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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: 01713)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019. These results have been audited by our auditor and reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	2	3,020,286	2,472,733
Cost of sales	4(b)(c)	<u>(2,479,322)</u>	<u>(2,030,356)</u>
Gross profit		540,964	442,377
Other income	3(a)	34,546	28,412
Administrative expenses		(191,354)	(190,994)
Impairment losses on trade and other receivables and contract assets		(35,021)	(20,786)
Other expenses	3(b)	<u>(8,548)</u>	<u>(4,581)</u>
Profit from operations		340,587	254,428
Finance costs	4(a)	(20,952)	(39,535)
Share of profits less losses of associates		<u>(998)</u>	<u>991</u>
Profit before taxation		318,637	215,884
Income tax	5	<u>(48,502)</u>	<u>(38,451)</u>
Profit for the year		<u>270,135</u>	<u>177,433</u>
Attributable to:			
Equity shareholders of the Company		269,142	176,249
Non-controlling interests		<u>993</u>	<u>1,184</u>
Profit for the year		<u>270,135</u>	<u>177,433</u>
Earnings per share			
Basic and diluted (RMB)	6	<u>0.25</u>	<u>0.16</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Renminbi)

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Profit for the year		270,135	177,433
Other comprehensive income for the year		–	–
Total comprehensive income for the year		270,135	177,433
Attributable to:			
Equity shareholders of the Company		269,142	176,249
Non-controlling interests		993	1,184
Total comprehensive income for the year		270,135	177,433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	7	2,758,782	2,671,074
Interests in leasehold land held for own use		123,637	126,492
Intangible assets	8	4,371	4,749
Investment in associates		268,976	269,974
Other financial assets		100,241	110,198
Deferred tax assets		33,663	31,857
		<u>3,289,670</u>	<u>3,214,344</u>
Current assets			
Inventories		64,190	56,846
Contract assets		48,639	24,897
Trade and other receivables	9	420,084	394,417
Other financial assets		160,000	–
Prepaid tax		4,235	5,138
Restricted deposits		4,000	4,000
Cash and cash equivalents		500,799	780,496
		<u>1,201,947</u>	<u>1,265,794</u>
Current liabilities			
Trade and other payables	10	833,383	791,739
Contract liabilities		236,140	205,792
Loans and borrowings	11	381,317	445,778
Lease liabilities		1,852	2,294
Deferred income		7,199	7,383
Current tax liabilities		12,574	15,017
		<u>1,472,465</u>	<u>1,468,003</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*For the year ended 31 December 2020**(Expressed in Renminbi)*

	<i>Note</i>	31 December 2020 RMB'000	31 December 2019 RMB'000
Net current liabilities		<u>(270,518)</u>	<u>(202,209)</u>
Total assets less current liabilities		<u>3,019,152</u>	<u>3,012,135</u>
Non-current liabilities			
Loans and borrowings	11	–	146,000
Lease liabilities		3,556	5,114
Deferred income		141,979	148,994
Deferred tax liabilities		19,159	19,995
		<u>164,694</u>	<u>320,103</u>
NET ASSETS		<u>2,854,458</u>	<u>2,692,032</u>
CAPITAL AND RESERVES			
Share capital	12	1,074,358	1,074,358
Reserves		1,765,401	1,603,695
Total equity attributable to equity shareholder of the Company		<u>2,839,759</u>	<u>2,678,053</u>
Non-controlling interests		<u>14,699</u>	<u>13,979</u>
TOTAL EQUITY		<u>2,854,458</u>	<u>2,692,032</u>

NOTES TO THE FINANCIAL STATEMENTS

1 CHANGES IN MAJOR ACCOUNTING POLICIES AND BASIC OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 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 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.

As at 31 December 2020, current liabilities of the Group exceeded current assets by RMB270,518 thousand. Considering the Group's continuous net cash inflows from operating activities, undrawn banking facility as at 31 December 2020 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 2020 have been prepared on a going concern basis.

2 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:

	2020 <i>RMB'000</i>	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
<i>Point in time</i>		
Revenue from power supplying business	2,621,731	2,115,663
Sales of electric equipment and materials	15,378	19,997
<i>Over time</i>		
Revenue from provision of power supply related equipment/projects engineering construction services	<u>383,177</u>	<u>337,073</u>
Total	<u>3,020,286</u>	<u>2,472,733</u>

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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing electrical engineering construction contracts is RMB232,141 thousand (2019: RMB71,957 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.

3 OTHER INCOME AND EXPENSES

(a) Other income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants (i)	8,115	14,596
Interest income (ii)	5,259	11,266
Fair value changes of other financial assets (iii)	12,743	(4,116)
Others	8,429	6,666
	<u>34,546</u>	<u>28,412</u>

(b) Other expenses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses on property, plant and equipment	2,706	892
Net losses on disposal of property, plant and equipment	140	32
Others	5,702	3,657
	<u>8,548</u>	<u>4,581</u>

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

(ii) Interest income mainly 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 fair value through profit or loss (FVPL) and the Group's investment in unlisted equity securities.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2020 <i>RMB'000</i>	2019 RMB'000
Interest on bank loans	20,411	32,697
Interest on lease liabilities	331	308
	<hr/>	<hr/>
Total interest expense	20,742	33,005
Less: interest expense capitalised into properties under development*	(1,308)	(1,757)
	<hr/>	<hr/>
	19,434	31,248
Foreign exchange (gain)/loss	(9,863)	8,287
	<hr/> <hr/>	<hr/> <hr/>
	9,571	39,535
	<hr/>	<hr/>
Net change in fair value of derivatives		
– foreign exchange forward contract	11,205	–
– interest rate swap contract	176	–
	<hr/>	<hr/>
	11,381	–
	<hr/> <hr/>	<hr/> <hr/>
	20,952	39,535

* The borrowing costs have been capitalised at a rate of 3.60% per annum (2019: 4.06%)

(b) Staff costs[#]

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	373,233	358,768
Contributions to defined contribution retirement plan	4,822	46,784
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	378,055	405,552
	<hr/> <hr/>	<hr/> <hr/>

Staff costs includes remuneration of directors, supervisors and senior management.

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.

Due to the impact of an outbreak of novel coronavirus (“COVID-19”), a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution schemes during the year.

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

(c) **Other items**

	2020	2019
	RMB’000	RMB’000
Amortisation [#]		
– interests in leasehold land held for own use	2,855	2,584
– intangible assets	1,241	1,368
Depreciation [#]		
– owned property, plant and equipment	136,376	141,481
– properties leased for own use	2,356	1,709
Impairment losses on		
– trade and other receivables and contract assets	35,021	20,786
– property, plant and equipment	2,706	892
Auditor’s remuneration		
– audit services	2,600	2,600
– others	900	847
Repair and maintenance expenses [#]	49,686	44,175
Cost of inventories [#]	2,025,574	1,490,766

[#] Cost of inventories includes RMB425,351 thousand (2019: RMB447,591 thousand) relating to staff costs, depreciation and amortisation expenses, and repair and maintenance expenses, which amounts are also included in the respective total amounts disclosed separately in note 4(b) or above for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax-PRC corporate income tax (“CIT”)		
Provision for the year	50,277	37,914
Tax filing differences in respect of prior year	867	793
	<u>51,144</u>	<u>38,707</u>
Deferred tax		
Origination and reversal of temporary differences	(2,642)	(256)
	<u>48,502</u>	<u>38,451</u>

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 2030. 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 60.0% of their total revenues in each of the year.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<u>318,637</u>	<u>215,884</u>
Notional taxation on profit before taxation, calculated at statutory rate	79,659	53,971
Effect of preferential tax rate (<i>note (a) (i)</i>)	(32,245)	(24,237)
Tax effect of non-deductible expenses	1,147	1,027
Tax effect of non-taxable income	(267)	(756)
Tax effect of non-taxable profit	(651)	(2,001)
Tax effect of unused tax losses not recognised	429	10,016
Under-provision in prior year	867	793
Others	(437)	(362)
Actual tax expense	<u>48,502</u>	<u>38,451</u>

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB269,142 thousand (2019: RMB176,249 thousand) and the weighted average of 1,074,357,700 ordinary shares (2019: 1,074,357,700 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares for the year ended 31 December 2020, and therefore, diluted earnings per share are the same as the basic earnings per share.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plants and buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and fixture <i>RMB'000</i>	Properties leased for own use <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:							
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 and 1 January 2020	<u>1,124,401</u>	<u>2,781,441</u>	<u>41,860</u>	<u>69,332</u>	<u>9,008</u>	<u>168,310</u>	<u>4,194,352</u>
Additions	11,874	36,188	3,638	6,195	329	171,817	230,041
Transfers from construction in progress	4,357	137,140	-	1,336	-	(142,833)	-
Disposals	(103)	(1,695)	(3,118)	(186)	-	-	(5,102)
At 31 December 2020	<u>1,140,529</u>	<u>2,953,074</u>	<u>42,380</u>	<u>76,677</u>	<u>9,337</u>	<u>197,294</u>	<u>4,419,291</u>
Accumulated depreciation:							
At 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 and 1 January 2020	<u>(370,515)</u>	<u>(1,053,338)</u>	<u>(28,678)</u>	<u>(43,763)</u>	<u>(1,709)</u>	<u>-</u>	<u>(1,498,003)</u>
Depreciation charge for the year	(26,888)	(99,792)	(3,071)	(6,625)	(2,356)	-	(138,732)
Written back on disposal	79	1,038	2,913	177	-	-	4,207
At 31 December 2020	<u>(397,324)</u>	<u>(1,152,092)</u>	<u>(28,836)</u>	<u>(50,211)</u>	<u>(4,065)</u>	<u>-</u>	<u>(1,632,528)</u>

	Plants and buildings <i>RMB'000</i>	Machineries <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Office equipment and fixture <i>RMB'000</i>	Properties leased for own use <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Impairment losses:							
At 1 January 2019	(5,204)	(23,957)	-	(79)	-	-	(29,240)
Impairment loss	-	(860)	(27)	(5)	-	-	(892)
Written back on disposal	-	4,825	27	5	-	-	4,857
At 31 December 2019 and 1 January 2020							
	(5,204)	(19,992)	-	(79)	-	-	(25,275)
Impairment loss	(1,112)	(1,538)	(21)	(35)	-	-	(2,706)
Written back on disposal	-	-	-	-	-	-	-
At 31 December 2020	(6,316)	(21,530)	(21)	(114)	-	-	(27,981)
Net book value:							
At 31 December 2020	<u>736,889</u>	<u>1,779,452</u>	<u>13,523</u>	<u>26,352</u>	<u>5,272</u>	<u>197,294</u>	<u>2,758,782</u>
At 31 December 2019	<u>748,682</u>	<u>1,708,111</u>	<u>13,182</u>	<u>25,490</u>	<u>7,299</u>	<u>168,310</u>	<u>2,671,074</u>

- (i) All of the property, plant and equipment owned by the Group are located in the Chinese mainland.
- (ii) No property, plant and equipment were pledged to banks as at 31 December 2020 (2019: 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 RMB2,706 thousand was recognised in “Other expenses” for the year (2019: RMB892 thousand).
- (iv) As at 31 December 2020, the Group was in the process of applying for property ownership certificates for certain buildings with an aggregate net book value of RMB10,590 thousand (2019: 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 RMB1,207 thousand as at 31 December 2020 (2019: RMB4,962 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interests in leasehold land held for own use, carried at amortised cost in PRC, with remaining lease term of:		
– between 10 and 50 years	120,870	123,723
– within 10 years	<u>2,767</u>	<u>2,769</u>
	<u>123,637</u>	<u>126,492</u>
Other properties leased for own use, carried at depreciated cost	<u>5,272</u>	<u>7,299</u>
	<u>128,909</u>	<u>133,791</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	2,356	1,709
Interests in leasehold land held for own use, carried at amortised cost	<u>2,855</u>	<u>2,584</u>
	<u>5,211</u>	<u>4,293</u>
Interest on lease liabilities	331	308
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	<u>732</u>	<u>1,581</u>

During the year, additions to right-of-use assets were RMB329 thousand (2019: RMB8,040 thousand). This amount all related to the capitalised lease payments payable under new tenancy agreements.

8 INTANGIBLE ASSETS

	Software RMB'000
Cost:	
At 1 January 2019	16,108
Additions	<u>1,681</u>
At 31 December 2019 and 1 January 2020	17,789
Additions	1,292
At 31 December 2020	<u>19,081</u>
Accumulated amortisation:	
At 1 January 2019	(11,672)
Charge for the year	(1,368)
At 31 December 2019 and 1 January 2020	(13,040)
Charge for the year	<u>(1,241)</u>
At 31 December 2020	<u><u>(14,281)</u></u>
impairment losses:	
At 31 December 2019 and 1 January 2020	<u><u>–</u></u>
Impairment loss	<u>(429)</u>
At 31 December 2020	<u><u>(429)</u></u>
Net book value:	
At 31 December 2020	<u><u>4,371</u></u>
At 31 December 2019	<u><u>4,749</u></u>

9 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade debtors and bills receivable, net of loss allowance (a)	297,327	276,545
Other receivables, net of loss allowance	7,549	31,716
Amounts due from related parties	89,438	58,399
	<hr/>	<hr/>
Financial assets measured at amortised cost	394,314	366,660
Other tax receivables	10	5,630
Prepayments and deposits (b)	25,760	22,127
	<hr/>	<hr/>
	420,084	394,417
	<hr/> <hr/>	<hr/> <hr/>

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

(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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year (inclusive)	267,778	231,569
1 to 2 years (inclusive)	19,162	23,748
2 to 3 years (inclusive)	7,603	16,524
3 to 4 years (inclusive)	1,916	1,822
4 to 5 years (inclusive)	345	862
Over 5 years	523	2,020
	<hr/>	<hr/>
	297,327	276,545
	<hr/> <hr/>	<hr/> <hr/>

Trade debtors and bills receivable are normally due upon the date of billing.

(b) Prepayments and deposits

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

10 TRADE AND OTHER PAYABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)	537,995	486,192
Other payables	70,260	121,512
Interest payables	5,867	5,148
Employee benefits payables	101,861	79,459
Amounts due to related parties	68,249	53,735
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	784,232	746,046
Derivative financial instruments:		
– foreign exchange forward contract (b)	11,205	–
– interest rate swap contract (b)	176	–
	<hr/>	<hr/>
Financial liabilities measured at FVPL	11,381	–
Other tax payables	37,770	45,693
	<hr/>	<hr/>
	833,383	791,739
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- (a) As at the end of the reporting period, the ageing analysis of the trade payables (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year (inclusive)	499,464	467,166
1 to 2 years (inclusive)	23,112	11,745
2 to 3 years (inclusive)	9,324	1,716
Over 3 years	6,095	5,565
	<hr/>	<hr/>
	537,995	486,192
	<hr/> <hr/>	<hr/> <hr/>

- (b) On 17 April 2020, the Company entered into a foreign exchange forward contract and an interest rate swap contract to manage its exposure to currency risk and interest rate risk in relation to the US\$18,000 thousand bank loans due on 2 March 2021. As at 31 December 2020, the foreign exchange forward contract and interest rate swap contract are accounted for at fair value through profit or loss as derivative financial liabilities at RMB11,205 thousand and RMB176 thousand, respectively.

- (c) No amount of derivative financial instruments is expected to be recognised as income after more than one year (2019: N/A).

11 LOANS AND BORROWINGS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Unsecured bank loans	367,449	300,000
Other borrowings (i)	13,868	13,868
Current portion of non-current unsecured bank loans	—	131,910
	<u>381,317</u>	<u>445,778</u>
Non-current		
Unsecured bank loans	—	277,910
Less: Current portion of non-current unsecured bank loans	—	(131,910)
	<u>—</u>	<u>146,000</u>
	<u><u>381,317</u></u>	<u><u>591,778</u></u>

(i) **Other borrowings**

The balance of borrowings from Pingshan County Bureau of Finance (屏山縣財政局) was RMB5,500 thousand (2019: RMB5,500 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 (2019: RMB8,368 thousand), which had been past due since 2011.

(b) At 31 December 2020, loans and borrowings were repayable as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank loans		
Within 1 year or on demand	367,449	431,910
After 1 year but within 2 years	–	146,000
After 2 years but within 5 years	–	–
	<u>367,449</u>	<u>577,910</u>
Loans from other borrowings		
Within 1 year or on demand	<u>13,868</u>	<u>13,868</u>
	<u><u>381,317</u></u>	<u><u>591,778</u></u>

12 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC statutory reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 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	-	-	3,814	(3,814)	-
Dividends approved in respect of the previous year	-	-	-	(91,320)	(91,320)
Balance at 31 December 2019 and 1 January 2020	1,074,358	316,102	61,420	155,875	1,607,755
Changes in equity for 2020					
Total comprehensive income for the year	-	-	-	167,084	167,084
Transfer to statutory reserve	-	-	16,708	(16,708)	-
Dividends approved in respect of the previous year	-	-	-	(107,436)	(107,436)
Balance at 31 December 2020	<u>1,074,358</u>	<u>316,102</u>	<u>78,128</u>	<u>198,815</u>	<u>1,667,403</u>

(b) Dividends

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the end of the year of RMB0.12 per ordinary share (2019: RMB0.1 per ordinary share)	128,923	107,436

On 24 March 2021, a dividend for the year ended 31 December 2020 of approximately RMB128,923 thousand, representing RMB0.12 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year	107,436	91,320

On 17 June 2020, a dividend for the year ended 31 December 2019 of approximately RMB107,436 thousand, representing RMB0.1 per share was approved by the shareholders at the Annual General Meeting of the Company.

(c) **Share capital**

	2020		2019	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	<u>1,074,358</u>	<u>1,074,358</u>	1,074,358	1,074,358
			2020	2019
			'000	'000
Number of shares				
Ordinary shares of RMB1 each				
– Domestic shares			707,519	707,519
– Unlisted Foreign Shares			98,039	98,039
– H shares			<u>268,800</u>	<u>268,800</u>
			<u>1,074,358</u>	<u>1,074,358</u>

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.

(ii) **State capital reserve benefits**

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW

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

In 2020, the total electricity consumption in China reached 7.51 trillion kWh, a year-on-year growth of 3.1%, of which, electricity consumption in the southwest region increased by 1.1 percentage points as compared with the previous year. The newly installed power generation capacity of China was 190.87 million kW, among which 13.23 million kW of hydropower, 71.67 million kW of wind power and 48.2 million kW of solar power. In 2020, the total electricity consumption recorded by Sichuan province was 286.52 billion kWh, a year-on-year increase of 8.7%, representing an increase of 1.53 percentage points from 2019.

As the country continues to promote the “dual cycle” development pattern basis, the construction of the Chengdu-Chongqing double-city economic circle has continued to expand, and Yibin City has accelerated the promotion of the development of emerging industrial clusters. We believe that there are rooms for further expansion for the Company in power sales, distributed energy, integrated energy services, engineering construction and other businesses.

2. 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, including production, distribution and sales of power, which is divided into general power supply business and incremental power transmission and distribution business; and (ii) EECS business, which includes electrical engineering construction service and sales of electric equipment and materials.

In 2020, we realized revenue of RMB3,020.3 million, representing a year-on-year increase of 22.1%. Our profit before taxation was RMB318.6 million, representing a year-on-year increase of 47.6%. In the same year, we achieved net profit of RMB270.1 million, representing a year-on-year increase of 52.2%, and net profit attributable to equity shareholders of the parent company of RMB269.1 million, representing a year-on-year increase of 52.7%.

As of the end of 2020, we had an aggregated 35 hydropower plants with a total installed capacity of 138,680 kW. We also had 2 units of 220 kV substations with an aggregated capacity of 540,000 kVA, 19 units of 110 kV substation with an aggregated capacity of 942,000 kVA, and 59 units of 35 kV substation with an aggregated capacity of 572,050 kVA.

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 2019 and 2020, and the percentage of changes.

Business	Year ended 31 December 2020			Year ended 31 December 2019			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	2,105,535	1,658,094	447,441	1,927,338	1,555,826	371,512	9.2	6.6	20.4
Incremental power transmission and distribution	516,196	492,717	23,479	188,325	176,431	11,894	174.1	179.3	97.4
EECS business ⁽¹⁾	398,555	328,511	70,044	357,070	298,099	58,971	11.6	10.2	18.8
Total	<u>3,020,286</u>	<u>2,479,322</u>	<u>540,964</u>	<u>2,472,733</u>	<u>2,030,356</u>	<u>442,377</u>	<u>22.1</u>	<u>22.1</u>	<u>22.3</u>

Note:

- (1) Include revenue from the sales of electric equipment and materials of RMB15.4 million for the year ended 31 December 2020.

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	
	2020		2019		Electricity Sales	Revenue
	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales (MWh)	Revenue (RMB'000)		
Household	1,290,095	713,740	1,167,026	634,624	10.5	12.5
General industrial and commercial	983,593	567,459	914,531	573,772	7.6	-1.1
Large industrial	1,444,633	763,109	1,275,371	677,341	13.3	12.7
State Grid	94,103	20,353	32,672	6,621	188.0	207.4
Others	116,264	40,874	84,884	34,980	37.0	16.8
Total	<u>3,928,688</u>	<u>2,105,535</u>	<u>3,474,484</u>	<u>1,927,338</u>	<u>13.1</u>	<u>9.2</u>

Most of our revenue for the year ended 31 December 2020 was derived from general power supply business, including production, distribution and sales of power. We generated RMB2,105.5 million of revenue from our general power supply business, which accounted for 69.7% of our total revenue.

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 RMB516.2 million of revenue from incremental power transmission and distribution business for the year ended 31 December 2020, which accounted for 17.1% 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 2020, we generated RMB398.6 million of revenue from our EECS business, which accounted for 13.2% of our total revenue.

2.3 Main Operational Measures

2.3.1 Fighting against the pandemic, safeguarding power supply and full resumption of work and production

In 2020, in the face of the sudden outbreak of COVID-19, we strengthened the prevention and control of the epidemic and fully promote the resumption of work and production by (i) implemented the prevention and control requirements, strengthened contactless services, and realized “zero infection” and “zero complaints” in the provision of electricity supply services; (ii) rolling out various measures to ensure the protection of electricity supply for the return of production of enterprises, and implementing preferential tariff reduction and exemption in accordance with the policies; and (iii) monitoring the production and supply of electricity on a daily basis to ensure the smooth flow of information on the resumption of production of government and enterprises.

2.3.2 Increasing revenue and reducing expenditure to maintain steady and stable growth

In 2020, our total revenue grew steadily, mainly due to: firstly, consolidation of our inventories, expansion of incremental business and our in-depth participation in market competition to attain a new stage of benefits of our comprehensive energy business. Secondly, taking advantage of regional power grids to realize 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. Thirdly, increasing revenue and reducing expenditure by implementing 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 and financing analysis and monitoring the availability of capital to meet our operational needs.

2.3.3 Consolidating the foundation and continuously optimizing the service level

In 2020, we promoted the voltage level of the power grids and establishment of informatization. Firstly, we completed the new construction of the 220 kV substation of Pingshan Wangchang and the capacity expansion and technological transformation project of the 220 kV substation of Yuyu in Jixian County. Secondly, we unified the marketing and management system, with the coverage rate of smart meters and collection terminals exceeding 98%. Thirdly, we implemented online operation and remote payment of fees, and constantly improved the service quality and level. Fourthly, power lines of 35kV and above were cut off by 216 times, representing a year-on-year decrease of approximately 9.24% as compared with 238 times in 2019, indicating that the reliability of power supply to our power grids has been further improved.

2.3.4 Standardizing governance and optimizing compliance management mechanism

In 2020, in order to standardize the corporate governance mechanism, three main measures have been implemented including: (i) to revise the Company's manual of administrative authority to clarify the boundaries of the Company's headquarters and its subsidiaries; (ii) to optimize the system of compliance management, amend the Articles of Association, the Rules of Procedures for Shareholders' General Meetings and the Rules of Procedures for the Board of Directors of the Company, and strengthen the prevention of legal compliance risks; and (iii) to regulate the connected transactions of the Company, improve the internal control procedures for information disclosure, and promote the safe and stable operation of the Company.

3. FINANCIAL REVIEW

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

Revenue

Business	Year ended 31 December	
	2020	2019
	Revenue	Revenue
	(RMB'000)	(RMB'000)
General power supply business	2,105,535	1,927,338
Incremental power transmission and distribution business	516,196	188,325
EECS business ⁽¹⁾	398,555	357,070
Total	<u>3,020,286</u>	<u>2,472,733</u>

Note:

- (1) Includes revenue from the sales of electric equipment and materials of RMB15.4 million for the year ended 31 December 2020.

Revenue increased by 22.1% from RMB2,472.7 million for the year ended 31 December 2019 to RMB3,020.3 million for the year ended 31 December 2020, primarily due to (i) an increase of RMB178.2 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 and large-scale industrial customers in 2020, and (ii) increase of RMB 327.9 million in revenue from incremental power transmission and distribution business, as the expansion of incremental distribution for an increase of the demands from our customers in 2020 compared to 2019.

General Power Supply Business

Revenue generated from general power supply business increased by 9.2% from RMB1,927.3 million for the year ended 31 December 2019 to RMB2,105.5 million for the year ended 31 December 2020. The increase was primarily due to an increase in the number of our household and large-scale industrial customers by approximately 23,022 and 77, respectively, in 2020 compared to 2019. Revenue generated from general power supply business accounted for 77.9% and 69.7% of our total revenue for the years ended 31 December 2019 and 2020, respectively.

Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business increased by 174.1% from RMB188.3 million for the year ended 31 December 2019 to RMB516.2 million for the year ended 31 December 2020. The increase was primarily due to an increase of the demands from our customers in 2020 compared to 2019.

EECS Business

Revenue generated from the EECS business increased by 11.6% from RMB357.1 million for the year ended 31 December 2019 to RMB398.6 million for the year ended 31 December 2020. The increase was primarily due to an increase of the number of the EECS projects the Group undertook in 2020.

Cost of Sales

Business	Year ended 31 December	
	2020	2019
	(RMB'000)	(RMB'000)
General power supply business	1,658,094	1,555,826
Incremental power transmission and distribution business	492,717	176,431
EECS business	328,511	298,099
Total	<u>2,479,322</u>	<u>2,030,356</u>

Cost of sales increased by 22.1% from RMB2,030.4 million for the year ended 31 December 2019 to RMB2,479.3 million for the year ended 31 December 2020, 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 6.6% from RMB1,555.8 million for the year ended 31 December 2019 to RMB1,658.1 million for the year ended 31 December 2020. 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 2020. Cost of sales from our general power supply business accounted for 76.6% and 66.9% of our total cost of sales for the years ended 31 December 2019 and 2020, respectively.

Incremental Power Transmission and Distribution Business

Cost of sales associated with the incremental power transmission and distribution business increased by 179.3% from RMB176.4 million for the year ended 31 December 2019 to RMB492.7 million for the year ended 31 December 2020. The increase was primarily due to an increasing scale of our incremental power transmission and distribution business in 2020.

EECS Business

Cost of sales associated with the EECS business increased by 10.2% from RMB298.1 million for the year ended 31 December 2019 to RMB328.5 million for the year ended 31 December 2020. The increase was primarily due to an increase in the number of EECS projects we undertook in 2020.

Gross Profit and Gross Profit Margin

Business	Year ended 31 December			
	2020		2019	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	(RMB'000)	Margin	(RMB'000)	Margin
		%		%
General power supply business	447,441	21.3	371,512	19.3
Incremental power transmission and distribution business	23,479	4.5	11,894	6.3
EECS business	70,044	17.6	58,971	16.5
Total	540,964	17.9	442,377	17.9

Our gross profit increased by 22.3% from RMB442.4 million for the year ended 31 December 2019 to RMB541.0 million for the year ended 31 December 2020. Gross profit margin remained relatively stable representing 17.9% and 17.9% for the year ended 31 December 2019 and 2020, respectively.

General Power Supply Business

The gross profit under general power supply business increased by 20.4% from RMB371.5 million for the year ended 31 December 2019 to RMB447.4 million for the year ended 31 December 2020. The increase was primarily due to an increase in the amount of electricity sales made to our household use and general industrial and commercial use in 2020.

Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business increased by 97.4% from RMB11.9 million for the year ended 31 December 2019 to RMB23.5 million for the year ended 31 December 2020. The increase was primarily due to an increasing scale of our incremental power transmission and distribution business in 2020.

EECS Business

The gross profit of EECS business increased by 18.8% from RMB59.0 million for the year ended 31 December 2019 to RMB70.0 million for the year ended 31 December 2020. The corresponding gross profit margin increased from 16.5% for the year ended 31 December 2019 to 17.6% for the year ended 31 December 2020. The corresponding increase was primarily due to an increase in the number of EECS projects we undertook in 2020 and strengthening internal control to reflect gross profit margin accurately, such as shortening settlement cycle, enhancing cost control etc..

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 increased by 21.6% from RMB28.4 million for the year ended 31 December 2019 to RMB34.5 million for the year ended 31 December 2020, mainly due to an increase of net income from the investment in structured deposits in banks measured at FVPL the Group entered in 2020.

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 remained relatively stable, representing RMB191.0 million and RMB191.4 million for the year ended 31 December 2019 and 2020, respectively.

Impairment Losses on Trade and Other Receivables and Contract Assets

Impairment losses on trade and other receivables and contract assets increased by 68.5% from RMB20.8 million for the year ended 31 December 2019 to RMB35.0 million for the year ended 31 December 2020. The corresponding increase was primarily due to an increase in expected credit loss rate of EECS projects as the additional uncertainties in the operations and financial position of some corporate customers brought by the COVID-19 pandemic.

Finance Costs

Finance costs decreased by 47.0% from RMB39.5 million for the year ended 31 December 2019 to RMB21.0 million for the year ended 31 December 2020, primarily due to a decrease in interest expense because of the reduction of bank loans in 2020 and less foreign exchange loss in 2020 compared to 2019.

Share of Profits Less Losses of Associates

Share of profits less losses of associates decreased by 200.7% from RMB1.0 million for the year ended 31 December 2019 to RMB-1.0 million for the year ended 31 December 2020, primarily due to a decrease of RMB2.7 million in profits from one small loan company associate, one power supply company and one property investment company as a result of the adverse market conditions.

Income Tax

Income tax expenses were RMB38.5 million and RMB48.5 million for the years ended 31 December 2019 and 2020 at effective tax rates of 17.8% and 15.2%, respectively. The increase in income tax was due to an increase in profit before taxation.

Profit for the Year

As a result of the above, profit for the year increased from RMB177.4 million for the year ended 31 December 2019 to RMB270.1 million for the year ended 31 December 2020.

Analysis of Key Items of Consolidated Statement of Financial Position

Property, Plant and Equipment

	As at 31 December	
	2020	2019
	(RMB'000)	(RMB'000)
Property, Plant and Equipment	<u>2,758,782</u>	<u>2,671,074</u>

Our property, plant and equipment, which consisted primarily of plants and buildings, machineries, vehicles, office equipment and projects under construction, increased from RMB2,671.1 million as of 31 December 2019 to RMB2,758.8 million as of 31 December 2020, mainly due to an increase in projects under construction in 2020.

Intangible Assets

Our intangible assets decreased from RMB4.7 million as of 31 December 2019 to RMB4.4 million as of 31 December 2020, primarily due to the amortization and the impairment of old marketing systems during 2020.

Trade and Other Receivables

Our trade and other receivables were RMB394.4 million and RMB420.1 million as at 31 December 2019 and 2020, respectively. The increase in our trade and other receivables was mainly due to an increasing scale of incremental power transmission and distribution business.

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 46.9 days for the year ended 31 December 2019 to 43.4 days for the year ended 31 December 2020, mainly due to the increase of total revenue in 2020.

Other Financial Assets

Our other financial assets were RMB110.2 million and RMB260.2 million as at 31 December 2019 and 2020, respectively. The increase in our other financial assets was mainly due to an increase of structured deposits in banks with the principal amount of RMB160 million and the term of 189 days with floating interest rate.

Trade and Other Payables

Our trade and other payables were RMB791.7 million and RMB833.4 million as at 31 December 2019 and 2020, respectively. The increase in our trade and other payables were mainly due to derivative financial liabilities generated by a foreign exchange forward contract and an interest rate swap contract.

The turnover days of our average 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) decreased from 78.4 days for the year ended 31 December 2019 to 74.4 days for the year ended 31 December 2020, mainly due to the increase of cost of sales in 2020.

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 2020, our cash and cash equivalents amounted to RMB500.8 million (31 December 2019: RMB780.5 million).

As at 31 December 2020, the total borrowings of our Group amounted to RMB381.3 million (31 December 2019: RMB591.8 million), including bank and other borrowings. All of our bank and other borrowings bear interest at floating rate.

Gearing Ratio

As at 31 December 2020, the gearing ratio of our Group was 13.1% (31 December 2019: 21.7%). Gearing ratio is calculated based on our total interest-bearing liabilities divided by total equity as of the same date.

4. DIVIDEND

The Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2020 to Shareholders whose names appeared on the register of members of the Company on 29 June 2021 (the “**Record Date**”), with the total amount of dividend amounting to approximately RMB128,922,924. Subject to approval of the declaration of dividend by Shareholders of the Company at the Annual General Meeting, the final dividend is expected to be paid on or before 19 July 2021. For more details, please refer to “Dividends and Distribution” of this announcement.

5. GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Stock Exchange on 28 December 2018 and 268,800,000 H Shares with a nominal value of RMB1.00 each was issued at a price of HK\$1.77 per share (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately RMB380.5 million. The Group has utilized RMB219.5 million of such proceeds from the Global Offering according to those disclosed in the Prospectus as at 31 December 2020. The remaining of RMB161.0 million has not been used. The use of proceeds is as follows:

Use of Proceeds as Disclosed in the Prospectus	Percentage of Planned usage net proceeds of net proceeds		Amount unused as at 1 January 2020 (RMB'000)	Amount used for the year (RMB'000)	Amount unused as at 31 December 2020 (RMB'000)	Estimated schedule ⁽¹⁾
	from initial public offerings (as set out in the Prospectus)	from initial public offerings (as set out in the Prospectus)				
Acquisition of power-related assets	40%	152,193	152,193	0	152,193	2022
Construction and optimization of power grid	30%	114,146	54,645	49,698	4,947	2021
Establishment of centralized power dispatching and control center and promotion of smart grid system	20%	76,096	37,097	37,097	0	N/A
Working capital	10%	38,048	35,838	31,931	3,907	2021
Total	<u>100%</u>	<u>380,483</u>	<u>279,773</u>	<u>118,726</u>	<u>161,047</u>	

Note:

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

As of 31 December 2020, the unused net proceeds from the global offering for each business strategy mentioned in the above table have been deposited as deposits in licensed banks in China and will be used in accordance with the progress of the Company's investment projects. As disclosed in the Prospectus, the Company intended to use 40% of the unused net proceeds for the acquisition of power-related assets. However, due to the outbreak of COVID-19 pandemic and the social restrictions caused by regional epidemic prevention and blockade measures, the intended investment project was unable to complete as scheduled considering that both parties of the transaction have not reached an agreement on the transaction conditions as the progress of the investigation and research work related to the project failed to meet the expectation. It is expected to be postponed to the end of 2022 to complete the acquisition of power-related assets. The Company will accelerate the progress of the project and improve the efficiency of the use of proceeds.

The net proceeds from the Global Offering have been and are expected to be used as previously disclosed in the Prospectus. As of 31 December 2020, save as the delay in the acquisition of power-related assets, there have been no major changes or delays in the usage or use of the net proceeds of the Company.

6. CAPITAL COMMITMENTS

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

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

	As at 31 December	
	2020	2019
	(RMB'000)	(RMB'000)
Contracted for	<u>68,994</u>	<u>24,014</u>

7. SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020, we did not have any significant investments held, nor were there acquisitions and disposals of subsidiaries, associates and joint ventures.

8. PLEDGES OF OUR GROUP'S ASSETS

No property, plant and equipment were pledged to banks as at 31 December 2020 (31 December 2019: nil).

9. FOREIGN EXCHANGE RISK

Our Group entered into a facility letter with a bank in November 2019 in relation to a term loan facility extending a credit line of up to USD20.0 million for a term of one year. Pursuant to the relevant facility letter, our Group undertakes that interalia (i) it shall remain at least 25% directly or indirectly owned by Sichuan Development (Holding) Co., Ltd.* and (ii) at least 50% directly or indirectly owned by State-own Assets Supervision and Administration Commission of the State council or other local government bodies. To the best knowledge and belief of the Company, the above undertaking have been complied with during the Reporting Period, and the Company does not foresee, pursuant to currently available information, any material impediment on their continuing compliance for the removing term of the facility letter. Our Group subsequently made a drawdown in the principal amount of USD18.0 million on 16 April 2020. To avoid the adverse impact of the exchange rate fluctuations, our Group has entered into foreign exchange rate swap contract for our US Dollar bank loan on 17 April 2020. Saved as disclosed above, our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currently fluctuations as 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.

10. CONTINGENT LIABILITIES

As at 31 December 2020, our Group did not have any contingent liabilities (31 December 2019: nil).

11. MAJOR INVESTMENT PLAN

We plan to expedite the construction of the high pressure level power grids, including the investment in the construction of a new 220kV substation project in Lianhua of Xingwen County, which was approved by the Sichuan Provincial Development and Reform Commission in October 2020. It is planned to build one 220kV substation and two main transformers with a capacity of 360,000 kVA. The total investment is RMB115.99 million, 40% of which are self-raised funds and 60% of which are bank loans. The project is expected to be completed by the end of 2022 in order to improve the power supply and support capabilities, operational efficiency and service level of the regional power grid.

12. EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Company had a total of 3,006 full-time employees (31 December 2019: 2,968). The related employee costs (including Directors' fees) for the year were approximately RMB378.1 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.

13. SUBSEQUENT EVENTS

As disclosed above, a final dividend will be distributed in July 2021 subject to the approval by the Shareholders at the Annual General Meeting. In order to reduce exchange rate risk, the Company signed a forward contract with Industrial and Commercial Bank of China at around about HK\$ 30 million at a forward exchange rate of HK\$1.0 to RMB0.8487 on 10 March 2021.

14. IMPACT OF COVID-19 PANDEMIC ON THE COMPANY

Firstly, according to the Notice on Implementation of National Policies on Progressive Reduction of Enterprise Power Consumption Costs for Supporting Resumption of Work and Production (《關於落實國家階段性降低企業用電成本支持企業復工復／產政策有關工作的通知》), the Notice on Relevant Matters of Extending Supporting Policies of Progressive Power Consumption Price (《關於延長階段性用電價格支持政策有關事項的通知》) of the Development and Reform Commission of Sichuan Province, from 1 February 2020 to 31 December 2020, except for those in the high energy-consuming industries, the electricity price for the category of industrial, commercial and other use of electricity (excluding sale) in the power sale table of Sichuan Province Power Grid Catalogue will be settled at 95% of the electricity price level in the current month. The Company's concessionary electricity charges amounted to RMB51,023,900.

Secondly, according to the requirements of the Notice on Issuance by 5 Departments including the Human Resources and Social Security Bureau of Sichuan Province (《四川省人力資源和社會保障廳等5部門關於印發的通知》), since February 2020, the Group has enjoyed a progressive reduction or exemption policy for the payment of basic pension insurance, unemployment insurance and work-related injury insurance. The social insurance unit payable amounted to RMB43,638,800 in total, and since January 2021, the Group has no longer enjoyed the policy of social insurance exemption during the pandemic period, and resumed payment of the whole-line social insurance unit.

On the whole, COVID-19 pandemic had no significant impact on the Company's performance for this year.

15. OUTLOOK

According to the 14th Five-Year Plan of China and the industry, we have actively planned our development strategy and report to our shareholders and the Board to make decisions on this matter. We will build our Company into a first-class domestic power supply provider at the end of the 14th Five-Year Plan by achieving the strategic goal of modern integrated energy service enterprises, striving to create the development of an integrated energy service ecosystem with power grid features and service industry development, and continuing to strengthen the Company's efforts in five aspects, namely reform, quality improvement and efficiency enhancement, maintaining safety and stability as well as team building, in order to promote steady and sound development of the Company, and ensure stable growth in operating results, remarkable returns to Shareholders.

(1) Reforming and tackling difficulties, and accelerating the construction of new development pattern

First is to deepen reform and open up to enhance the endogenous incentives for development and further optimize corporate governance. Second is to explore pilot reforms of mixed ownership, focus on market-oriented businesses and create new profit growth for the Company. Third is to give full play to the regional advantages, actively participate in the development of the Yibin gas industry cluster, strengthen communication and coordination with the local government, explore scientific and pragmatic and win-win cooperation, and optimize the Company's power source structure and reliability of power supply. Fourth is to vigorously promote the electric energy substitute business, as well as explore and expand the comprehensive energy investment and construction projects such as "charged pile +". Fifth is to build a smart power grid park pilot project by combining the national comprehensive energy service policy documents.

(2) Paying close attention to quality improvement to increase endogenous development capability

First is to build a regional power grid with 220kV backbone, and promote the construction of strong power grid in an orderly manner. Second is to establish a standardized, normalized and institutionalized process and mechanism for marketing services, and establish a long-term sound mechanism for “acquisition of electricity” to promote the sustainable and stable development of the Company itself. Third is to make rational use of the “four new” technologies to enable the technological upgrade of equipment facilities to be carried out in a sound manner, laying a solid foundation for the construction of energy Internet. Fourth is to strengthen the Company’s informatization construction and management, promote the construction of information platform by focusing on digital transformation of enterprises, and facilitate the deep integration of business and informatization.

(3) Strengthening team building and solidifying the foundation of transformation and development

First is to adhere to the rationalization of human resources management in line with the Company’s strategy and business development, give full play to the role of the market and enhance the supporting role of human resources in the strategic objectives of the Company. Second is to further improve the mechanism of selecting and employing talents in the market to expand the channel of talent introduction, strengthen the cultivation of talents and echelon construction, and provide human resources protection for the Company’s high-quality development. Third is to optimize the incentive mechanism for remuneration allocation, actively and steadily formulate measures, such as medium and long-term equity incentives combining incentives and restraints, so as to fully stimulate the vitality and motivation of all kinds of talents.

DIVIDENDS AND DISTRIBUTION

The Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2020 to Shareholders whose names appeared on the register of members on 29 June 2021, with the total amount of dividend amounting to approximately RMB128,922,924. The declaration of dividend shall be subject to approval by the Shareholders of the Company at the Annual General Meeting, and the final dividend will be paid on or before 19 July 2021.

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 2021, being the date of proposed declaration of dividend (i.e. 17 March 2021 to 23 March 2021) (HK\$1.0 to RMB0.8374). Accordingly, the amount of the final dividends payable in HK\$ will be approximately HK\$0.14330 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.

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 19 May 2021 to 18 June 2021 (both days inclusive), during which period no transfer of Shares will be effected. 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 18 May 2021.

In order to determine the entitlement of Shareholders for the final dividends, subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from 24 June 2021 to 29 June 2021 (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 29 June 2021. 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 23 June 2021.

PUBLIC FLOAT

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

CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company adopted the Corporate Governance Code as the Company's code of corporate governance. From 1 January 2020 to 31 December 2020, the Company had complied with all the code provisions as set out in the Corporate Governance Code.

COMPLIANCE WITH CODE PROVISIONS OF MODEL CODE BY DIRECTORS AND SUPERVISORS

The Company has formulated and implemented internal rules which is no less than the Model Code as the code of conduct regarding securities transaction by the Directors and Supervisors. None of the Directors or Supervisors holds Shares or breach any of the regulations therein.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, Mr. Kin Kwong Kwok Gary (郭建江) and Mr. Fan Wei (范為) and a non-executive Director, Ms. Han Chunhong (韓春紅).

The Group's audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Audit Committee considered 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, and the selection and appointment of external accountants.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting is expected to be held on 18 June 2021. The notice of the Annual General Meeting will be published on the websites of the Company (www.scntgf.com) and the Stock Exchange (www.hkex.com.hk) and be dispatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.scntgf.com). The annual report for the year ended 31 December 2020 of the Company containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting to be convened by the Company on 18 June 2021
“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
“Audit Committee”	the audit committee of the Company
“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 announcement, 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: 01713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“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
“Group”	the Company and its subsidiaries
“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
“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
“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
“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 of the Company dated 13 December 2018 issued in connection with its initial public offering in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor”	the Supervisor(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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.

By order of the Board
Sichuan Energy Investment Development Co., Ltd.*
Xiong Lin
Chairman

Chengdu, Sichuan Province, the PRC, 24 March 2021

As at the date of this announcement, the executive Directors are Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Ms. Li Yu, Mr. Zhou Yanbin and Mr. Xu Zhenhua; and the independent non-executive Directors are Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng.

* *For identification purposes only*