bi resigned as non-executive directors of the Company and Mr. Li Hui was appointed as an executive director of the Company. On 20 August 2018, Mr. Zhu Jianhua was appointed as a non-executive director of the Company. On 28 December 2018, Mr. Zhu Jianhua and Ms. Wang Lu resigned as non-executive directors of the Company.
- (iii) On 20 August 2018, Mr. Zhong Bingtao and Mr. Luo Shangjun resigned as supervisors of the Company and Ms. Chen Yingchun and Mr. Ouyang Yu were appointed as supervisors of the Company.
- (iv) On 27 March 2018, Mr. Tang Qingli resigned as an independent non-executive director of the company and Ms. He Zhen was appointed as an independent non-executive director of the Company.
- (v) On 15 April 2019, Mr. Wang Heng resigned as an executive director of the Company. On 19 June 2019, Ms. Xie Peixi was appointed as an executive director of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2018:three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2018:two) individuals are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries and other emoluments	1,518	981
Retirement scheme contributions	106	80
	1,624	1,061

The emoluments of the three (2018:two) individuals with the highest emoluments are within the following bands:

	2019	2018
	Number of	Number of
	individuals	individuals
Nil – HKD1,000,000	3	2

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB176,249 thousand (2018: RMB169,150 thousand) and the weighted average of 1,074,357,700 ordinary shares (2018: 807,766,700 ordinary shares) in issue during the year, calculated as follows:

	2019	2018
Issued ordinary shares at 1 January	1,074,357,700	805,557,700
Effect of shares issued pursuant to initial public offering	–	2,209,000
Weighted average number of ordinary shares at 31 December	1,074,357,700	807,766,700

There were no dilutive potential ordinary shares for the year ended 31 December 2019, and therefore, diluted earnings per share are the same as the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment

(a) Reconciliation of carrying amount

	Plants and buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Office equipment and fixture RMB'000	Properties leased for own use RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2018	1,103,992	2,652,826	45,731	57,029	-	83,020	3,942,598
Additions	3,992	16,975	689	11,686	-	72,816	106,158
Transfers from construction in progress	1,959	36,822	-	926	-	(39,707)	-
Disposals	(5,032)	(16,926)	(2,362)	(1,533)	-	-	(25,853)
At 31 December 2018	1,104,911	2,689,697	44,058	68,108	-	116,129	4,022,903
Impact on initial application of IFRS 16 (Note)	-	-	-	-	968	-	968
At 1 January 2019	1,104,911	2,689,697	44,058	68,108	968	116,129	4,023,871
Additions	4,799	35,367	986	650	8,040	134,190	184,032
Transfers from construction in progress	14,818	66,422	-	769	-	(82,009)	-
Disposals	(127)	(10,045)	(3,184)	(195)	-	-	(13,551)
At 31 December 2019	1,124,401	2,781,441	41,860	69,332	9,008	168,310	4,194,352
Accumulated depreciation:							
At 1 January 2018	(312,986)	(872,281)	(26,849)	(31,200)	-	-	(1,243,316)
Depreciation charge for the year	(25,442)	(100,218)	(3,944)	(7,723)	-	-	(137,327)
Written back on disposal	2,227	11,612	2,214	1,402	-	-	17,455
At 31 December 2018 and 1 January 2019	(336,201)	(960,887)	(28,579)	(37,521)	-	-	(1,363,188)
Depreciation charge for the year	(34,383)	(97,617)	(3,053)	(6,428)	(1,709)	-	(143,190)
Written back on disposal	69	5,166	2,954	186	-	-	8,375
At 31 December 2019	(370,515)	(1,053,338)	(28,678)	(43,763)	(1,709)	-	(1,498,003)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

	Plants and buildings RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Office equipment and fixture RMB'000	Properties leased for own use RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment losses:							
At 1 January 2018	(7,433)	(28,695)	(12)	(178)	-	-	(36,318)
Impairment loss	(576)	(551)	-	-	-	-	(1,127)
Written back on disposal	2,805	5,289	12	99	-	-	8,205
<hr/>							
At 31 December 2018 and 1 January 2019	(5,204)	(23,957)	-	(79)	-	-	(29,240)
<hr/>							
Impairment loss	-	(860)	(27)	(5)	-	-	(892)
Written back on disposal	-	4,825	27	5	-	-	4,857
<hr/>							
At 31 December 2019	(5,204)	(19,992)	-	(79)	-	-	(25,275)
<hr/>							
Net book value:							
At 31 December 2019	748,682	1,708,111	13,182	25,490	7,299	168,310	2,671,074
<hr/>							
At 31 December 2018	763,506	1,704,853	15,479	30,508	-	116,129	2,630,475

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See note 1(c).

- (i) All of the property, plant and equipment owned by the Group are located in the mainland China.
- (ii) No property, plant and equipment were pledged to banks as at 31 December 2019 (2018: nil).
- (iii) 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, the carrying amounts of those property, plant and equipment were fully written off. Impairment losses of RMB892 thousand was recognised in "Other expenses" for the year (2018: RMB1,127 thousand).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

- (iv) As at 31 December 2019, the Group was in the process of applying for property ownership certificates for certain buildings with an aggregate net book value of RMB9,153 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these buildings.
- (v) Advance payments were made to vendors or contractors for equipment or construction work to be delivered. Advance payments included in construction in progress amounted to RMB4,962 thousand as at 31 December 2019 (2018: RMB7,664 thousand).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		At 31 December 2019 RMB'000	At 1 January 2019 RMB'000
Property, plant and equipment			
– Properties leased for own use, carried at depreciated cost	11(a)	7,299	968
Interests in leasehold land held for own use, carried at amortised cost	12	126,492	133,551
		133,791	134,519

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment (Continued)

(b) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 (Note) RMB'000
Depreciation and amortisation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost (note 11(a))	1,709	–
Interests in leasehold land held for own use, carried at amortised cost (note 12)	2,584	2,892
	4,293	2,892
Interest on lease liabilities (note 6(a))	308	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,581	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	–	3,804

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were RMB8,040 thousand. This amount all related to the capitalised lease payments payable under new tenancy agreements set out in note 11(b).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 24, respectively.

The Group has obtained the right to use properties through tenancy agreements. The lease typically run for an initial period of 2 to 12 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

12 Interests in leasehold land held for own use

	Total
	RMB'000
Cost:	
At 1 January 2018	154,709
Additions	2,393
At 31 December 2018 and 1 January 2019	157,102
Deductions	(4,475)
At 31 December 2019	152,627
Accumulated amortisation:	
At 1 January 2018	(20,659)
Charge for the year	(2,892)
At 31 December 2018 and 1 January 2019	(23,551)
Charge for the year	(2,584)
At 31 December 2019	(26,135)
Net book value:	
At 31 December 2019	126,492
At 31 December 2018	133,551

- (a) Interests in leasehold land held for own use represent payments for land use rights of land located in the mainland China where the Group's plants situate. Lump sum payments were made upfront to acquire these leasehold land, and there are no ongoing payments to be made under the terms of the land lease. The period for these land use rights is no more than 50 years.
- (b) No interests in leasehold land held for own use were pledged to banks as at 31 December 2019 (2018: nil).
- (c) As at 31 December 2019, the Group was in the process of applying for ownership certificates for certain interests in leasehold land with an aggregate net book value of RMB13,826 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these interests in leasehold land held for own use.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

13 Intangible assets

	Software
	RMB'000
Cost:	
At 1 January 2018	15,346
Additions	762
At 31 December 2018 and 1 January 2019	16,108
Additions	1,681
At 31 December 2019	17,789
Accumulated amortisation:	
At 1 January 2018	(10,065)
Charge for the year	(1,607)
At 31 December 2018 and 1 January 2019	(11,672)
Charge for the year	(1,368)
At 31 December 2019	(13,040)
Net book value:	
At 31 December 2019	4,749
At 31 December 2018	4,436

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

14 Investment in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company*	Place of incorporation and business	Particulars of issued and paid-up capital (RMB'000)	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sichuan Energy Investment Yibin Electricity Co., Ltd. ("Yibin Electricity") (四川能投宜賓電力有限公司)	The PRC	60,000	100.0%	100.0%	-	Power supply
Sichuan Energy Investment Gong County Electricity Co., Ltd. ("Gong County Electricity") (四川能投珙縣電力有限公司)	The PRC	11,960	100.0%	100.0%	-	Power supply
Sichuan Energy Investment Xingwen Electricity Co., Ltd. ("Xingwen Electricity") (四川能投興文電力有限公司)	The PRC	32,020	100.0%	100.0%	-	Power supply
Sichuan Energy Investment Gao County Electricity Co., Ltd. ("Gao County Electricity") (四川能投高縣電力有限公司)	The PRC	78,100	100.0%	100.0%	-	Power supply
Sichuan Energy Investment Junlian Electricity Co., Ltd. ("Junlian Electricity") (四川能投筠連電力有限公司)	The PRC	40,000	100.0%	100.0%	-	Power supply
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. ("Pingshan Electricity") (四川能投屏山電力有限公司)	The PRC	111,111	100.0%	100.0%	-	Power supply
Shuifu Yangliutan Power Generation Co., Ltd. ("Yangliutan Power Generation") (水富楊柳灘發電有限公司)	The PRC	10,000	100.0%	100.0%	-	Power generation
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. ("Electricity Engineering Construction") (四川能投宜賓電力工程建設有限公司)	The PRC	20,300	100.0%	100.0%	-	Construction

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

14 Investment in subsidiaries (Continued)

Name of company*	Place of incorporation and business	Particulars of issued and paid-up capital (RMB'000)	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sichuan Province Yibin County Xuzhou District Changyuan Infrastructure Co., Ltd. ("Yibin Changyuan") (宜賓市叙州區長源實業有限公司)	The PRC	500	100.0%	-	100.0%	Installation and maintenance
Sichuan Energy Investment Yibin City Electricity Sales Co., Ltd. ("Yibin City Electricity Sales") (四川能投宜賓市售電有限公司)(a)	The PRC	50,000	74.0%	74.0%	-	Electricity sale
Sichuan Energy Investment Gao County Yuejiang Power Generation Co., Ltd. ("Yuejiang Power Generation") (四川能投高縣月江發電有限公司)	The PRC	3,000	100.0%	100.0%	-	Power generation

* The English translation of the subsidiaries' names is for reference only. The official names of these companies are in Chinese.

- (a) On 18 December 2019, the paid-in capital of Yibin City Electricity Sales increased from RMB22,000 thousand to RMB50,000 thousand with the Group's shares of the effective interest unchanged. As at 31 December 2019, the Company and the non-controlling shareholder had completed the capital injection of RMB20,720 thousand and RMB7,280 thousand respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

15 Investment in associates

The following list contains the particulars of associates, all of which are unlisted entities whose quoted market prices are not available.

Name of associate*	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital (RMB'000)	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
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	20.0%	20.0%	-	Authorised financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporated	The PRC	400,000	25.0%	25.0%	-	Authorised financial and consulting services
Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司) (a)	Incorporated	The PRC	100,000	30.0%	30.0%	-	Power supply
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	49.0%	-	49.0%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (叙永縣江門新區電力開發有限責任公司)	Incorporated	The PRC	32,000	49.0%	-	49.0%	Power generation
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司) (b)	Incorporated	The PRC	22,000	49.0%	49.0%	-	Power supply

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

All of the associates are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

15 Investment in associates (Continued)

- (a) In September 2017, the Company together with Sichuan Province State Power Company (國網四川省電力公司) and Yibin City State-owned Assets Operation Co., Ltd. (宜賓市國有資產經營有限公司) set up Sichuan Yibin Electricity Co., Ltd, in which the Group holds 30% equity interest with a subscribed contribution of RMB30,000 thousand. At the date of this report, the Company has not yet made the contribution which was due on 30 June 2018 according to the articles of association.

In December 2019, the Company together with Sichuan Gloport Investment Development Group co., Ltd (四川港榮投資發展集團有限公司) established Yibin Xinggang Electricity Co., Ltd., in which the Group holds 49% equity interest with a subscribed contribution of RMB10,780 thousand. As at 31 December 2019, the Company had completed the capital injection.

- (b) Aggregate information of associates that are not individually material:

	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	269,974	258,203
Aggregate amounts of the Group's share of those associates'		
Profits from continuing operations	991	3,871
Other comprehensive income	-	-
Total comprehensive income	991	3,871

16 Other financial assets

	2019 RMB'000	2018 RMB'000
Financial assets measured at FVPL		
– Unlisted equity securities	110,198	117,111

On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000 thousand in Lhasa Jinding Xingneng Investment Center (LLP) (拉薩金鼎興能投資中心(有限合夥)) (“Jinding Fund”) as an inferior limited partner.

Further details of the Group's fair value measurement are set out in note 28(d).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

17 Inventories

Inventories in the consolidated statement of financial position comprise:

	2019	2018
	RMB'000	RMB'000
Raw materials	56,647	55,696
Spare parts and others	199	308
	56,846	56,004

(a) The analysis of the amount of inventories recognised as an expense included in profit or loss is as follows:

	2019	2018
	RMB'000	RMB'000
Electricity sold	1,283,771	1,016,579
Other inventories consumed or sold	206,995	97,656
	1,490,766	1,114,235

All of the inventories are expected to be recovered within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

18 Contract assets and contract liabilities

(a) Contract assets

	2019 RMB'000	2018 RMB'000
Contract assets		
Arising from performance under construction contracts	24,897	12,967

- (i) The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The payment schedules are discussed with customers case by case. The increase in contract assets balance compared to previous year was due to the increase of total contract amounts. In certain construction contracts, the Group agrees to a one or two year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.
- (ii) The amounts of contract assets arisen from construction contracts at the end of the year are expected to be recovered within one year.

(b) Contract liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities		
Construction contracts		
– Billings in advance of performance (i)	47,523	28,753
Power business		
– Receipt in advance (ii)	158,269	150,786
	205,792	179,539

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

18 Contract assets and contract liabilities (Continued)

(b) Contract liabilities (Continued)

Movement in contract liabilities

	2019 RMB'000	2018 RMB'000
Balance at 1 January	179,539	133,654
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(171,697)	(132,194)
Increase in contract liabilities as a result of receiving sales advances in respect of power business	158,269	150,786
Increase in contract liabilities as a result of billing in advance of construction activities	39,681	27,293
Balance at 31 December	205,792	179,539

- (i) When the Group receives a deposit before the construction activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. In addition, when the Group bills and receives the consideration in advance of the construction activities, advance payment schemes result in contract liabilities being recognised.
- (ii) The Group usually receives advances from customers when they top up for electricity. The top-up is recognised as contract liability until transmission of power to these customers.
- (iii) All of contract liabilities at the end of the year are expected to be recognised as income within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

19 Trade and other receivables

	2019 RMB'000	2018 RMB'000
Trade debtors (a)	350,408	285,484
Bills receivable (a)	3,886	15,350
Less: Allowance for doubtful debts (note 28(a))	(77,749)	(81,428)
	276,545	219,406
Other receivables	49,141	48,535
Less: Allowance for doubtful debts	(17,425)	(18,007)
	31,716	30,528
Loans to third parties	28,157	28,157
Less: Allowance for doubtful debts	(28,157)	(28,157)
	-	-
Amounts due from related parties (note 30(d))	58,399	38,576
Financial assets measured at amortised cost	366,660	288,510
Other tax receivables	5,630	-
Prepayments and deposits (b)	22,127	43,222
	394,417	331,732
Receivables from contracts with customers within the scope of IFRS 15	334,944	257,982

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

19 Trade and other receivables (Continued)

(a) Ageing analysis of trade debtors and bills receivable

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year (inclusive)	231,569	177,940
1 to 2 years (inclusive)	23,748	24,692
2 to 3 years (inclusive)	16,524	7,203
3 to 4 years (inclusive)	1,822	4,925
4 to 5 years (inclusive)	862	3,074
Over 5 years	2,020	1,572
	276,545	219,406

Trade debtors and bills receivable are due upon billing. Further details of the Group's credit policy are set out in note 28(a).

(b) Prepayments and deposits

Prepayments and deposits mainly represented the amounts prepaid to suppliers for purchase of electricity, raw materials and services.

20 Restricted deposits

As at 31 December 2019, the restricted deposit represented a deposit placed with a bank for obtaining a letter of guarantee issued by a bank.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Deposits with banks	780,484	797,944
Cash on hand	12	26
Cash in the consolidated statement of financial position and consolidated statement of cash flows	780,496	797,970

(b) Reconciliation of profit before taxation to cash generate from operations

	2019 RMB'000	2018 (Note) RMB'000
Profit before taxation	215,884	198,117
Adjustments for:		
Depreciation	143,190	137,327
Impairment losses on trade and other receivables and contract assets	20,786	11,442
Impairment losses on property, plant and equipment	892	1,127
Amortisation of intangible assets and interests in leasehold land held for own use under operating leases	3,952	4,499
Amortisation of deferred income	(7,412)	(7,504)
Net losses on disposal of property, plant and equipment	32	131
Finance costs	39,535	35,696
Interest income	(11,266)	(1,441)
Share of profits less losses of associates	(991)	(3,871)
Fair value changes of other financial assets	4,116	(16,840)
Changes in working capital:		
Changes in inventories	(842)	(23,872)
Changes in trade and other receivables	(75,911)	(75,748)
Changes in contract assets	(11,992)	(8,311)
Changes in trade and other payables	147,826	42,771
Changes in contract liabilities	26,253	45,885
Changes in restricted deposits	-	(4,000)
Cash generated from operations	494,052	335,408

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generate from operations (Continued)

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB3,804 thousand were classified as operating activities in the consolidated cash flow statement in 2018. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 21(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

(c) Reconciliation of liabilities arising from financing activities

	Bank loans <i>Note 23</i>	Other borrowings <i>Note 23</i>	Lease liabilities <i>Note 24</i>	Interest payables <i>Note 22</i>	Total
At 31 December 2018	749,970	14,368	-	5,148	769,486
Impact on initial application of IFRS 16 (<i>Note</i>)	-	-	968	-	968
At 1 January 2019	749,970	14,368	968	5,148	770,454
Changes from financing cash flows:					
Capital element of lease rentals paid	-	-	(1,600)	-	(1,600)
Interest element of lease rentals paid	-	-	(308)	-	(308)
Proceeds from new bank loans	400,000	-	-	-	400,000
Repayment of bank loans	(572,060)	-	-	-	(572,060)
Repayment of other borrowings	-	(500)	-	-	(500)
Interest paid	-	-	-	(30,940)	(30,940)
Total changes from financing cash flows	(172,060)	(500)	(1,908)	(30,940)	(205,408)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	-	-	8,040	-	8,040
Finance costs	-	-	308	30,940	31,248
Total other changes	-	-	8,348	30,940	39,288
At 31 December 2019	577,910	13,868	7,408	5,148	604,334

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See notes 1(c) and 21(b).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans <i>Note 23</i>	Other borrowings <i>Note 23</i>	Dividend payables	Interest payables <i>Note 22</i>	Total
At 1 January 2018	572,000	20,732	–	5,869	598,601
Changes from financing cash flows:					
Proceeds from new bank loans	750,000	–	–	–	750,000
Repayment of bank loans	(572,030)	–	–	–	(572,030)
Repayment of other borrowings	–	(6,364)	–	–	(6,364)
Dividend paid to equity holders of the Company	–	–	(64,445)	–	(64,445)
Interest paid	–	–	–	(36,417)	(36,417)
Total changes from financing cash flows	177,970	(6,364)	(64,445)	(36,417)	70,744
Other changes:					
Dividends approved in respect of the previous year	–	–	64,445	–	64,445
Financial costs	–	–	–	35,696	35,696
Total other changes	–	–	64,445	35,696	100,141
At 31 December 2018	749,970	14,368	–	5,148	769,486

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 (Note) RMB'000
Within operating cash flows	1,581	3,804
Within financing cash flows	1,908	–
	3,489	3,804

Note: As explained in the note to note 21(b), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rentals paid	3,489	3,804

22 Trade and other payables

	2019 RMB'000	2018 RMB'000
Trade payables	486,192	386,484
Other payables	121,512	144,667
Interest payables	5,148	5,148
Employee benefits payables	79,459	53,272
Amounts due to related parties (note 30(d))	53,735	44,631
Financial liabilities measured at amortised cost	746,046	634,202
Other tax payables	45,693	10,436
	791,739	644,638

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

22 Trade and other payables (Continued)

As at the end of the reporting period, the aging analysis of the trade payables (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year (inclusive)	467,166	355,005
1 to 2 years (inclusive)	11,745	25,670
2 to 3 years (inclusive)	1,716	4,028
Over 3 years	5,565	1,781
	486,192	386,484

23 Loans and borrowings

(a) The analysis of the carrying amount of loans and borrowings is as follows:

	2019 RMB'000	2018 RMB'000
Current		
Unsecured bank loans	300,000	50,000
Other borrowings (i)	13,868	14,368
Current portion of non-current unsecured bank loans	131,910	2,060
	445,778	66,428
Non-current		
Unsecured bank loans	277,910	699,970
Less: Current portion of non-current unsecured bank loans	(131,910)	(2,060)
	146,000	697,910
	591,778	764,338

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

23 Loans and borrowings (Continued)

(a) **The analysis of the carrying amount of loans and borrowings is as follows: (Continued)**

(i) **Other borrowings**

The balance of borrowings from Pingshan County Bureau of Finance (屏山縣財政局) was RMB5,500 thousand (2018: RMB6,000 thousand), which had been past due since 2017. The past due amounts were subject to an annual interest rate equal to one-year benchmark lending interest rate.

The remaining balance of other borrowings represented interest-free borrowings from Junlian County Bureau of Finance (筠連縣財政局), Gong County Bureau of Finance (珙縣財政局) and Junlian County State-owned Assets Operation Co., Ltd. (筠連縣國有資產經營管理有限公司) totaling RMB8,368 thousand (2018: RMB8,368 thousand), which had been past due since 2011.

(b) **At 31 December 2019, loans and borrowings were repayable as follows:**

	2019 RMB'000	2018 RMB'000
Bank loans		
Within 1 year or on demand	431,910	52,060
After 1 year but within 2 years	146,000	501,910
After 2 years but within 5 years	-	196,000
	577,910	749,970
Loans from other borrowings		
Within 1 year or on demand	13,868	14,368
	591,778	764,338

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

24 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods and at the date of transition to IFRS 16:

	At 31 December 2019		At 1 January 2019 (Note)	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	2,294	2,619	225	267
After 1 year but within 2 years	1,774	2,000	206	239
After 2 years but within 5 years	1,998	2,327	413	460
After 5 years	1,342	1,654	124	140
	5,114	5,981	743	839
	7,408	8,600	968	1,106
Less: total future interest expenses		(1,192)		(138)
Present value of lease liabilities		7,408		968

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

25 Deferred income

	2019 RMB'000	2018 RMB'000
At 1 January	163,789	166,807
Additions	-	4,486
Credited to profit or loss	(7,412)	(7,504)
At 31 December	156,377	163,789
Less: Current portion of deferred income	(7,383)	(7,132)
	148,994	156,657

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

25 Deferred income (Continued)

Deferred income of the Group represented government grants in respect of the Group's construction of the plants and equipment for power supply.

26 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2019	2018
	RMB'000	RMB'000
PRC Corporate Income Tax		
At 1 January	7,112	285
Charged to profit or loss (note 7(a))	38,707	26,620
Payments during the year	(35,940)	(19,793)
	9,879	7,112
Representing:		
Prepaid tax	(5,138)	(4,243)
Current tax liabilities	15,017	11,355
	9,879	7,112

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

26 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax (assets)/deferred tax liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Impairment provisions RMB'000	Depreciation difference RMB'000	Revaluation of PPE RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	(33,857)	(10,457)	33,993	(3,410)	-	(13,731)
(Credited)/charged to profit or loss	3,459	(585)	(729)	103	(123)	2,125
At 31 December 2018	(30,398)	(11,042)	33,264	(3,307)	(123)	(11,606)
(Credited)/charged to profit or loss	1,187	(184)	(949)	122	(432)	(256)
At 31 December 2019	(29,211)	(11,226)	32,315	(3,185)	(555)	(11,862)

(ii) Reconciliation to the consolidated statements of financial position:

	2019 RMB'000	2018 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	(31,857)	(30,500)
Net deferred tax liability recognised in the consolidated statement of financial position	19,995	18,894
	(11,862)	(11,606)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

26 Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognised

In accordance with accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB21,761 thousand (2018: RMB14,838 thousand), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the year will expire in the following years:

	2019	2018
	RMB'000	RMB'000
2019	–	12,369
2020	2,914	2,914
2021	13,263	13,263
2022	12,163	12,163
2023	14,405	18,644
2024	51,088	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

27 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018		805,558	207,990	42,342	169,485	1,225,375
Changes in equity for 2018						
Total comprehensive income for the year		-	-	-	123,092	123,092
Issue of ordinary shares under initial public offering, net of share issuance expenses		268,800	108,112	-	-	376,912
Transfer to statutory reserve	27(d)(iii)	-	-	15,264	(15,264)	-
Dividends approved in respect of the previous year	27(b)	-	-	-	(64,445)	(64,445)
Balance at 31 December 2018 and 1 January 2019		1,074,358	316,102	57,606	212,868	1,660,934
Changes in equity for 2019						
Total comprehensive income for the year		-	-	-	38,141	38,141
Transfer to statutory reserve	27(d)(iii)	-	-	3,814	(3,814)	-
Dividends approved in respect of the previous year	27(b)	-	-	-	(91,320)	(91,320)
Balance at 31 December 2019		1,074,358	316,102	61,420	155,875	1,607,755

Note: The Group, including the Company, has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 31.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

27 Capital, reserves and dividends (Continued)

(b) Dividends

- (i) Dividends payable to equity shareholder of the Company attributable to the year:

	2019	2018
	RMB'000	RMB'000
Final dividend proposed after the end of the year of RMB0.1 per ordinary share per ordinary share (2018: RMB0.085 per ordinary share)	107,436	91,320

On 24 March 2020, a dividend for the year ended 31 December 2019 of approximately RMB107,436 thousand, representing RMB0.1 per share was proposed by the Board of Directors of the Company. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	91,320	64,445

On 19 June 2019, a dividend for the year ended 31 December 2018 of approximately RMB91,320 thousand, representing RMB0.085 per share was approved by the shareholders at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

27 Capital, reserves and dividends (Continued)

(c) Share capital

	2019		2018	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,074,358	1,074,358	805,558	805,558
Issue of new ordinary shares	-	-	268,800	268,800
At 31 December	1,074,358	1,074,358	1,074,358	1,074,358
			2019	2018
			'000	'000
Ordinary shares of RMB1 each				
- Domestic shares			707,519	707,519
- Unlisted Foreign Shares			98,039	98,039
- H shares			268,800	268,800
			1,074,358	1,074,358

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserves of the Group mainly consisted of (1) premium arising from capital injection from domestic equity shareholders of RMB285,879 thousand; (2) merger reserve decrease of RMB118,813 thousand, which was resulted from business combination in 2012 involving entities under common control; (3) reserves of RMB29 thousand due to subsidiary's purchase of own shares in 2014; (4) negative reserve of RMB71,778 thousand due to acquiring remaining 49% non-controlling interests in Yangliutan Power Generation in 2016; (5) premium net of issuance expenses arising from issuance of new ordinary H shares of RMB108,112 thousand in 2018.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

27 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) State capital reserve benefits (國有獨享資本公積)

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. The recognition of RMB878,019 thousand as state capital reserve benefits was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province.

(iii) PRC statutory reserve

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 balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund 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.

(iv) Special reserve

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.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

27 Capital, reserves and dividends (Continued)

(e) Capital management (Continued)

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes loans and borrowings and lease liabilities) plus unaccrued proposed dividends, less cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	31 December 2019 RMB'000	1 January 2019 (Note) RMB'000	31 December 2018 (Note) RMB'000
Current liabilities:			
Loans and borrowings	445,778	66,428	66,428
Lease liabilities	2,294	225	–
	448,072	66,653	66,428
Non-current liabilities:			
Loans and borrowings	146,000	697,910	697,910
Lease liabilities	5,114	743	–
	151,114	698,653	697,910
Total debts	599,186	765,306	764,338
Add: Proposed dividends	107,436	91,320	91,320
Less: Cash and cash equivalents	(780,496)	(797,970)	(797,970)
Adjusted net debts	(73,874)	58,656	57,688
Total equity	2,692,032	2,598,639	2,598,639
Less: Proposed dividends	(107,436)	(91,320)	(91,320)
Adjusted capital	2,584,596	2,507,319	2,507,319
Adjusted net debt-to-capital ratio	(2.9%)	2.3%	2.3%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1 (c).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets, other receivables and loans to third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 30(e), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 30(e).

(i) Credit risks arising from trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2018: 1.0%) and 6% (2018: 1.6%) of trade and other receivables was due from the Group's largest customer and the top five customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The Group disaggregated the trade receivables and contract assets from power business and undertaking the electrical engineering construction projects and sales of electric equipment and materials ("EECS business") as the customers from these business shows different credit risk characteristics. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets from each business as at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

- Power business

As at 31 December 2019

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (within 1 month)	3%	95,076	(3,105)
1 to 36 months past due	22%	32,353	(7,182)
37 to 60 months past due	85%	5,930	(5,064)
More than 61 months past due	90%	17,968	(16,170)
		151,327	(31,521)
Individually impaired	100%	15,880	(15,880)
		167,207	(47,401)

As at 31 December 2018

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (within 1 month)	0.5%	20,999	(105)
1 to 36 months past due	31%	36,572	(11,343)
37 to 60 months past due	77%	28,903	(22,378)
More than 61 months past due	90%	14,042	(12,638)
		100,516	(46,464)
Individually impaired	100%	17,690	(17,690)
		118,206	(64,154)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

- EECS business

As at 31 December 2019

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (within 1 month)	0.5%	89,637	(413)
1 to 36 months past due	17%	104,401	(17,915)
37 to 60 months past due	80%	9,151	(7,333)
More than 61 months past due	95%	4,995	(4,773)
		208,184	(30,434)

As at 31 December 2018

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (within 1 month)	0.5%	89,463	(387)
1 to 36 months past due	13%	83,283	(11,030)
37 to 60 months past due	65%	4,225	(2,751)
More than 61 months past due	95%	3,360	(3,192)
		180,331	(17,360)

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. ECLs on trade receivables and contract assets are estimated using a provision matrix which is based on its actual loss experience over the past 3 years as adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions with reasonable and supportable information that is available without undue cost or effort at each reporting date. At every reporting date the expected loss rate are reviewed and updated based on such analysis. Based on the provision matrix analysis, the expected loss rate remained stable during the reporting period for receivables from power business and EECS business.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	81,514	80,572
Impairment loss recognised	21,306	9,077
Uncollectible amounts written-off	(24,985)	(8,135)
At 31 December	77,835	81,514

(ii) Credit risks arising from other receivables

In respect of other receivables due from third parties, the Group monitors the exposures and manages them based on historical settlement records and past experience, current conditions and forecasts of future economic conditions.

At each reporting date, the Group measures the expected credit losses of other debtors in following ways:

If, at the reporting date, the credit risk on other receivable has not increased significantly since initial recognition, the Group measures the loss allowance for other receivable at an amount equal to 12-month expected credit loss. The Group measures the loss allowance for other receivables at an amount equal to the lifetime expected credit loss if the credit risk on other receivable has increased significantly since initial recognition and no impairment loss has occurred. The Group measures the loss allowance for other receivables at an amount equal to the lifetime expected credit loss if impairment losses has occurred since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(ii) Credit risks arising from other receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 31 December 2019:

	Gross carrying amount RMB'000	12-month expected credit loss allowance RMB'000
For other receivable that the credit risk has not increased significantly since initial recognition:	11,973	-
	Gross carrying amount RMB'000	Lifetime expected credit loss allowance RMB'000
For other receivable that the credit risk has increased significantly since initial recognition but not credit impaired:	6,248	299
	Gross carrying amount RMB'000	Lifetime expected credit loss allowance RMB'000
For other receivable that is credit impaired since initial recognition:	30,920	17,126

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(ii) Credit risks arising from other receivables (Continued)

Movement in the loss allowance account in respect of other receivables during the reporting period is as follows:

	2019	2018
	RMB'000	RMB'000
At 1 January	18,007	17,327
Impairment loss recognised	(582)	2,365
Uncollectible amounts written-off	-	(1,685)
At 31 December	17,425	18,007

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the 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 liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Meanwhile, in order to control liquidity risk, the Group held negotiation with financial institutions for enough banking facilities. The Group's banking facility was granted by several financial institutions in the PRC. As at 31 December 2019, the Group had undrawn bank facilities of RMB1,220,090 thousand.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019					Carrying amount RMB'000
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables (note 22)	791,739	-	-	-	791,739	791,739
Loans and borrowings (note 23)	457,995	149,672	-	-	607,667	591,778
lease liabilities (note)	2,619	2,000	2,327	1,654	8,600	7,408
	1,252,353	151,672	2,327	1,654	1,408,006	1,390,925

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

	As at 31 December 2018					Carrying amount RMB'000
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables (note 22)	644,638	-	-	-	644,638	644,638
Loans and borrowings (note 23)	101,767	519,650	201,356	-	822,773	764,338
	746,405	519,650	201,356	-	1,467,411	1,408,976

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and loans and borrowings bearing interest issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments. The Group's interest rate profile monitored by management is set out in (i) below

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	As at 31 December 2019		As at 31 December 2018	
	Effective interest rates		Effective interest rates	
	%	RMB'000	%	RMB'000
Fixed rate borrowings:				
Lease liabilities (<i>note</i>)	5%	7,408	N/A	N/A
Interest-bearing loans and borrowings	N/A	-	4.57%	50,000
Variable rate borrowings				
Interest-bearing loans and borrowings	3.97%~4.59%	577,910	1.20%~4.90%	699,970
Total borrowings		585,318		749,970
Fixed rate borrowings as a percentage of total borrowings		1.3%		6.7%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

As at 31 December 2019, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB4,334 thousand (2018: RMB5,250 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period 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 end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

(d) Fair value measurement of financial instruments

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(d) Fair value measurement of financial instruments (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

	As at 31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other financial assets:				
– Unlisted equity securities	–	–	110,198	110,198

	As at 31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other financial assets:				
– Unlisted equity securities	–	–	117,111	117,111

During the year ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the each reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range
Unlisted equity securities	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate	12% (2018:12%)

The fair value of unlisted equity securities is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to the forecast future benefit and negatively correlated to the risk-adjusted discount rate. As at 31 December 2019, it is estimated that with all other variables held constant, an increase/decrease in the forecast future benefit by 10% would have increased/decreased the Group's profit by RMB1,064 thousand (2018: RMB2,952 thousand), a decrease in risk-adjusted discount rate by 1% would have increased the Group's profit by RMB1,260 thousand (2018:RMB945 thousand),and an increase in risk-adjusted discount rate by 1% would have decreased the Group's profit by RMB1,226 thousand (2018: RMB928 thousand).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

28 Financial risk management and fair value (Continued)

(d) Fair value measurement of financial instruments (Continued)

(i) Financial assets measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The gains/losses arising from the remeasurement of the Group's unlisted equity securities are presented in the "Other income" line item in the consolidated statement of profit or loss.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2018 and 2019.

29 Commitments

(a) Capital commitments outstanding as at 31 December 2019 not provided for in the financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted for	24,014	31,963

(b) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties RMB'000
Within 1 year	1,004
After 1 year but within 5 years	758
After 5 years	140
	1,902

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(i), and the details regarding the Group's future lease payments are disclosed in note 24.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

30 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major relate party transactions entered by the Group during the year are as follows:

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2019	2018
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	6,254	4,484
Contributions to defined contribution retirement plans	411	426
	6,665	4,910

The above remuneration to key management personnel is included in "staff costs" (see note 6(b)).

(b) Financing arrangements

	2019	2018
	RMB'000	RMB'000
Repayments from an associate	-	1,000
Repayment of advance to the Parent	-	5,758

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

30 Material related party transactions (Continued)

(c) Sales/purchase with related parties

	Note	2019 RMB'000	2018 RMB'000
Sales of electricity to:			
– Associates of ultimate controlling company		171,160	36,454
– A subsidiary of a shareholder with significant influence over the Company		3,981	–
Provision of services to:			
– A fellow subsidiary		5,245	24,359
– An associate of ultimate controlling company		61,474	37,444
– The Parent	(i)	11,357	–
Purchases of goods from:			
– Fellow subsidiaries		15,419	109
– An associate		5,685	5,437
Purchases of services from:			
– Fellow subsidiaries		42,466	8,953
Rural power grid assets usage fee			
– The Parent	(ii)	13,336	–

(i) On 23 November 2018, the Group entered into a rural power grid assets management and maintenance agreement with its parent Sichuan Province Hydropower Investment and Management Group Co., Ltd. (“Hydropower Group”) (“the Parent”), pursuant to which the Group agreed to provide management and maintenance service for certain rural power grid assets owned by the Parent in the areas where the Group operates its business. The annual service fee payable by the Parent 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.

(ii) On 23 November 2018, the Group entered into a rural power grid assets usage agreement with the Parent (“the usage agreement”), pursuant to which the Group have the rights to use the above-mentioned rural power grid assets owned by the Parent 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 is calculated based on the volume of the Group’s electricity transmitting through the Parent’s rural power grid multiplied by the unit usage price as stipulated in the usage agreement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

30 Material related party transactions (Continued)

(d) Balances with related parties

	2019 RMB'000	2018 RMB'000
Amounts due from (note 19):		
<i>Trade related</i>		
– The Parent	13,134	10,078
– Fellow subsidiaries	19,191	28,498
– Associates of ultimate controlling company	25,163	–
– A subsidiary of a shareholder with significant influence over the Company	873	–
– An associate	38	–
	58,399	38,576
Amounts due to (note 22) (note 18(b)):		
<i>Non-trade related</i>		
– An associate (note 15(a))	30,000	30,000
<i>Trade related</i>		
– The Parent (note 30(c)(iii))	15,099	–
– Fellow subsidiaries	8,636	14,545
– An associate	–	86
– An associate of ultimate controlling company	10,520	–
	64,255	44,631

(e) Other related party transactions

Under the partnership agreement of Jinding Fund, the Company together with another two inferior limited partners signed a guarantee agreement with the preferred limited partner of Jinding Fund to compensate against any shortfall to the required return or any losses from the investment as claimed by the preferred limited partner. Meanwhile, Sichuan Jinding Industrial & Financial Holding Co., Ltd. (“Sichuan Jinding”), a fellow subsidiary, issued a counter guarantee to compensate the Company’s losses, if any, arisen from aforementioned guarantee.

Further to the partnership agreement of Jinding Fund, the Company’s losses from investment in Jinding Fund, if any, was guaranteed by Sichuan Jinding, and a minimum 8% annual yield from Jinding Fund was guaranteed by Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd.(a wholly owned subsidiary of Sichuan Jinding).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

30 Material related party transactions (Continued)

(f) Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as “government-related entities”).

Apart from transactions mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. During the reporting year, the Group had transactions with other government-related entities including, but not limited to purchase and sales of electricity, providing construction work services, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these government-related entities are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state-owned. The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its pricing policies for products and services and financing policy for borrowing. Such pricing policies and financing policy do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, we are of the opinion that none of these transactions individually or collectively are significant related party transactions that require separate disclosure.

The Group has obtained the land use rights to use certain parcels of land that are state-allocated land at nil consideration.

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rural power grid assets usage fee paid, a counter guarantee obtained, the sales and purchases of goods, and the provision of and purchases of services to and from the Parent, fellow subsidiaries and other related parties constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections “Non-exempt Continuing Connected Transactions” of the Directors’ Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of electricity on normal commercial terms in ordinary and usual course of business pursuant to Rule 14A.97, or financial assistance received pursuant to Rule 14A.90, or below the de minimis threshold pursuant to Rule 14A.76.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

31 Company-level statement of financial position

	31 December 2019 RMB'000	1 January 2019 (Note) RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	35,725	37,445	37,445
Intangible assets	1,013	461	461
Investment in subsidiaries	1,062,636	1,041,916	1,041,916
Investment in associates	194,689	182,530	182,530
Other financial assets	110,027	116,941	116,941
	1,404,090	1,379,293	1,379,293
Current assets			
Inventories	55	78	78
Trade and other receivables	810,030	808,095	808,095
Cash and cash equivalents	607,798	682,795	682,795
	1,417,883	1,490,968	1,490,968
Current liabilities			
Trade and other payables	636,308	459,357	459,357
Loans and borrowings	431,910	52,060	52,060
	1,068,218	511,417	511,417
Net current assets	349,665	979,551	979,551
Total assets less current liabilities	1,753,755	2,358,844	2,358,844
Non-current liabilities			
Loans and borrowings	146,000	697,910	697,910
	146,000	697,910	697,910
NET ASSETS	1,607,755	1,660,934	1,660,934
CAPITAL AND RESERVES			
Share capital	1,074,358	1,074,358	1,074,358
Reserves	533,397	586,576	586,576
TOTAL EQUITY	1,607,755	1,660,934	1,660,934

Note: The Company has initially applied the IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the Board of Directors on 24 March 2020.

Zeng Yong
Director

Li Hui
Director

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of RMB unless otherwise indicated)

32 Non-adjusting events after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 27(b).

33 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

34 Immediate and ultimate controlling company

As at 31 December 2019, the directors consider the immediate parent and ultimate controlling company of the Group are Hydropower Group and Sichuan Development (Holding) Co., Ltd., respectively, both of which are incorporated in the PRC.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements.