



# 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

# 2022

## Annual Report



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# DEFINITIONS

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

“14th Five-year Period”	the 14th five-year period for the PRC national economic and social development, being year 2021 to 2025
“AGM”	the annual general meeting to be convened by the Company on 16 June 2023
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 May 2017 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“China Accounting Standards for Business Enterprises” or “CASBE”	the accounting standards for business enterprises issued by the Ministry of Finance of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “Sichuan Energy Investment Development”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary shares in the Company’s registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC-incorporated entities, and are not listed or traded on any stock exchange
“EECS business”	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials

## DEFINITIONS

“Energy Investment Group”	Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a company established in China on 21 February 2011 with limited liability, one of our controlling shareholders
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a company established in China on 17 December 2004 with limited liability, one of our controlling shareholders
“Listing”	listing of the H Shares of the Company on the Main Board of the Stock Exchange
“Listing Date”	28 December 2018, the date on which the H Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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 period from 1 January 2022 to 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares, 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



## DEFINITIONS

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



# CHAIRMAN'S STATEMENT

The year of 2022 marked a crucial milestone in the history of both the Communist Party of China (CPC) and the State. Grappling with the persistent outbreaks of the COVID-19 pandemic and the complex and harsh domestic and international economic landscapes, the CPC Central Committee with Comrade Xi Jinping as the core united and led all members of the Party and people of all ethnic groups to forge ahead through difficulties, and secured hard-earned progress.

Over the past year, amid great pressure arising from power system reform, extreme weathers and rapidly growing power load in our supply areas, all management and staff of the Company, leveraging the strong support from the Shareholders and the public, strove even harder with unremitting efforts to fulfill responsibilities in good times, and remained tenacious and composed despite relentless challenges under unfavorable circumstances. We dedicated ourselves to the unswerving fight against the COVID-19 pandemic, and guaranteed reliable electricity supply to households, government departments and utility service providers. We made full strides to stabilize growth with a focus on our primary responsibilities, expedited the construction of power grids and further improved the reliability of power supply. Besides, we promptly but steadily promoted system reform in the growth approach underpinned by “two models” and “dual wings”, and established the guiding strategic goal of building a “first-class modern comprehensive energy service provider in western China” to further condense the common consensus on reform and development. Moreover, we acted aggressively to pursue innovations, optimized asset structure and proactively expanded our business presence in the field of comprehensive energy, and have gradually built up a new energy consumption and service pattern where “electricity remains as the focus and complemented by multi-energies that are safe, green, convenient and efficient”. Over the past year, we secured a steady improvement in asset scale, operating revenue, profit and other operating indicators. The operating revenue and profit before tax recorded a year-on-year increase of 4.5% and 12.6%, respectively, and net profit attributable to equity Shareholders of the parent company registered a year-on-year increase of 11.8% from the previous year, thus laying a solid foundation for realization of the strategic goals set for the 14th Five-year Period.

Riding upon the times of the new era, we will spare no effort in seeking further growth. The 20th National Congress of the CPC has drawn an ambitious blueprint for building a modern socialist country in all respects and advancing the great rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization, sounding a clarion call of the times for us forging ahead on a new journey. Such a long journey is blessed with glories and dreams, and we are motivated by glories and summoned by dreams. In 2023, the Company will seize every opportunity arising from the “carbon peaking and carbon neutrality” strategy, press ahead with the new development philosophy, focus on enhancing power supply guarantee and business transformation, refresh vitalities and pool efforts to stimulate growth, and march ahead with enterprising spirit and painstaking efforts, aspiring to fulfill further responsibilities and accomplishments in the new era and along our new development path!

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

**Xiong Lin**

*Chairman*

Chengdu, 28 March 2023

# COMPANY PROFILE

As at the date of this report

## 1. CORPORATE INFORMATION

**Chinese Name:**

四川能投發展股份有限公司

**English Name:**

Sichuan Energy Investment Development Co.,Ltd.\*

**Registered Address:**

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

**Headquarters/Principal Place of Business in the PRC:**

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

**Principal Place of Business in Hong Kong:**

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

**Company Website:**

<http://www.scntgf.com>

**Tel:**

+86 (28) 86299666

**Fax:**

+86 (28) 86299666

**E-mail:**

db@scntgf.com

## 2. STOCK PROFILE OF THE COMPANY

**Classes of Shares:**

H Shares, 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. He Jing (*Chairman*)

Mr. Li Hui

Ms. Xie Peixi

## 4. NON-EXECUTIVE DIRECTORS

Ms. Han Chunhong

Mr. Tao Xueqing

Ms. Liang Hong

Ms. Lv Yan

Mr. Kong Ce

## 5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Kwong Kwok Gary

Ms. He Zhen

Mr. Wang Peng

Prof. Li Jian

Ms. He Yin

## 6. SUPERVISORS

Ms. Deng Ruipu (*Chairlady*)

Ms. Fu Ruoxue

Ms. Li Jia

Mr. Liao Jun

Ms. Wang Meng

Mr. Huang Yao

## 7. AUTHORIZED REPRESENTATIVES

Mr. He Jing

Mr. Li Hui

## 8. AUDIT COMMITTEE

Mr. Kin Kwong Kwok Gary (*Chairman*)

Ms. Han Chunhong

Prof. Li Jian

## 9. REMUNERATION AND EVALUATION COMMITTEE

Mr. Wang Peng (*Chairman*)

Ms. He Zhen

Ms. Lv Yan

\* For identification purposes only

## COMPANY PROFILE

*As at the date of this report*

### 10. NOMINATION COMMITTEE

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

### 11. RISK CONTROL COMMITTEE

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

### 12. JOINT COMPANY SECRETARIES

Mr. Li Hui  
Ms. Wong Wai Ling

### 13. H SHARE REGISTRAR

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

### 14. AUDITOR

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

### 15. LEGAL ADVISORS

#### **As to Hong Kong law:**

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

#### **As to PRC law:**

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

### 16. PRINCIPAL BANKS

Bank of Communications Co., Ltd., Chengdu Branch,  
Wenjiang Sub-branch

(交通銀行股份有限公司成都溫江支行)

Agricultural Bank of China Limited, Chengdu Branch,  
Jincheng Sub-branch

(中國農業銀行股份有限公司成都錦城支行)

Industrial Bank Co., Ltd., Chengdu Branch, Jinniu  
Sub-branch

(興業銀行股份有限公司成都金牛支行)

Industrial and Commercial Bank of China Limited,  
Chengdu Branch, Hi-tech Industry Development Zone  
Sub-branch

(中國工商成都高新支行)

Bank of China Limited, Chengdu Branch, Development  
Zone West Sub-branch

(中國銀行股份有限公司成都開發西區支行)

# FINANCIAL HIGHLIGHTS

## Year ended 31 December

Summary of consolidated statement of profit or loss	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Revenue	<b>3,313,256</b>	3,171,674	3,025,304	2,477,429	2,035,651
Total profit	<b>361,546</b>	321,195	305,705	213,308	196,988
Income tax expense	<b>58,997</b>	50,278	48,503	38,451	28,745
Net profit	<b>302,549</b>	270,917	257,202	174,857	168,243
<b>Attributable to:</b>					
Equity Shareholders of the Company	<b>301,442</b>	269,558	256,028	173,673	168,021
Non-controlling interests	<b>1,107</b>	1,359	1,174	1,184	222
Basic earnings per Share (RMB)	<b>0.28</b>	0.25	0.24	0.16	0.21

## As at 31 December

Summary of consolidated statement of financial position	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)
Total non-current assets	<b>3,775,182</b>	3,461,642	3,289,669	3,214,344	3,174,276
Total current assets	<b>1,372,829</b>	1,169,811	1,201,949	1,265,794	1,212,997
Total assets	<b>5,148,011</b>	4,631,453	4,491,618	4,480,138	4,387,273
Total current liabilities	<b>1,511,576</b>	1,432,774	1,465,266	1,468,003	915,170
Total non-current liabilities	<b>451,217</b>	202,780	171,892	320,103	873,461
Total liabilities	<b>1,962,793</b>	1,635,554	1,637,158	1,788,106	1,788,631
Net assets	<b>3,185,218</b>	2,995,899	2,854,460	2,692,032	2,598,642
Including:					
Equity attributable to equity Shareholders of the Company	<b>3,147,366</b>	2,979,660	2,839,580	2,678,053	2,593,127
Equity attributable to non-controlling interests	<b>37,852</b>	16,239	14,880	13,979	5,515

# 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 2022, total power consumption in China reached 8.6372 trillion kWh, representing a year-on-year increase of 3.6%. In particular, power consumption in the primary sector reached 114.6 billion kWh, representing a year-on-year increase of 10.4%; power consumption in the secondary sector reached 5.7001 trillion kWh, representing a year-on-year increase of 1.2%; power consumption in the tertiary sector reached 1,485.9 billion kWh, representing a year-on-year increase of 4.4%; urban and rural household consumption reached 1,336.6 billion kWh, a year-on-year growth of 13.8%, of which, total electricity consumption of Sichuan Province was 344.71 billion kWh, a year-on-year growth of 5.3%.

As Sichuan Province is expediting the construction of the dual-city economic circle in Chengdu-Chongqing area to drive economic growth through boosting domestic demand, increasing investment in projects, speeding up the construction of modern infrastructure, and forging Yibin-Luzhou as the sub-economic center in southern Sichuan, we believe that the Company will embrace further development opportunities in electricity sales, distributed energy, engineering construction and comprehensive energy services.

## 2. BUSINESS OVERVIEW

### 2.1 Overview

The Group is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation 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 business currently consists of (i) power business, which includes power production, distribution and sales, and is divided into general power supply business and incremental power transmission and distribution business; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

In 2022, the Company realized revenue of approximately RMB3,313.3 million, representing a year-on-year increase of approximately 4.5%. Our profit before taxation was approximately RMB361.5 million, representing a year-on-year increase of approximately 12.6%. In the same year, the Company achieved net profit of approximately RMB302.5 million, representing a year-on-year increase of approximately 11.7%, and net profit attributable to equity shareholders of the parent company of approximately RMB301.4 million, representing a year-on-year increase of approximately 11.8%.

As of the end of 2022, we had an aggregate of 34 hydropower plants with a total installed capacity of 138,355 kW. We also had 3 units of 220 kV substations with an aggregated capacity of 1,080,000 kVA, 19 units of 110 kV substations with an aggregated capacity of 942,000 kVA, and 59 units of 35 kV substations with an aggregated capacity of 603,900 kVA.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2.2 Operating Results

The following table sets forth the breakdown of the revenue from principal business, cost and gross profit of the principal business by segment for the years ended 31 December 2021 and 2022, and the percentage of changes.

	Year ended 31 December 2022			Year ended 31 December 2021			Percentage of changes		
	Revenue (RMB)	Cost (RMB)	Gross profit (RMB)	Revenue (RMB)	Cost (RMB)	Gross profit (RMB)	Revenue (%)	Cost (%)	Gross profit (%)
Principal business									
General power supply business	2,524,319,212.99	2,052,839,170.23	471,480,042.76	2,300,501,722.26	1,840,466,101.26	460,055,621.00	9.7	11.5	2.5
Incremental power transmission and distribution business	384,440,007.61	376,750,248.89	7,689,758.72	489,136,787.72	470,130,512.69	19,006,275.03	(21.4)	(19.9)	(59.5)
EECS business <sup>(1)</sup>	400,866,025.70	311,293,742.90	89,572,282.80	376,129,630.93	307,084,810.57	69,044,820.36	6.6	1.4	29.7
<b>Total</b>	<b>3,309,625,246.30</b>	<b>2,740,883,162.02</b>	<b>568,742,084.28</b>	<b>3,165,768,140.91</b>	<b>2,617,661,424.52</b>	<b>548,106,716.39</b>	<b>4.5</b>	<b>4.7</b>	<b>3.8</b>

Note:

- (1) Includes revenue from the sales of electric equipment and materials of approximately RMB21.4 million for the year ended 31 December 2022.

### 2.2.1 General Power Supply Business

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

Customer	Year ended 31 December					
	2022		2021		Percentage of changes	
	Electricity Sales (MWh)	Revenue (RMB)	Electricity Sales (MWh)	Revenue (RMB)	Electricity Sales (%)	Revenue (%)
Household	1,520,280	841,312,565.25	1,422,688	790,702,522.70	6.9	6.4
General industrial and commercial	1,200,165	664,402,049.54	1,112,936	635,681,343.59	7.8	4.5
Large industrial	1,620,478	953,164,185.37	1,522,072	811,881,999.12	6.5	17.4
State Grid	114,598	32,202,452.88	110,889	29,655,413.41	3.3	8.6
Others	94,839	33,237,959.95	91,769	32,580,443.44	3.3	2.0
<b>Total</b>	<b>4,550,360</b>	<b>2,524,319,212.99</b>	<b>4,260,354</b>	<b>2,300,501,722.26</b>	<b>6.8</b>	<b>9.7</b>

Most of our revenue for the year ended 31 December 2022 was derived from general power supply business, including generation, distribution and sales of power. We generated revenue of approximately RMB2,524.3 million from our general power supply business, which accounted for approximately 76.3% of revenue from principal business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **2.2.2 Incremental Power Transmission and Distribution Business**

Our revenue from incremental power transmission and distribution business mainly consists of electricity retail business outside our normal power supply service area and other power distribution business related to new-energy vehicles. By implementing measures to diversify the industry chain, we generated revenue of approximately RMB384.4 million from incremental power transmission and distribution business for the year ended 31 December 2022, which accounted for approximately 11.6% of revenue from principal business.

## **2.2.3 EECS Business**

We also derived revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the year ended 31 December 2022, we generated revenue of approximately RMB400.9 million from our EECS business, which accounted for approximately 12.1% of revenue from principal business.

## **2.3 Major Operational Measures**

### **2.3.1 Keeping Abreast of Industry Policies and Promoting Quality Development**

Firstly, the Company has achieved breakthroughs in its strategic planning for the 14th Five-year Period. Since the implementation of the 14th Five-year plan, the Company strengthened organizational leadership, innovated on tenure mechanism, optimized the planning system, and attached importance to project support. According to the Company's development status, based on the energy revolution, the goal of carbon peaking and carbon neutrality, the power system reform, the local economic and social development, and the people's needs for a better life, the Company established the overall strategic goal of building a "first-class modern comprehensive energy service provider in western China", the development philosophies of "two models" and "dual wings" and the industrial layout, and set up the development goals of "going out of Yibin" and "2111". Secondly, the Company completed the state-owned enterprise reform. It adhered to the keynote of "striving for progress while maintaining stability", focused on key tasks, enhanced strengths, addressed inadequacies and shored up weakness, and further improved the corporate governance structure and market-oriented operation mechanism by implementing a series of in-depth reform measures, effectively improving the overall operation efficiency of the Company, condensing consensus on the Company's reform and development, and laying a solid foundation for building a first-class regional modern comprehensive energy service provider primarily engaged in power supply. Thirdly, the Company's three-system reforms secured solid results. It studied and formulated the Administrative Measures for the Tenure System and Contract-based Remuneration and Assessment for Management (Trial), established the remuneration recourse and deduction system, and achieved full coverage of the tenure system and contractual reform of management in the Group, thereby forging an assessment mechanism featured with "risk and profit sharing" between the Company and employees and imposing performance assessment on all employees. The Company promoted the employment marketization in an all-round manner, with all new employees recruited in social recruiting and all management members competing for posts, which formed a normalization mechanism for the management with flexible promotion or demotion, flexible service term and adjustable income distribution. Fourthly, the Company integrated its power generation business for further growth. Based on the Company's strategic planning of strengthening and expanding power assets, the Company established Sichuan Energy Investment Yibin Power Generation Co., Ltd. to achieve overall management over the Company's six core hydropower stations; accelerated the implementation of centralized control transformation project of hydropower station basin, and carried out trial operation of connection system of six hydropower stations, including Yangliutan, Xuetuo, Menkantian, Youguankou, Laifu and Yuejiang, in order of priority. Fifthly, the Company optimized and upgraded its organizational structure. In accordance with the principle of "smooth operation, streamlining and high efficiency", the Company adjusted and optimized the organization of the headquarters, defined the responsibilities and clarified the boundaries of powers and responsibilities of departments; established Sichuan Energy Investment Gao County Comprehensive Energy Co., Ltd., standardized the setup of safety production management institutions in member companies, and strengthened the construction of material management organization system of affiliated power companies.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *2.3.2 Tackling Difficulties and Strengthening Operational Foundation*

Firstly, the Company maintained stability in production and operation. It proactively adapted to the reform of transmission and distribution price, strove for favorable policies, and realized the smooth transition to industrial and commercial electricity agent purchasing; and took an array of measures to solve the problem of supply and demand crunch. In the case of power supply shortage in the superior power grid, we adopted effective measures to rationally adjust the operation mode of the power grid, and controlled the load of industrial enterprises based on the priority of “shifting peaks first, avoiding peaks second, and limiting supply ultimately”, which ensured the reliable use of electricity for households, government departments, public utilities and other units. The Company’s power grid withstood such severe test, fully demonstrating the strategic value of our adherence to the philosophy of “source-based and regional-oriented supply and two grids”. We insisted on stimulating organic growth, tapping the potential and enhancing efficiency through enhancing the management assessment of economic and technical indicators such as line loss, and strengthened the standardization of electricity consumption, finance, construction, investment, materials and other aspects, so as to further plug in management loopholes, and achieve stable profit growth. Secondly, the Company’s power grid construction went smoothly. It planned to invest RMB991 million throughout the year, and the Company was expected to have invested RMB876 million, with a completion rate of 88.41%. In particular, investments in the power grid infrastructure project, the technical transformation project and the rural power grid project were RMB256 million, RMB236 million and RMB381 million, respectively. The Xingwen County Lianhua 220 kV New Substation Project has been completed, passed the commissioning acceptance and entered the trial operation stage. The Pingshan County Wangchang-Chaxiang 110 kV New Transmission Line Project and Gong County Yuqing No.3 Main Transformer Capacity Expansion Project have been completed and put into operation. The Junlian County Beijingba to Jingyang 110 kV New Power Transmission and Transformation Project has been completed. The Xingwen County Dahe 110 kV New Power Transmission and Transformation Project is currently under design of construction drawing, and the Company’s power supply capacity and reliability have been greatly strengthened. The Company vigorously promoted the application of “four new” technologies, comprehensively implemented the construction of production management system, distribution automation system, substation intelligent inspection system and centralized control management system of hydropower station, and further enhanced the power grid resource allocation capacity and intelligent interaction capacity. Thirdly, the Company maintained sound business development momentum. It actively seized the opportunity of “Power-driven Sichuan” and “Power-driven Yibin” initiatives, accelerated research, exploration and deployment, and promoted the construction of a comprehensive energy business sector. In 2022, the Company built more than 580 charging piles and put into operation, and Gao County Comprehensive Energy Company was established as scheduled. The Company expedited a number of demonstration projects integrating photovoltaic energy, energy storage, charging, detection and discharge, such as Gao County Tea Trade City Charging Station, Gao County Fuxi Comprehensive Energy Station Phase I Heavy Truck Power Station, Gao County Jia Cun Industrial Park Heavy Truck Power Station, Chengdu Pidu District Yuanyuan Market and Xingwen County Bamboo Industrial Park Roof Distributed Photovoltaic Power Generation Project. It strengthened external strategic cooperation, expanded industrial chain, reached cooperation consensus and explored in-depth cooperation with local governments in Gao County, Junlian County, Xingwen County and Changning County, and enterprises and institutions such as Sany Group Co., Ltd. and Chengdu Military Power Supply Station, and gradually built a new energy consumption and service pattern where “electricity remains as the focus and complemented by multi-energies that are safe, green, convenient and efficient”.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **2.3.3 Maintaining Ties with the Public and Enhancing the “Power Acquisition” Capacity**

Firstly, the Company made unremitting efforts in COVID-19 pandemic prevention and control. It resolutely aligned its thoughts and actions with General Secretary Xi Jinping’s important instructions on pandemic prevention and control and the decision-making and deployment of the CPC Central Committee. In accordance with the important requirements of “pandemic prevention, economic stability and safe development”, the Company comprehensively and accurately grasped the “new ten rules” optimization measures for pandemic prevention and control of the CPC Central Committee, gained full insight into the new stage, situation and tasks, made comprehensive mobilization and deployment, strengthened efforts in command, dispatching and investment, streamlined the implementation of concrete supporting programs and measures, and reinforced publicity, guidance, supervision and inspection. With the faith, courage and will to fight and win the battle against the pandemic, we pushed forward various prevention and control tasks steadily and in an orderly manner, and remarkably guaranteed power supply amid the pandemic, and were highly recognized by the local Party committee, government and the public. Secondly, the Company enhanced efforts in guaranteeing livelihood. It focused on the special rectification project of eliminating infringes on the interests of the masses and the three-year action plan of “power acquisition”, and through in-depth publicity and education, system improvement, process optimization, business training, etc., it effectively changed concept and established service consciousness. The Company promoted the reform of power supply system and mechanism, explored and improved the normal operation mechanism of power acquisition, sped up the construction of marketing management information system, and strove to build a new service model with streamlined process, compressed time limit and high efficiency and intelligence. It implemented the mechanism of “plugging in multiple loopholes through a single blackout, and calculating before blackout”, and the number of failures and blackouts in the 10 kV power grid decreased by 30% year-on-year. The Company comprehensively investigated the existing low-voltage areas and formulated a two-year remediation plan for low-voltage areas, with an investment of RMB43.62 million. It continuously improved the 96598 system to provide good service consultation and smooth feedback mechanism for users in the supply area, continued to promote service normalization and standardization, achieved 100% user satisfaction rate, and reached a new level in terms of “power acquisition”. In 2022, based on the implementation of the “three zeros and three savings” campaign, the Company upgraded its service mode, continuously improved customers’ experience of “power acquisition”, widely publicized the supervision hotline and service hotline, and timely announced the work trends, policy documents, public announcements, service guides, supervision hotline, service hotline, accessible capacity and other information.

### **2.3.4 Fulfilling Responsibilities and Cementing the Safety Foundation**

In 2022, the Company did not encounter large-scale power outage accidents in its power grid and general or above personal safety accidents, and the safety production continued to be stable and improved. Firstly, the Company fully implemented the main responsibility of safety production. The primary person in charge was required to personally deploy and promote tasks. The Company formulated the Work Plan for Safety in 2022, and organized the signing of the Responsibility Letter for Safety Production in 2022 to establish a long-term mechanism for safety production, with safety objectives and responsibilities broken down for functional departments to observe. Secondly, the Company effectively prevented security risks. Based on the three-year special rectification campaign for electric power safety production, the Company further promoted the special rectification work against “three violations” and the special rectification work for fire hazards of power transmission and distribution facilities in forest and pastoral areas, formulated the rectification plan, organized six special meetings for tracking and deployment, and the Company’s leaders reached out to front employees in given regions, and conducted 52 in-depth front-line special supervision and inspection. In accordance with the principle of “full coverage, zero tolerance, strict regulation enforcement and practical results”, the Company continued to launch various safety inspections, and 2,044 hidden dangers and problems were investigated throughout the year, and RMB4.20 million was invested in rectification. Thirdly, the Company’s safety emergency management capabilities continued to improve. It comprehensively promoted the construction of emergency management system and effectively improved the emergency response capability. It carried out special trainings such as the new “Safety Production Law”, engineering construction and warning education for a total of 9 times; improved the overall emergency plan for emergencies and 25 special emergency plans for flood control and geological disasters, and took advantage of the “Emergency Drill Month” to carry out 72 emergency drills with more than 800 participants.



## MANAGEMENT DISCUSSION AND ANALYSIS

### ***2.3.5 Guided by Party Building and Reinforcing Cultivation of Management Team***

The Company adhered to the guiding role of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the spirit of the 20th National Congress of the CPC and the spirit of the previous plenary sessions of the 19th Party Congress, earnestly learned from and understood the spirit of the important instructions of General Secretary Xi Jinping put forward in Sichuan and the spirit of the 12th Party Congress of Sichuan Province, and promoted the Company's high-quality development with high-quality Party building. Firstly, the Company paid attention to ideological and political construction. It reinforced the political character of loyalty of Party members to the Party, guided party members to profoundly grasp the "two establishments", constantly improved their political judgment, political understanding and political execution, actively practiced their initial mission, and served the reform and development. Secondly, the Company consolidated organizational construction. It further promoted the establishment of the "four focuses and one high-quality development" grass-roots demonstration site for ideological and political work in state-owned enterprises, and played a demonstration and leading role. During the year, a total of 30 Party branches actively created a series of Party building brands, such as learning, leading, service-oriented, disciplining and demonstration brands, based on the theme of "Red Heart to the Party, and Lighting Five Stars". Thirdly, the Company strengthened the construction of management team. It organized the competition for internal middle-level management positions in the headquarters, supervised the subordinate companies to complete the open competition for middle-level management positions, completed the open selection of managers in subordinate companies, promoted the full coverage of competition for internal middle-level management positions in subordinate companies, and improved the normalized selection mechanism for management with flexible promotion or demotion, adjustable income distribution, tenures and assessments. Fourthly, the Company consolidated Party conduct and integrity. It formulated the Key Points of Discipline Inspection and Supervision in 2022; signed the annual responsibility letter consecutively for building a clean and honest Party, refined the list of the main responsibilities of the Party committee for building Party integrity and the list of the supervisory responsibilities of the Commission for Discipline Inspection, and further consolidated the political responsibility of Party management. Fifthly, the Company strengthened ideological construction. It adhered to the correct direction of public opinion, and committed itself to integrity and innovation, continued to strengthen news propaganda and public opinion guidance, regularly made judgements over the risks of public opinion and put forward prevention and control measures, integrated cultural construction into the Company's Party building, strategic planning, production and operation, human resources and work style construction, so as to build a top-down corporate culture publicity system, and continuously enhance the sense of identity and belonging of management and staff. The Company created a sound cultural atmosphere for career and business scrambling.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. FINANCIAL REVIEW

### Analysis of key items in the consolidated income statement

#### Operating revenue

	Year ended 31 December	
	2022 (RMB)	2021 (RMB)
Principal business		
General power supply business	2,524,319,212.99	2,300,501,722.26
Incremental power transmission and distribution business	384,440,007.61	489,136,787.72
EECS business <sup>(1)</sup>	400,866,025.70	376,129,630.93
<b>Total</b>	<b>3,309,625,246.30</b>	<b>3,165,768,140.91</b>

Note:

- (1) Includes revenue from the sales of electric equipment and materials of approximately RMB21.4 million for the year ended 31 December 2022.

Operating revenue from principal business increased by approximately 4.5% from approximately RMB3,165.8 million for the year ended 31 December 2021 to approximately RMB3,309.6 million for the year ended 31 December 2022, primarily due to an increase in revenue from the general power supply business and EECS business.

#### General Power Supply Business

Revenue generated from general power supply business increased by approximately 9.7% from approximately RMB2,300.5 million for the year ended 31 December 2021 to approximately RMB2,524.3 million for the year ended 31 December 2022, primarily due to an increase in the scale of electricity demands of large industrial customers in 2022 as compared with 2021. For the years ended 31 December 2021 and 2022, revenue from the general power supply business accounted for approximately 72.7% and 76.3% of revenue from our principal business, respectively.

#### Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business decreased by approximately 21.4% from approximately RMB489.1 million for the year ended 31 December 2021 to approximately RMB384.4 million for the year ended 31 December 2022, primarily due to a reduction in the scale of our incremental power transmission and distribution business in 2022.

#### EECS Business

Revenue generated from the EECS business increased by approximately 6.6% from RMB376.1 million for the year ended 31 December 2021 to approximately RMB400.9 million for the year ended 31 December 2022, primarily due to an increase in the scale of our EECS business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Costs

Principal business	Year ended 31 December	
	2022 (RMB)	2021 (RMB)
General power supply business	2,052,839,170.23	1,840,446,101.26
Incremental power transmission and distribution business	376,750,248.89	470,130,512.69
EECS business	311,293,742.98	307,084,810.57
<b>Total</b>	<b>2,740,883,162.02</b>	<b>2,617,661,424.52</b>

Operating costs of principal business increased by approximately 4.7% from approximately RMB2,617.7 million for the year ended 31 December 2021 to approximately RMB2,740.9 million for the year ended 31 December 2022, mainly due to an increase in the scale of general power supply business, resulting in an increase in power purchase from third party suppliers.

### General Power Supply Business

Operating costs associated with our general power supply business increased by approximately 11.5% from approximately RMB1,840.4 million for the year ended 31 December 2021 to approximately RMB2,052.8 million for the year ended 31 December 2022, primarily due to an increase in the scale of general power supply business, resulting in an increase in power purchase from third party suppliers in 2022. For the years ended 31 December 2021 and 2022, operating costs of general power supply business accounted for approximately 70.3% and 74.9% of the operating costs of our principal business, respectively.

### Incremental Power Transmission and Distribution Business

Operating costs associated with our incremental power transmission and distribution business decreased by approximately 19.9% from approximately RMB470.1 million for the year ended 31 December 2021 to approximately RMB376.8 million for the year ended 31 December 2022, primarily due to a reduction in the scale of our incremental power transmission and distribution business in 2022.

### EECS Business

Operating costs associated with our EECS business increased by approximately 1.4% from approximately RMB307.1 million for the year ended 31 December 2021 to approximately RMB311.3 million for the year ended 31 December 2022, primarily due to an increase in the scale of our EECS business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit and Gross Profit Margin

Year ended 31 December

	2022		2021	
	Gross Profit (RMB)	Gross Profit Margin %	Gross Profit (RMB)	Gross Profit Margin %
Principal business				
General power supply business	471,480,042.76	18.7	460,055,621.00	20.0
Incremental power transmission and distribution business	7,689,758.72	2.0	19,006,275.03	3.9
EECS business	89,572,282.80	22.3	69,044,820.36	18.4
<b>Total</b>	<b>568,742,084.28</b>	<b>17.2</b>	<b>548,106,716.39</b>	<b>17.3</b>

Our gross profit from principal business increased by 3.8% from approximately RMB548.1 million for the year ended 31 December 2021 to approximately RMB568.7 million for the year ended 31 December 2022. Our gross profit margin remained relatively stable at 17.2% and 17.3% for the years ended 31 December 2022 and 2021, respectively.

### General Power Supply Business

The gross profit of general power supply business increased by approximately 2.5% from approximately RMB460.1 million for the year ended 31 December 2021 to approximately RMB471.5 million for the year ended 31 December 2022. The gross profit margin of general power supply business decreased by approximately 1.3 percentage points from 20.0% for the year ended 31 December 2021 to 18.7% for the year ended 31 December 2022, primarily due to the increase in scale of general power supply business, and implementation of the new tariff policy imposed on the industrial and commercial electricity selling prices in 2022.

### Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business decreased by approximately 59.5% from approximately RMB19.0 million for the year ended 31 December 2021 to RMB7.7 million for the year ended 31 December 2022, primarily due to a decrease in the scale of our incremental power transmission and distribution business in 2022.

### EECS Business

The gross profit of EECS business increased by approximately 29.7% from approximately RMB69.0 million for the year ended 31 December 2021 to approximately RMB89.6 million for the year ended 31 December 2022, primarily due to strengthened management measures and strict control on costs, which increased the gross profit and the gross profit margin during the year.

### Credit Impairment Losses

Credit impairment losses decreased by approximately 79.1% from approximately RMB14.7 million for the year ended 31 December 2021 to approximately RMB3.1 million for the year ended 31 December 2022, mainly due to the strengthened efforts on collection of receivables. We have, during the Reporting Period, recovered some other receivables for which bad debt had been provided for in the previous period, reducing the current credit impairment losses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

Finance costs increased by approximately 16.8% from approximately RMB7.3 million for the year ended 31 December 2021 to approximately RMB8.6 million for the year ended 31 December 2022, primarily due to a foreign exchange loss of RMB2.4 million caused by foreign exchange rate fluctuations in 2022.

## Asset Impairment Losses

Asset impairment losses decreased by approximately 95.4% from approximately RMB16.1 million for the year ended 31 December 2021 to approximately RMB0.7 million for the year ended 31 December 2022, mainly due to certain plants and equipment that were damaged or terminated operation in 2021, which did not happen in 2022.

## Gains on Investment in Associates

Gains on investment in associates increased by approximately 579.4% from approximately RMB1.7 million for the year ended 31 December 2021 to approximately RMB11.9 million for the year ended 31 December 2022, primarily due to an increase of approximately RMB10.1 million in investment gain from associates of the Group with the improvement of market conditions, and the biggest contributor is a real estate company.

## Income Tax

Income tax expenses were approximately RMB50.3 million and RMB59.0 million for the years ended 31 December 2021 and 2022, respectively, at effective tax rates of 15.7% and 16.3%, respectively. The increase in income tax was primarily attributable to an increase in total profit.

## Net Profit

As a result of the above, net profit increased from RMB270.9 million for the year ended 31 December 2021 to approximately RMB302.5 million for the year ended 31 December 2022.

## Analysis of key items in the consolidated balance sheet

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

	As at 31 December	
	2022 (RMB)	2021 (RMB)
Fixed assets	3,062,952,630.19	2,785,047,920.89
Construction in progress	272,105,986.58	115,141,311.68
Right-of-use assets	6,597,730.52	5,844,877.08
<b>Total</b>	<b>3,341,656,347.29</b>	<b>2,906,034,109.65</b>

Fixed assets, construction in progress and right-of-use assets (mainly including plant and buildings, machinery, vehicles, office equipment, projects under construction and right-of-use assets) increased from approximately RMB2,906.0 million as at 31 December 2021 to approximately RMB3,341.7 million as at 31 December 2022, mainly due to an increase in purchase of fixed assets and an increase in the number of construction in progress completed in 2022, and the increase in the number of rural grid consolidation and improvement projects secured in 2021 and commencing construction during the year.

## Intangible Assets

Our intangible assets were approximately RMB128.1 million and RMB149.5 million as at 31 December 2021 and 2022, respectively, primarily because we have added a plot of land.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Accounts Receivable**

Our accounts receivable were approximately RMB372.1 million and RMB363.5 million as at 31 December 2021 and 2022, respectively, primarily due to the strengthened efforts on collection of receivables.

Excluding certain accounts receivable for which bad debts have been provided, the average turnover days of our accounts receivable (calculated by using the average value of the opening and closing balance of the accounts receivable of the relevant period divided by the revenue for the period, and then multiplied by the number of days in the period) were approximately 47.5 days and 46.9 days as at 31 December 2021 and 2022, respectively.

## **Accounts Payable**

Our accounts payable were approximately RMB602.6 million and RMB598.9 million as at 31 December 2021 and 2022, respectively. The decrease in accounts payable was mainly due to the reduction in the scale of our incremental power transmission and distribution business.

The average turnover days of our accounts payable (calculated by using the average value of opening and closing balance of the accounts payable of the relevant period divided by the cost for the period, and then multiplied by the number of days in the period) decreased from approximately 80.2 days as at 31 December 2021 to approximately 78.9 days as at 31 December 2022, mainly due to the reduction in the scale of our incremental power transmission and distribution business.

## **Liquidity and Financial Resources**

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

As at 31 December 2022, our cash and cash equivalents amounted to approximately RMB757.9 million (31 December 2021: approximately RMB584.0 million), among which, the amount for daily operating purpose is approximately RMB300 million, and the remaining consists of unused proceeds and special funds for rural grid consolidation and improvement projects. The increase of the balance of cash and cash equivalents is mainly because of increase of special funds of rural grid consolidation and improvement projects received in 2022.

As at 31 December 2022, the total borrowings of the Group amounted to approximately RMB314.2 million (31 December 2021: approximately RMB313.3 million), including bank and other borrowings. All of our bank and other borrowings bear interest at floating rate.

## **Gearing Ratio**

As at 31 December 2022, the gearing ratio of the Group was approximately 9.9% (31 December 2021: approximately 10.5%). Gearing ratio is calculated based on our total interest-bearing liabilities divided by total equity as of the same date.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. DIVIDEND

The Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2022 to Shareholders whose names appear on the register of members of the Company on 29 June 2023 (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 at the AGM, the final dividend is expected to be distributed on 21 July 2023. For more details, please refer to “Dividends and Distribution” of this report.

## 5. GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Stock Exchange on 28 December 2018 and 268,800,000 H Shares with a nominal value of RMB1.00 each was issued at a price of HK\$1.77 per share (the “**Global Offering**”). The net proceeds from the Global Offering amounted to approximately RMB380.5 million. The Group has utilized approximately RMB225.3 million of such proceeds from the Global Offering according to purposes disclosed in the Prospectus as at 31 December 2022. The remaining approximately RMB155.2 million has not been used. The use of proceeds is as follows:

Use of proceeds as disclosed in the Prospectus	Percentage of net proceeds from initial public offering (as set out in the Prospectus)	Planned usage of net proceeds from initial public offering (as set out in the Prospectus) (RMB'000)	Amount unused as at 1 January 2022 (RMB'000)	Amount used for the year (RMB'000)	Amount unused as at 31 December 2022 (RMB'000)	Estimated schedule
Acquisition of power-related assets	40%	152,193	152,193	0	152,193	2023
Construction and optimization of power grid	30%	114,145	-	-	-	N/A
Establishment of centralized power dispatching and control center and promotion of smart grid system	20%	76,097	-	-	-	N/A
Working capital	10%	38,048	3,426	437	2,989	2030
<b>Total</b>	<b>100%</b>	<b>380,483</b>	<b>155,619</b>	<b>437</b>	<b>155,182</b>	

Note:

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

As at 31 December 2022, 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. The acquisition of power-related assets is expected to be postponed to the end of 2023 to complete. 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 at 31 December 2022, save for the delay in the acquisition of power-related assets, there have been no major changes or delays in the use or timeline for use of the net proceeds of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. CAPITAL COMMITMENTS

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

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

	As at 31 December	
	2022 (RMB)	2021 (RMB)
Contracted for	104,883,250.10	91,909,064.99

## 7. SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2022, we did not have any significant investments held, nor were there major acquisitions and disposals of subsidiaries, associates and joint ventures.

## 8. PLEDGES OF THE GROUP'S ASSETS

No property, plant and equipment were pledged to banks as at 31 December 2022 (31 December 2021: nil).

## 9. FOREIGN EXCHANGE RISK

The Group does not currently hedge its exposure to foreign currencies and recognizes the profits and losses resulting from fluctuations as and when they arise. The Group carries out business in the PRC and receives revenue and pays its costs/expenses in RMB. The Group distributes dividends in Hong Kong dollar.

## 10. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any contingent liabilities (31 December 2021: 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 the Western Xingwen County 110 kV new power transmission and distribution project, Gao County Tianfu 110 kV new power transmission and transformation project, Pingshan County Yongkang 110 kV new power transmission and transformation project and Pingshan County Changhe 110 kV new power transmission and transformation project. We also plan to build 4 110 kV substations and 8 main transformers with a capacity of 452,000 kVA. The total investment is RMB300.5 million, 40% of which are capital funds and 60% of which are bank loans. The main project is expected to be completed by the end of 2023 in order to improve the power supply and support capabilities, operational efficiency and service level of the regional power grid.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 12. EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 2,828 full-time employees (31 December 2021: 2,880). The related employee costs (including Directors' fees) for the year were approximately RMB454.9 million. The Group believes that attracting, recruiting and retaining high-quality employees is essential to the success of the Company. Our employee compensation is determined based on current industry practices and employees' educational background, experience and performance. The Group has contributed to a number of employee social security plans managed by local governments for employees as required by PRC laws and regulations, including housing provident funds, pensions, medical insurance, social insurance and unemployment insurance, etc., which are vested in the employees and will not be confiscated by the Group when they leave the Group. Accordingly, there are no forfeited contributions under the employee social security plans which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2022. The Group also provides employees with adequate job trainings. To attract outstanding employees, the remuneration and evaluation committee under the Board regularly reviews employees' remuneration policies and benefits.

## 13. SUBSEQUENT EVENTS

On 22 February 2023, China Securities Regulatory Commission (the "CSRC") accepted the Company's application for H shares full circulation, and on 31 March 2023, the CSRC approved the Company's application for H shares full circulation. For details, please refer to the announcements of the Company dated 22 February 2023 and 31 March 2023.

On 23 February 2023, Sichuan Energy Yibin Electricity Engineering Co. Ltd.\* (四川能投宜賓電力工程建設有限公司) (a wholly-owned subsidiary of the Company) (as the lessor) and Sichuan Changning Natural Gas Development Co., Ltd.\* (四川長寧天然氣開發有限責任公司) (as the lessee) entered into the 2023 substations leasing agreement to renew the 2022 substations leasing agreement, pursuant to which, the former shall lease six temporary substations to the latter from 1 January 2023 to 31 December 2023. For details, please refer to the announcement of the Company dated 23 February 2023.

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

On 28 March 2023, Shuifu Yangliutan Power Generation Co., Ltd.\* (水富楊柳灘發電有限公司) (a wholly-owned subsidiary of the Company) entered into an agreement with Sichuan Nengtou Yundian Technology Co., Ltd. \* (四川能投雲電科技有限公司) (an indirect subsidiary of Energy Investment Group) in relation to the procurement and construction project of a distant integrated controlling center located at Yibin City, pursuant to which, Sichuan Nengtou Yundian Technology Co., Ltd. has agreed to provide the procurement and construction services to the Company regarding the project. For details, please refer to the announcement of the Company dated 28 March 2023.

On 11 April 2023, Sichuan Energy Power Investment Pingshan Electricity Co., Ltd.\* (四川能投屏山電力有限公司) (a wholly-owned subsidiary of the Company) entered into an agreement with Pingshan Jinping Real Estate Development Co., Ltd.\* (屏山金屏房地產開發有限公司) (a connected person of the Company), pursuant to which Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. agreed to purchase, and Pingshan Jinping Real Estate Development Co., Ltd. agreed to sell, the properties located at the west section of Jinshajiang Avenue, Pingshan Town, Yibin City. For details, please refer to the announcement of the Company dated 11 April 2023.

Except for the above and the declaration of dividends, there are no material events affecting the Company or any of its subsidiaries after 31 December 2022 and up to the date of this report.

## 14. IMPACT OF COVID-19 PANDEMIC ON THE COMPANY

On the whole, COVID-19 pandemic had no significant impact on the Company's financial position and operation performance for this year. Our Group strengthened management of receivables during the year, formulated policies about receivables management and assessment, all of which improved receivable turnover in 2022.

## 15. OUTLOOK

Focusing on the corporate philosophy of “committed to green and low carbon development and technology empowerment” of the Group, the Company will firmly grasp the national “carbon peaking and neutrality” strategic opportunity along the development path of “three strengths and one excellence”, unswervingly implement the new development concept, attach importance to strengthening power guarantee and accelerating transformation and development, and stress politics, promote operation, strengthen management and seek development. It will ensure safety and stability, improve operation level, improve economic benefits, and lay a solid foundation for realizing the Company’s strategic objectives in the 14th Five-Year Period.

### (1) Consolidating Safety Foundation to Ensure the Safe and Stable Operation of Power Grids

The Company will earnestly implement the fifteen measures for safety production issued by the State Council, promote the achievements of three-year special rectification of safety production, and continuously cement the safety foundation. Firstly, the Company will regularly carry out fire hazard remediation of power transmission and distribution facilities in forest and pastoral areas, increase the intensity and investment in the investigation and management of hidden dangers, carry out risk identification, establish and improve the hidden danger management ledger, strictly conduct “closed-loop management” and dynamic management of safety hazards, innovate ways and means, leverage rewards and punishments and eliminate going through formalities. Secondly, the Company will firmly establish the understanding that “a large-scale power outage is also an accident”, continue to clear the obstacles in the power line channel, earnestly put the equipment ownership system and the line contract system in place, vigorously carry out job skills training, improve the technology of unmanned aerial vehicle line inspection, gradually realize the full coverage of unmanned aerial vehicle line inspection for lines of 35 kV and above, actively and steadily promote the pilot of live line operation for lines of 10 kV and above, and effectively improve the efficiency and quality of maintenance inspection. Thirdly, the Company will further enhance the dispatching command function of the power grid, give full play to the overall planning advantages of the regional power grid, continuously optimize the power supply scheme and plan, thoroughly solve the problem of redundancy among dispatchers at all levels, ensure the efficient operation of the dispatching section, fully integrate the “grid-source-load” resources of the regional power grid, and guarantee the power supply of the power grid in extreme situations more efficiently, so that people’s daily electricity consumption will not be affected, and key units, premises and users may have reliable access to electricity.

### (2) Focusing on Efficiency to Strengthen Operation and Management

Firstly, the Company will continue to focus on the exploration of power market and vigorously cultivate high-quality customers; intensify marketing inspection efforts, plug loopholes in marketing management, strengthen the clearance and rectification of mixed use of electricity between businesses and residents, and eliminate mixed pricing; reinforce the anti-theft in power consumption, continuously standardize the management mode and business process, optimize the management norms, and refine the evaluation standards of the management quality, and strive to achieve all-round management of “business dynamics”, “real-time business activities”, “business quality” and “business indicators”. It will strengthen the load monitoring and market forecasting management on power supply side and demand side, establish a rolling forecasting mechanism of power and electricity quantity, formulate and improve the system of off-peak power consumption for enterprises, improve the management level of orderly power consumption, enhance the load rate, and maximize the use of electricity. Secondly, the Company will adhere to the “synergy” of the Company, give full play to the advantages of the three major business structures, and effectively penetrate into, promote and deepen internal circulation. It will clarify the respective responsibilities and tasks of subordinate companies, and form a joint force to actively and steadily expand new business to ensure the maximization of social benefits and the Company’s interests. Thirdly, the Company will actively expand financing channels, innovate on financing methods, strictly control external investment, improve the efficiency of capital utilization and input-output ratio, and maximize the Company’s resource advantages. It will strengthen line loss management, and on the premise of fully ensuring the safety and reliability of the power grids, the regional dispatching center of the Company should not only give full play to the overall advantages of the Company in terms of grid source, regionalization and two grids, but also optimize the operation mode, strengthen economic dispatching and reduce the cost of power purchase, and should also make full use of Yibin’s advantages in gas, light and other resources, and actively and steadily promote the continuous enrichment and expansion of the power supply structure of the power grid according to local conditions. Fourthly, the Company will continue to carry out the special task of reducing “balance of inventories and accounts receivable”, strengthen the management of “balance of inventories and accounts receivable”, reinforce collection measures, promote control at source, ensure that the growth rate of “balance of inventories and accounts receivable” does not exceed the growth rate of operating revenue, and continuously improve the capacity of material management and financial co-ordination.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Being Dedicated to the Service Philosophy to Boost Power Acquisition Capacity of Users and the Public

Firstly, the Company will strengthen power outage management. It will strictly implement the national work requirements of “two rates and household distribution and transformation capacity”, make systematic planning, follow strict procedures, formulate timetables and road maps, come up solutions for specific issues and make accurate investment; further fulfill the responsibilities, and incorporate the indicators such as “two rates”, planned power outage execution, technical renovation project construction and defective equipment elimination into the assessment system. Secondly, the Company will promote the “transparent business model”. It will make public the information of electricity service, promote the visualization construction of power grid resource information, improve the transparency of power supply scheme, promote the on-site electricity service at mobile operation terminals, realize the “electricity service via face swiping” for residential customers and “electricity service via one certificate” for corporate customers, promote the online transformation of electricity service, and realize the online service of all business types. Thirdly, the Company will continue to improve its service awareness. It will actively and steadily promote the construction of 96598 customer service center staff team, and jointly create a corporate culture propaganda position in the business hall; strengthen the training of business personnel in terms of policies, regulations and operational norms, as well as the management and assessment of daily work, enhance compliance awareness, grasp business processes, boost business capabilities, and achieve closed-loop management in strict accordance with the filing lists.

### (4) Being Committed to Innovation to Proactively Expedite Corporate Transformation

Firstly, the Company will unswervingly promote the development of power grid. It will push forward the power construction, and make overall plans to solve the problems such as insufficient power supply, power grid bottleneck, low level of informatization, weak distribution network in some towns and villages, and substandard two rates. The Company will gain insight into the situation and improve the understanding of the importance and urgency of project construction. Based on the actual grid situation in the supply area, we will continue to promote the interconnection of 220 kV grid, vigorously press ahead with the construction of key power grid projects, and plan to build a new power grid with 220 kV as the backbone and integrating source, grid, load and storage. It will vigorously promote the application of four new technologies, comprehensively propel the construction of production management system, distribution automation system and centralized control management system of hydropower stations, and improve the power grid resource allocation ability, security guarantee ability and intelligent interaction ability. The Company will completely rectify the problems of low investment implementation rate, and random technical transformation without systematic norms, and realize the integration, intelligence, observability, measurability and controllability of source, grid, load and storage in power grid development, and meet the electricity demand of local economy, society and residents for a better life. Secondly, the Company will make unremitting efforts to focus on the comprehensive energy. It will seize the historical opportunity of “Clean Sichuan” and “Power-driven Yibin” initiatives, make full use of the superior resources of local governments, establish cooperative relations with local government platform companies, focus on the principal business, and strength auxiliary business. The Company will improve the management system, innovate on the system and mechanism, unify planning, standards and management, define the responsibilities of electricity companies, power construction companies, power companies and comprehensive energy companies, fully support power construction companies to continuously increase market share, power companies to strengthen their core business, and comprehensive energy companies to speed up business presence establishment, give full play to the professional and technical advantages of the three business segments, and actively study the business model, development model and management model of providing value-added services such as contract energy management, energy saving and consumption reduction, electricity market-oriented trading, power equipment operation and maintenance for large industrial users in the supply area, and continue to promote the development strategy of the Company’s transformation into a comprehensive energy service provider. Thirdly, the Company will be committed to promoting capital operation. It will accelerate the materialization of H Share full circulation project, give full play to the advantages of the listing platform, extend along the industrial chain, speed up the implementation of merger and acquisition projects, expand the corporate scale, improve stock liquidity, enhance the attractiveness to the capital market and enhance the influence of the Company’s market value. The Company will accelerate the promotion of share incentive plan, introduce modern incentive and restraint mechanism, and stimulate the Company’s inherent dynamics.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (5) **Prioritizing Political Construction of the Party to Contribute to Sound Development with Quality Party Building**

Firstly, the Company will adhere to the theoretical armament. It will carry out the study of the spirit of the 20th National Congress of the CPC, strengthen the backbone of ideological and political construction, persist in arming the mind with Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, focus on fortifying ideals and beliefs as the primary task of ideological construction, and effectively control the "main switch" of ideology. Secondly, the Company will unswervingly adhere to the leadership of the Party. It will strengthen grassroots Party building and organizational guarantee, and integrate the Party's leadership into all aspects of corporate governance. Thirdly, the Company will insist on team building. It will deepen the responsibility system for Party building, strengthen daily supervision and inspection, semi-annual supervision and strict annual assessment, and cultivate a compound talent team familiar with both Party affairs and management. Fourthly, the Company will adhere to strict management of the Party. It will enhance the scientificness, predictability and initiative of supervision and discipline, continue to strengthen discipline, and extend governing the Party in an all-round and strict way to the grassroots. Fifthly, the Company will persist in cultural construction. It will focus on the principle of "people-oriented, practical results, systematic operation and distinct characteristics" in corporate culture, integrate cultural construction into the Company's Party building, strategic planning, production and operation, human resources and work style construction, adhere to the correct guidance of public opinion, committed to innovation, launch columns for the 20th National Congress of the CPC through corporate WeChat, corporate official website and other platforms, persist in serving the grassroots, get deeply involved with the masses, strengthen publicity and public opinion guidance, and contribute to the cultivation of a more resounding and positive main theme.

# REPORT OF THE BOARD OF DIRECTORS

In 2022, the Board of Sichuan Energy Investment Development Co., Ltd. (the “**Company**”), 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 2022 is reported as follows:

## PRINCIPAL BUSINESS

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

## DIVIDEND POLICY

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

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

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

## DIVIDENDS AND DISTRIBUTION

As at the date of this report, the Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2022 to Shareholders whose names appear on the register of members of the Company on 29 June 2023, with the total amount of dividend amounting to approximately RMB128,922,924. The declaration of dividend shall be subject to approval by Shareholders at the AGM, and the final dividend is expected to be paid on 21 July 2023. As at the date of this annual report, the Company was not aware of any arrangements pursuant to which any Shareholder had waived or agreed to waive any dividends.

For the distribution of dividends, dividends for holders of Domestic Shares and Unlisted Foreign Shares will be declared 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 28 March 2023, being the date of proposed declaration of dividend (i.e. 21 March 2023 to 27 March 2023) (HK\$1.0 to RMB0.8749). Accordingly, the amount of the final dividends payable in HK\$ will be HK\$0.13716 per Share.

# REPORT OF THE BOARD OF DIRECTORS

## FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

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

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

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

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

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

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

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

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



# REPORT OF THE BOARD OF DIRECTORS

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 13 June 2023 to 16 June 2023 (both days inclusive), during which period no transfer of Shares will be effected. In order to be qualified to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on 12 June 2023.

In order to determine the entitlement of Shareholders for the final dividend, subject to the approval of the Shareholders at the AGM, the register of members of the Company will be closed from 26 June 2023 to 29 June 2023 (both days inclusive), during which period no transfer of Shares of the Company will be effected. The Company will distribute final dividends to Shareholders whose names appear on the register of members of the Company on 29 June 2023. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on 23 June 2023.

## BUSINESS REVIEW

The business review and performance of the Company for the year ended 31 December 2022 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 2022 is set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of the Report of the Board of Directors.

## CORPORATE GOVERNANCE

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

## SHARE CAPITAL

Details of the changes in the share capital of the Company during the year ended 31 December 2022 are set out in note V.25 to the consolidated financial statements of this annual report.

## CAPITAL RESERVE, SPECIFIC RESERVE AND SURPLUS RESERVE

Details of the changes in the Company's capital reserve, specific reserve and surplus reserve during the year ended 31 December 2022 are set out in notes V.26, 27 and 28 to the consolidated financial statements of this annual report.

## RETAINED EARNINGS

As at 31 December 2022, the Company's retained earnings are approximately RMB843.6 million.

## FIXED ASSETS

Details of the changes in the Company's property, plant and equipment during the year ended 31 December 2022 are set out in note V.11 to the consolidated financial statements of this annual report.

# REPORT OF THE BOARD OF DIRECTORS

## DONATION

During the year ended 31 December 2022, the Company's outward donations were RMB61,159.40.

## DIRECTORS

During the year ended 31 December 2022 and up to the date of this annual report, the Board is composed of:

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

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

## INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2022, except for the service contracts, there was no transaction, arrangement or contract of significance to the Company's business in which the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which none of the Directors, Supervisors or entities connected with them have or had directly or indirectly material interests.

## MANAGEMENT CONTRACT

During the year ended 31 December 2022, the Company did not enter into nor did the Company have any existing contracts for the management and operation of all or part of the Company's material businesses.

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

During the year ended 31 December 2022, none of the Company, controlling shareholders or the companies under the same controlling shareholders with the Company was a party of any arrangement to entitle the Directors and Supervisors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of them.



## REPORT OF THE BOARD OF DIRECTORS

### DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

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

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

During the year of 2022, none of the Directors or Supervisors has entered into any service contract with the Company which does not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

### REMUNERATION OF DIRECTORS AND SUPERVISORS

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

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

As at 31 December 2022, there were 11 Directors in the Company, including four non-executive Directors who did not receive remuneration from the Company; four independent non-executive Directors, among whom Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng and Prof. Li Jian received remuneration from the Company, for which the remuneration shall be subject to the remuneration standards approved by the general meeting; and three executive Directors, including Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi who did not receive separate directors' fees for their office as executive Directors while receiving the corresponding remuneration for their management-level positions in the Company. The emoluments of the Directors are determined based on the responsibilities and experience, prevailing market conditions and the remuneration policy of the Company as determined by the Board or its delegated committee.

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

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

Details of the remunerations of the Directors and five highest paid individuals during the Reporting Period are disclosed in note XIV.2 and note XIV.3 of the notes to the consolidated financial statements.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, to the best knowledge of the Board, none of the Directors of the Company and their respective associates was interested in any business which competed or was likely to compete with the business of the Group, or caused or was likely to cause any other conflict of interest to the Group.

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

As at 31 December 2022, 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 2022, within the knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Class of Shares	Number of Shares (Note 1)	Long position/ short position	Percentage of total Shares (%)	Percentage of Shares of the same class issued (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (Note 2)	Beneficial owner and interest of controlled corporations	Domestic Shares	419,336,000	Long	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	Long	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	Long	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	Long	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	Long	9.13	13.86
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司)	Beneficial owner	Domestic Shares	98,039,200	Long	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	Long	8.60	13.06
Tianqi Lithium HK CO., Ltd	Beneficial owner	H Shares	77,500,000	Long	7.21	28.83
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	Beneficial owner	Domestic Shares	65,359,500	Long	6.08	9.24
Tian Qiu (田秋) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	23.28
Wang Wenxiang (王文香) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	23.28
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司) (Note 4)	Interest of controlled corporations	H Shares	62,570,000	Long	5.82	23.28
Jinneng Holding (Hong Kong) Limited	Beneficial owner	H Shares	62,570,000	Long	5.82	23.28
Beijing Forever Technology Company Limited* (北京恆華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	Long	5.15	20.60

# REPORT OF THE BOARD OF DIRECTORS

## Notes:

1. As at 31 December 2022, 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 2022, Hydropower Group held 394,398,400 Domestic Shares and Hydropower Group is held as to 77.74% of equity interest by Energy Investment Group which is in turn wholly owned by Sichuan Development. Therefore, Energy Investment Group is deemed to be interested in 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 2022, 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 2022, Jinneng Holding (Hong Kong) Limited held 62,570,000 H Shares. Jinneng Holding (Hong Kong) Limited is directly wholly-owned by Sichuan Jinneng Energy Group Co., Ltd., which was owned as to 70% and 30% by Mr. Tian Qiu and Ms. Wang Wenxiang, respectively. In addition, Mr. Tian Qiu and Ms. Wang Wenxiang are couples. Therefore, according to Part XV of the SFO, Sichuan Jinneng Energy Group Co., Ltd. is deemed to be interested in 62,570,000 H Shares held by Jinneng Holding (Hong Kong) Limited. Mr. Tian Qiu and Ms. Wang Wenxiang are also deemed to be interested in the 62,570,000 H Shares above.

Save as disclosed above, as of 31 December 2022, the Company was not aware of any other persons (other than the Directors, Supervisors or chief executive of the Company) have an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## CHANGES IN INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

According to Rule 13.51B(1) of the Listing Rules, changes in information of Directors, Supervisors and chief executive during the period from the date of the 2022 interim report up to the date of this report are as follows:

1. Ms. Lv Yan ceased to be the general manager of Gao County Development and Investment Group Company Limited\* (高縣發展投資集團有限責任公司) commencing from November 2022, and has been the chairwoman of the board of Gao County State-owned Assets Operation and Management Co., Ltd.\* (高縣國有資產經營管理有限責任公司) since November 2022.
2. Mr. Kin Kwong Kwok Gary ceased to be an independent non-executive director and chairman of the remuneration and evaluation committee of Singapore Food Holdings Limited (stock code 8496) commencing from November 2022.
3. With effect from 6 April 2023, Mr. Xiong Lin resigned as the chairman of the Board, an executive Director and chairman of the Nomination Committee due to retirement; Mr. He Jing was appointed as the chairman of the Board, an executive Director and chairman of the Nomination Committee; Ms. Li Yu resigned as a non-executive Director due to work rearrangement, Mr. Tao Xueqing was appointed as a non-executive Director; and Mr. Kong Ce and Ms. He Yin was appointed as a non-executive Director and an independent non-executive Director, respectively. For more details, please refer to the announcements of the Company dated 14 March 2023 and 6 April 2023.

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

## NON-EXEMPT CONNECTED TRANSACTIONS

For the year ended 31 December 2022, the Group had the following connected transactions with its controlling shareholders or subsidiaries. As all of the applicable percentage ratios of the transactions contemplated under agreements (1) to (4) below on an aggregated basis exceed 5% but are lower than 25% and the total consideration exceeds HK\$10,000,000, the transactions contemplated thereunder constitute (i) disclosable transactions, which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) connected transactions which are subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### (1) EPC Contract

On 17 December 2021, Sichuan Energy Investment Yibin City Xuzhou Electricity Co., Ltd.\* (四川能投宜賓市敘州電力有限公司) ("**Xuzhou Electricity**"), Sichuan Energy Investment Gao County Electricity Co., Ltd.\* (四川能投高縣電力有限公司) ("**Gao County Electricity**"), Sichuan Energy Investment Gong County Electricity Co., Ltd.\* (四川能投珙縣電力有限公司) ("**Gong County Electricity**"), Sichuan Energy Investment Junlian Electricity Co., Ltd.\* (四川能投筠連電力有限公司) ("**Junlian Electricity**"), Sichuan Energy Investment Pingshan Electricity Co., Ltd.\* (四川能投屏山電力有限公司) ("**Pingshan Electricity**"), Sichuan Energy Investment Xingwen Electricity Co., Ltd.\* (四川能投興文電力有限公司) ("**Xingwen Electricity**"), being wholly-owned subsidiaries of the Company (collectively, the "**Implementation Units**") and other EPC Contract Implementation Units entered into the EPC Contract with, among others, Hydropower Group, Sichuan Energy Construction Engineering Group Co., Ltd.\* (四川能投建工集團有限公司) ("**Sichuan Energy Construction**") and Sichuan Energy Investment Power Co., Ltd.\* (四川能投售電有限責任公司) ("**Sichuan Energy Power**"), pursuant to which, Sichuan Energy Construction and Sichuan Energy Power agreed to provide engineering, procurement and construction services for the 10 kV and below project. The contract price of RMB619,347,209 (out of which the Implementation Units shall share RMB156,633,031) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other EPC Contract Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Power is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Power and certain Other EPC Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 December 2021 and 30 March 2022, respectively.

### (2) Equipment and Materials Procurement Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Sichuan Energy Investment Materials Industry Group Co., Ltd.\* (四川能投物資產業集團有限公司) ("**Materials Industry Group**"), pursuant to which, Materials Industry Group agreed to provide procurement of equipment and materials service for the 10 kV and below project. The contract price of RMB655,776,239.19 (out of which the Implementation Units shall share RMB161,213,958.39) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Equipment and Materials Procurement Contract Implementation Units are associates of Hydropower Group. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Materials Industry Group and certain Other Equipment and Materials Procurement Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment and Materials Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 December 2021 and 30 March 2022, respectively.



## REPORT OF THE BOARD OF DIRECTORS

### (3) Construction Supervision Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) entered into the Construction Supervision Contract with, among others, Hydropower Group and 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 construction supervision service for the power grid consolidation and improvement project. The contract price of RMB7,352,100 (out of which the Implementation Units shall share RMB4,143,500) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Construction Supervision Contract Implementation Units are associates of Hydropower Group. Sichuan Yilian is indirectly held as to approximately 33.52% by Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Yilian and certain Other Construction Supervision Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Construction Supervision Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 December 2021 and 30 March 2022, respectively.

### (4) Automation EPC Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) entered into the Automation EPC Contract with, among others, Hydropower Group, Sun Technology and Beijing Forever Technology Co., Ltd (北京恆華偉業科技股份有限公司) (“**Beijing Forever**”), pursuant to which, Sun Technology and Beijing Forever agreed to provide engineering, procurement and construction services for the power grid consolidation and improvement project. The contract price of RMB46,960,000 (out of which the Implementation Units shall share RMB12,743,115) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Automation EPC Contract Implementation Units are associates of Hydropower Group. Sun Technology is a direct subsidiary of Hydropower Group. Accordingly, Hydropower Group, Sun Technology and certain Other Automation EPC Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Automation EPC Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 December 2021 and 30 March 2022, respectively.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### (1) Renewal of Leasing of Substations (2022)

On 19 April 2021, Sichuan Energy Investment Yibin Electricity Engineering (as lessor) entered into the Substations Leasing Agreement with Sichuan Changning Natural Gas Development Co., Ltd.\* (四川長寧天然氣開發有限責任公司) (“**Changning Natural Gas**”) (as lessee), pursuant to which the former shall lease six temporary substations to the latter for a period beginning from 1 January 2021 and ending on the respective term of each of the six temporary substation rentals, but in any event no later than 31 December 2021.

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

The annual cap of the transaction contemplated under the 2022 Substations Leasing Agreement for the one year ending 31 December 2022 is RMB6,169,000, being the total amount of rental payable under the 2022 Substations Leasing Agreement. According to the terms of the 2022 Substations Leasing Agreement, the lease of all six temporary substations to Changning Natural Gas will all expire within the year ending 31 December 2022.

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

For the year ended 31 December 2022, the actual transaction amount under the 2022 Substations Leasing Agreement was RMB2,277,455.71. Further details of the 2022 Substations Leasing Agreement are set forth in the announcement of the Company dated 28 December 2021.

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

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

The proposed annual caps of the transactions contemplated under the 2022 Electricity Purchases and Sales Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB16,000,000.

For the year ended 31 December 2022, the actual transaction amount under the 2022 Electricity Purchases and Sales Agreement was RMB11,196,808.12. Further details of the 2022 Electricity Purchases and Sales Agreement are set forth in the announcement of the Company dated 28 December 2021.

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

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

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

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

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

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

For the year ended 31 December 2022, the actual transaction amount under the Rural Power Grid Assets Management and Maintenance Agreement was RMB13,268,153.04. Further details of the renewed Rural Power Grid Assets Management and Maintenance Agreement are set forth in the announcement of the Company dated 31 December 2020.

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

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

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

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

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

Notes:

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

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

## REPORT OF THE BOARD OF DIRECTORS

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

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

For the year ended 31 December 2022, the actual transaction amount under the Rural Power Grid Assets Usage Agreement was RMB26,743,186.93. Further details of the renewed Rural Power Grid Assets Usage Agreement are set forth in the announcement of the Company dated 31 December 2020.

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

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

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

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

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

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

For the year ended 31 December 2022, the actual transaction amount under the Property Management Agreement was RMB5,347,869.70. Further details of the renewed Property Management Agreement are set forth in the announcement of the Company dated 31 December 2020.

### REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

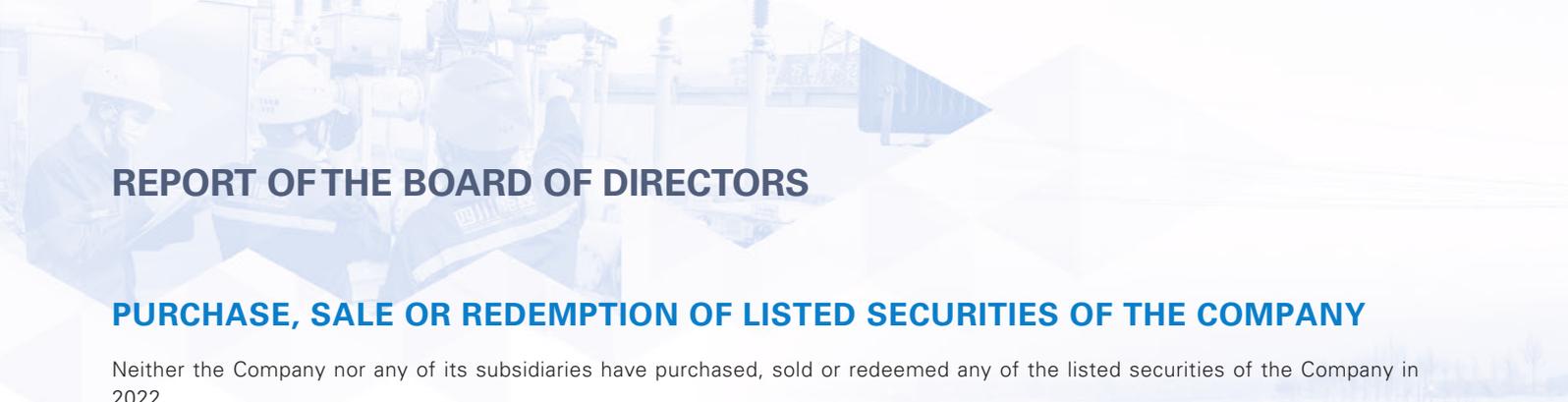
- (i) in the ordinary and usual course of business of the Company;
- (ii) carried out on normal commercial terms and no less favorable than those available or provided by an independent third party; and
- (iii) conducted in accordance with the terms of relevant agreements, which were fair and reasonable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

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

### AUDITORS' OPINION

The auditor of the Company has been appointed by the Company to issue a report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements No.3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (Revised) and with reference to the Practice Note No.740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the transactions in accordance with Rule 14A.56 of the Listing Rules and issued the letter of confirmation to the Board to confirm that as of 31 December 2022 regarding the above-mentioned continuing connected transactions, nothing has come to their attention that causes them to believe that:

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



## REPORT OF THE BOARD OF DIRECTORS

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company in 2022.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the total purchasing amount by the Company from five largest suppliers accounted for 47.62% of the total cost of sales amount for the year ended 31 December 2022, of which the purchasing amount from the largest supplier accounted for 31.82% of the total cost of sales amount for the year ended 31 December 2022.

During the year ended 31 December 2022, the total sales amount by the Company from five largest customers accounted for 9.63% of the total sales for the year ended 31 December 2022, of which the sales amount from the largest customer accounted for 1.74% of the total sales for the year ended 31 December 2022.

During the year ended 31 December 2022, to the knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

### RELATIONSHIP WITH EMPLOYEES

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

### RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

### PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

During the year of 2022, the Company had no pre-emptive rights and share option arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive rights.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

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

# REPORT OF THE BOARD OF DIRECTORS

## PUBLIC FLOAT

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

## COMPLIANCE WITH NON-COMPETITION AGREEMENT

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

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

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

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

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

For the year ended 31 December 2022, the Company did not exercise the options, right of first refusal or the options for new business opportunities granted by the controlling shareholder(s). After considering the business scale and prospect, financial conditions and other related factors of the Group, and the current conditions of the Excluded Rural Power Grid Projects and the Other Power Business, the independent non-executive Directors decided not to exercise the options. Moreover, to the best knowledge of our controlling shareholders, no business opportunity of Restricted Business was offered to them and they had no intention to transfer its interest in the Excluded Rural Power Grid Projects and Other Power Business to any third party during the Reporting Period. The independent non-executive Directors have reviewed the information provided by the Company and the controlling shareholders regarding compliance with the Non-competition Agreement and determined that the controlling shareholder had fully complied with the Non-competition Agreement during the year of 2022.

## RISKS

### (1) Industry Policy Risk

Following the implementation of the market-oriented reform of the on-grid electricity price for coal-fired power generation, the catalogue electricity price of industrial and commercial users has been cancelled, and all industrial and commercial users (including the former general industry and commerce and other large industrial categories) are directly involved in market transactions to either purchase electricity on themselves or by power grid enterprises as agents. The profit model of industrial and commercial users of the Company’s power supply business has changed from the previous margin model between on-grid purchase and sales to the transmission and distribution price model. Before being approved, the Company’s transmission and distribution price standard will be implemented according to the current electricity price standard of Sichuan Power Grid, and thus the Company’s profitability may decline.

# REPORT OF THE BOARD OF DIRECTORS

## (2) Operational Risk

The Company's power supply structure is relatively simple, and it is transforming from a traditional power enterprise to a comprehensive energy service provider. The Company is at the stage of grabbing high-quality resources, establishing related businesses and expanding into potential markets in the comprehensive energy sector. However, certain comprehensive energy markets have not fostered a complete industrial chain, the market demand has not been fully tapped, related businesses need a certain incubation period, and the project profitability is affected by local resource conditions and policy changes, which may result in a certain gap with expectations in the early stage of the project, leading to certain challenges in improving the overall economic benefits of comprehensive energy projects.

## (3) Investment Risk

The Company currently is at the rapid development stage and successively rolls out a broad array of significant investment projects. Whether the investment income will meet our expectations will have an impact on the future development of the Company.

## (4) Financial Risk

1. Exchange rate risk: the Company primarily operates in mainland China and conducts business mainly in Renminbi. As at the end of 2022, the Company held a small amount of Hong Kong dollars. Fluctuation of Renminbi exchange rate against Hong Kong dollars will lead to certain exchange gains and losses on Hong Kong dollars held by the Company. In general, it has little impact on the Company's financial condition and operating performance.
2. Capital risk: the Company will increase investment activities during its course of business development. Capital sufficiency will have a significant impact on the operation and development of the Company, and capital operations are exposed to relevant financial risk.

## MATERIAL LEGAL PROCEEDINGS

During the year ended 31 December 2022, the Company had not been involved in any material legal proceedings nor arbitration.

## PERMITTED INDEMNITY

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

## AUDITOR

Given that the Company aligned in preparation of financial statements and disclosure of relevant financial information pursuant to the China Accounting Standards for Business Enterprises commencing from 2021, on 20 April 2021, the Board ceased to re-appoint KPMG as the overseas auditor of the Company, and appointed KPMG Huazhen LLP as the auditor of the Company for the year ended 31 December 2021 under the CASBE at the 2020 annual general meeting of the Company, who also undertook other responsibilities of overseas auditor as required by the Listing Rules. Save as disclosed above, the Company did not change auditor in the last three years. The financial statements of the Company for the year ended 31 December 2022 have been audited by KPMG Huazhen LLP.

On behalf of the Board  
**Xiong Lin**  
*Chairman*

Chengdu, 28 March 2023

# REPORT OF THE SUPERVISORY COMMITTEE

## 1 BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

The Company established the Supervisory Committee on 8 September 2011. As of the date of this report, the Supervisory Committee consisted of six members, including Ms. Deng Ruipu, Ms. Fu Ruoxue, Mr. Huang Yao, Ms. Wang Meng, Ms. Li Jia and Mr. Liao Jun, of whom Ms. Deng Ruipu was the chairlady of the Supervisory Committee, Ms. Li Jia and Mr. Liao Jun are employee representative Supervisors. The term of office of the Supervisors is 3 years.

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

## 2 MEETINGS OF THE SUPERVISORY COMMITTEE

In 2022, the Supervisory Committee of the Company held two meetings, and reviewed 8 proposals such as the Working Report of the Supervisory Committee of Sichuan Energy Investment Development Co., Ltd. for 2021 and the Proposal in relation to the Deliberation of the 2021 Annual Budget Report. All Supervisors attended the meetings in person or by proxy, and there was no unexcused absence. For more details, please refer to "Corporate Governance Report" in this annual report.

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

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

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

### 4.1 Independent Opinion on the Company's Legal Operation

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

### 4.2 Independent Opinion on the Company's Financial Position

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



## REPORT OF THE SUPERVISORY COMMITTEE

### 4.3 Independent Opinion on the Company's Connected Transactions

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

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

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

## 5 WORK PLAN

In 2023, the Supervisory Committee will strictly comply with the relevant provisions of the Company Law, the Securities Law, the Listing Rules and the Articles of Association, continue to strengthen the implementation of supervisory functions in accordance with the requirements of the modern enterprise system, focusing on overseeing material business decisions, material asset acquisitions, foreign investment, management and utilization of the raised funds, and information disclosure, and supervise and urge the implementation of the resolutions of the general meeting and the Board of Directors to better safeguard the interests of Shareholders.

On behalf of the Supervisory Committee

**Deng Ruipu**

*Chairlady*

Chengdu, 28 March 2023

# CORPORATE GOVERNANCE REPORT

The Company is fully aware of the importance of maintaining high-standard corporate governance to increase shareholders' equity and enhance the performance of the Group. The Board reviews the Company's corporate governance practices from time to time to meet the expectations of stakeholders and comply with the increasingly stringent regulatory requirements, as well as to fulfill its commitment to adhere to good corporate governance. The corporate governance principles adopted by the Company for the year ended 31 December 2022 are set out as follows.

## 1. CORPORATE GOVERNANCE STRUCTURE

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

## 2. COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company has adopted the Corporate Governance Code as its own code for corporate governance. During the period from 1 January 2022 to 31 December 2022, the Company has complied with all the applicable Corporate Governance Code provisions.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors and Supervisors. Upon specific enquiries, no shares of the Company were held by Directors and Supervisors and there were no violations of regulations.

## 4. SHAREHOLDERS

### 4.1 Shareholders' rights

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

#### **a) Convene extraordinary general meeting**

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

#### **b) Make enquiries to the Board**

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

# CORPORATE GOVERNANCE REPORT

## c) Make proposals to the general meeting

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

## 4.2 General meeting

During the year ended 31 December 2022, the Company convened one annual general meeting and two extraordinary general meetings as follows:

Meeting	Date	Convening Method	Number of shareholders or their proxies in attendance	Shares represented (share)	Proportion
2022 first extraordinary general meeting	19 April 2022	On-site	10	589,721,700	90.03%
2021 annual general meeting	17 June 2022	On-site	11	1,006,977,700	93.73%
2022 second extraordinary general meeting	15 August 2022	On-site	11	975,718,378	90.82%

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

## 5. THE BOARD

### 5.1 Composition of the Board

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

# CORPORATE GOVERNANCE REPORT

## 5.2 Board meetings

During the year ended 31 December 2022, the Company convened 3 general meetings and 9 Board meetings in total, at which 41 proposals were considered and approved, as well as 3 Remuneration and Evaluation Committee meetings, 5 Audit Committee meetings, 1 Nomination Committee meeting and 1 Risk Control Committee meeting.

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

Director	Number of actual attendances/number of attendances as required					
	General Meeting	Board Meeting	Remuneration and Evaluation Committee Meeting	Risk Control Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting
Xiong Lin	3/3	9/9	-	-	-	1/1
Li Hui	3/3	9/9	-	-	-	-
Xie Peixi	3/3	9/9	-	-	-	-
Han Chunhong	3/3	9/9	-	-	5/5	-
Li Yu	3/3	9/9	-	1/1	-	-
Lv Yan	3/3	9/9	3/3	-	-	-
Liang Hong	3/3	9/9	-	-	-	-
Kin Kwong Kwok Gary	3/3	9/9	-	1/1	5/5	-
Li Jian	3/3	9/9	-	1/1	5/5	-
Wang Peng	3/3	9/9	3/3	-	-	1/1
He Zhen	3/3	9/9	3/3	-	-	1/1

## 5.3 Directors' continuing professional training

The Company regularly arranges seminars and training for Directors and from time to time provides Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. For the year ended 31 December 2022, all Directors, namely Mr. Xiong Lin, Mr. Li Hui, Ms. Xie Peixi, Ms. Han Chunhong, Ms. Li Yu, Ms. Lv Yan, Ms. Liang Hong, Mr. Kin Kwong Kwok Gary, Prof. Li Jian, Ms. He Zhen and Mr. Wang Peng had received special training on insider information and training on notifiable transactions of equity securities under the Listing Rules, environmental, social and governance report. Directors actively participated in training and continuing professional development, learned and updated their knowledge and skills to make correct decisions for the development of the Company.

# CORPORATE GOVERNANCE REPORT

## 5.4 Directors and senior management's remuneration

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

During the Reporting Period, 7 senior management team members of the Company were granted remunerations totaling RMB4.4625 million (before tax and including the Company's contribution in social insurance and housing provident funds) based on their salary payables covering the months they were in service.

The following table sets out the remuneration paid to senior management of the Company categorized by range during the year ended 31 December 2022 in this annual report:

<b>Remuneration range</b> <i>(RMB)</i>	<b>Number of individuals</b>
0-500,000	0
500,000-1,000,000	7

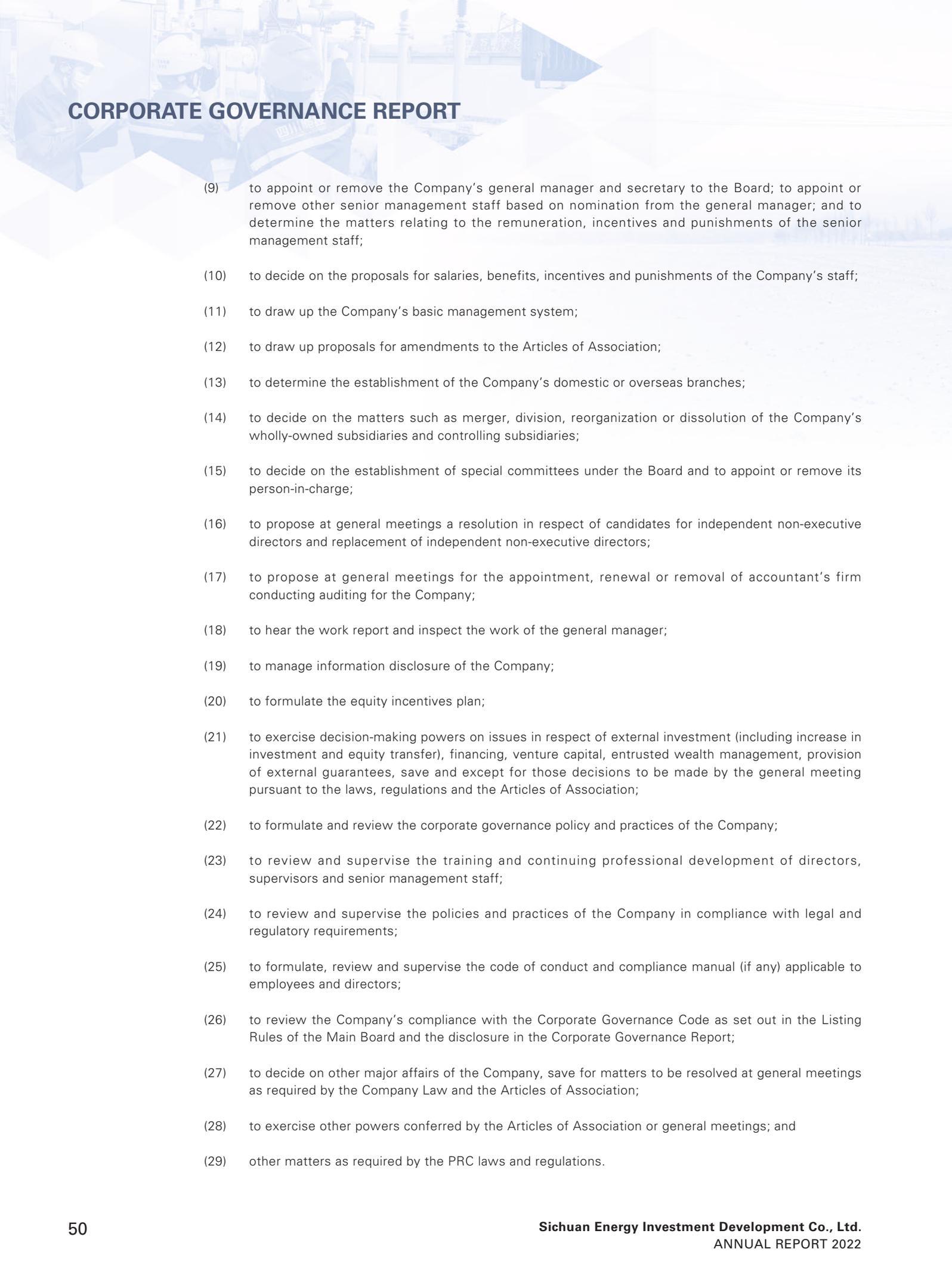
## 5.5 Board and senior management

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

### 1) Board of Directors

The Board exercises the following functions and powers:

- (1) to convene general meetings, to propose at a general meeting to pass the relevant matters and to report its work to the general meeting;
- (2) to implement the resolutions passed at the general meeting;
- (3) to decide the Company's operation and investment plans;
- (4) to formulate the Company's proposed annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution plan and plan for recovery of losses;
- (6) to formulate proposals for increases or reductions of the Company's registered capital and issue of bonds or other securities and listing;
- (7) to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alternation of corporate form of the Company;
- (8) to decide on the establishment of the Company's internal management structure;



## CORPORATE GOVERNANCE REPORT

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

# CORPORATE GOVERNANCE REPORT

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

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

## **2) Senior management**

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

The general manager shall exercise the following functions and powers:

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



# CORPORATE GOVERNANCE REPORT

## 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.

As at the end of the Reporting Period, the Audit Committee comprises Mr. Kin Kwong Kwok Gary (independent non-executive Director), Ms. Han Chunhong (non-executive Director) and Prof. Li Jian (independent non-executive Director), with Mr. Kin Kwong Kwok Gary serving as the chairman. During the Reporting Period, the Audit Committee held 5 meetings and considered 10 proposals. The Group’s audited annual results for the year ended 31 December 2021 and unaudited interim results for the six months ended 30 June 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group for selection and appointment of the external auditors and the financial management and internal control systems of the Group.

### 5.6.2 Remuneration and Evaluation Committee

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

As at the end of the Reporting Period, the Remuneration and Evaluation Committee comprises Mr. Wang Peng (independent non-executive Director), Ms. Lv Yan (non-executive Director) and Ms. He Zhen (independent non-executive Director), with Mr. Wang Peng serving as the chairman. During the Reporting Period, the Remuneration and Evaluation Committee held 3 meetings, at which 6 proposals were considered and approved, including the amendments to the Rules of Procedure of the Remuneration and Evaluation Committee, remunerations of senior management and Directors for 2022, Tenure-based and Contractual Remuneration and Appraisal Administrative Measures for Management Members and Target Responsibilities of Management for 2022.

### 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.

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

## Nomination policy

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

### 5.6.4 Risk Control Committee

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

As at the end of the Reporting Period, the Risk Control Committee comprises Prof. Li Jian (independent non-executive Director), Ms. Li Yu (non-executive Director) and Mr. Kin Kwong Kwok Gary (independent non-executive Director), with Prof. Li Jian serving as the chairman. During the Reporting Period, the Risk Control Committee held 1 meeting and considered 1 proposal, i.e. Risk and Internal Control Summary in 2021, and no internal control deficiency was identified.

## 5.7 Board diversity policy

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

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

As at 31 December 2022, the Board consists of eleven members, including six female Directors (including one executive Director, four non-executive Directors and one independent non-executive Director). According to the board diversity policy, we will refer to international and local recommended best practices to ensure that appropriate balance is maintained in gender diversity of the Board. For the year ended 31 December 2022, female members of the Board accounted for approximately 55% of the total Board members. The Board is satisfied with the current representation of females among Board members, and will continue to review the proportion of female Board members with reference to the international and local recommended best practices. Male and female employees (including senior management members) accounted for 77% and 23% of the total employees of the Group, respectively. While the Group strives to achieve the goal of employee diversity to the maximum extent possible, with gender diversity taking into consideration in staff recruitment, there remains limitation due to the nature of the Group's business, which is to the most part physically demanding, and the industry is dominated by males. We will implement policies in recruitment to ensure gender diversity, so as to cultivate channels for female senior management and potential successors of the Board. In addition, we will implement a comprehensive plan aimed at identifying and training our female employees with leadership and potential.

## CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2022, the Nomination Committee has reviewed the diversity of the Board, and considered that the Group has achieved the measurable objectives of the diversity policy in terms of professional experience, skills, knowledge, gender, age and length of service, and ensured that balance has been achieved in the Board in terms of skills, experience and diversity relevant to the Company's business. All Board members are appointed in line with the principle of meritocracy, and candidates are selected based on various diversity factors, including but not limited to the Company's needs, gender, educational background, professional experience, skills, knowledge, length of service, age, cultural background and race, as well as the independence provisions contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (for independent non-executive Directors). The ultimate decision will be made based on the strengths of the relevant candidates and their contribution to the Board, taking into account the benefits to the diversity of Board members and the needs of the Board, and will not only focus on a single diversity aspect.

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

### ***Measurable objectives***

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

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

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

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

### **5.8 Independence of the Board**

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

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

## CORPORATE GOVERNANCE REPORT

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

For the year ended 31 December 2022, 4 of the 11 members of the Board were independent non-executive Directors (accounting for approximately one third of the Board). The term of office of all independent non-executive Directors is three years. Throughout the year ended 31 December 2022, the Company has always complied with the provisions of Rules 3.10 and 3.10A of the Listing Rules on appointment of at least three independent non-executive Directors (accounting for at least one third of the Board members), and at least one of them possesses appropriate professional accounting and financial management expertise as stipulated in the Listing Rules.

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

### 6. SUPERVISORY COMMITTEE

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

As at the date of the report, the Supervisory Committee is comprised of six members, including Ms. Deng Ruipu, Ms. Fu Ruoxue, Ms. Wang Meng, Mr. Huang Yao, Ms. Li Jia and Mr. Liao Jun. Specifically, Ms. Li Jia and Mr. Liao Jun are employee representative Supervisors.

During the Reporting Period, the Supervisory Committee of the Company held 2 meetings and reviewed and approved 8 proposals including the working report of the Supervisory Committee for 2021, the financial report on the final account for 2021, and the profit distribution proposal for 2021, etc.

# CORPORATE GOVERNANCE REPORT

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

<b>Supervisors</b>	<b>Meetings to be attended</b>	<b>Meetings attended</b>	<b>Attendance</b>
Deng Ruipu ( <i>Note 1</i> )	1	1	100%
Yan Yi ( <i>Note 2</i> )	1	1	100%
Huang Yao ( <i>Note 3</i> )	1	1	100%
Tang Hong ( <i>Note 4</i> )	1	1	100%
Wang Meng ( <i>Note 5</i> )	1	1	100%
Peng Yu ( <i>Note 6</i> )	1	1	100%
Li Jia	2	2	100%
Liao Jun	2	2	100%
Fu Ruoxue	2	2	100%

Notes:

1. Ms. Deng Ruipu was appointed as a Supervisor on 17 June 2022.
2. Mr. Yan Yi resigned as a Supervisor on 17 June 2022.
3. Mr. Huang Yao was appointed as a Supervisor on 15 August 2022.
4. Mr. Tang Hong resigned as a Supervisor on 15 August 2022.
5. Ms. Wang Meng was appointed as a Supervisor on 17 June 2022.
6. Mr. Peng Yu resigned as a Supervisor on 17 June 2022.

## 7. JOINT COMPANY SECRETARIES

Commencing from 5 January 2018, 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 an associate member of The Hong Kong Chartered Governance Institute, and is qualified to act as a joint company secretary of the Company. As Mr. Li did not possess the qualifications as required under Rule 3.28 and Rule 8.17 of the Listing Rules at the time of Listing, the Company has applied to the Stock Exchange before the Listing and was granted the waiver from strict compliance with such rules. As confirmed by the Stock Exchange in January 2022, upon expiration of the waiver period, Mr. Li is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. According to relevant arrangements, Mr. Li continues to act as the joint company secretary of the Company together with Ms. Wong. Mr. Li is the main contact of Ms. Wong in the Company.

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

## 8. INTERNAL CONTROL AND RISK MANAGEMENT

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

During the Reporting Period, the Company officially launched its compliance management system. According to the work requirements related to the trial operation of compliance management system, in the first half of the year, Sichuan Energy Investment Development organized relevant departments and consulting institutions for multiple times to troubleshoot and optimize the compliance management system, and successfully completed the trial operation of compliance management in the Company's headquarters and two pilot subsidiaries. Since June 2022, the Company's headquarters, Sichuan Energy Yibin City Xuzhou Electricity Co., Ltd. and Sichuan Energy Yibin Electricity Engineering Co., Ltd. have officially commenced compliance management in business partnership, safety and environmental protection and procurement. respectively.

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

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

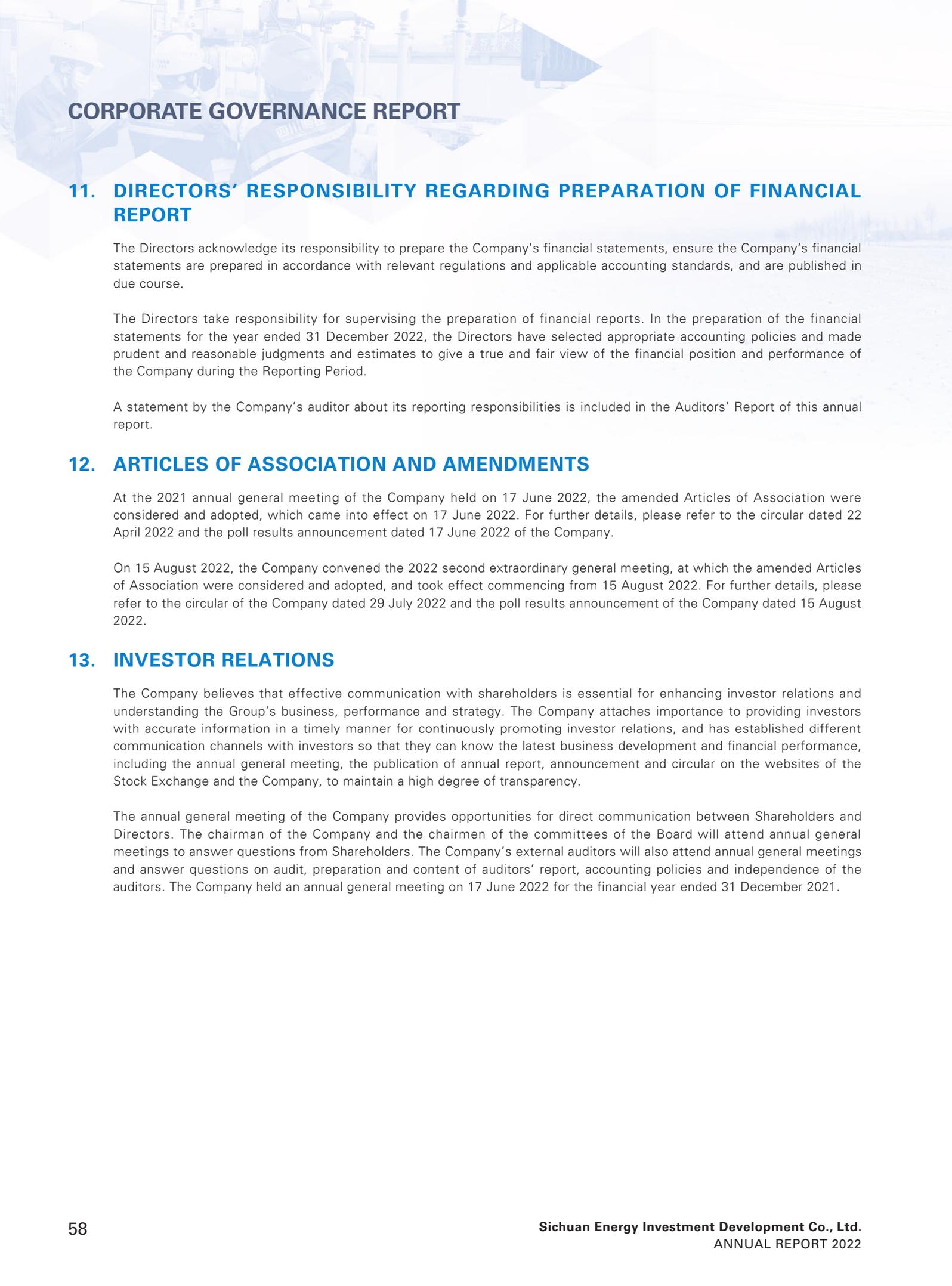
The Company has established procedures for identifying, handling and disseminating inside information in compliance with the SFO (Chapter 571 of the Laws of Hong Kong), including the issue of an inside information disclosure policy, the annual review and update (if necessary) of such inside information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

## 9. AUDITORS' REMUNERATION

During the year ended 31 December 2022, the audit service fee paid to the Company's auditors was approximately RMB1.56 million. During the year ended 31 December 2022, the auditors did not provide significant non-audit services to the Company.

## 10. INFORMATION DISCLOSURES

The Company has established procedures and internal controls for dealing with internal information disclosure, so as to standardize the Company's information disclosure behavior, ensure the fairness and integrity of information disclosure and protect the legitimate rights and interests of the Shareholders. According to the requirements of the Listing Rules, the information subject to disclosure by the Company for the year ended 31 December 2022 was published on the website of the Stock Exchange in a timely and effective manner.



## CORPORATE GOVERNANCE REPORT

### 11. DIRECTORS' RESPONSIBILITY REGARDING PREPARATION OF FINANCIAL REPORT

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

The Directors take responsibility for supervising the preparation of financial reports. In the preparation of the financial statements for the year ended 31 December 2022, the Directors have selected appropriate accounting policies and made prudent and reasonable judgments and estimates to give a true and fair view of the financial position and performance of the Company during the Reporting Period.

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

### 12. ARTICLES OF ASSOCIATION AND AMENDMENTS

At the 2021 annual general meeting of the Company held on 17 June 2022, the amended Articles of Association were considered and adopted, which came into effect on 17 June 2022. For further details, please refer to the circular dated 22 April 2022 and the poll results announcement dated 17 June 2022 of the Company.

On 15 August 2022, the Company convened the 2022 second extraordinary general meeting, at which the amended Articles of Association were considered and adopted, and took effect commencing from 15 August 2022. For further details, please refer to the circular of the Company dated 29 July 2022 and the poll results announcement of the Company dated 15 August 2022.

### 13. INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategy. The Company attaches importance to providing investors with accurate information in a timely manner for continuously promoting investor relations, 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 annual general meeting of the Company provides opportunities for direct communication between Shareholders and Directors. The chairman of the Company and the chairmen of the committees of the Board will attend annual general meetings to answer questions from Shareholders. The Company's external auditors will also attend annual general meetings and answer questions on audit, preparation and content of auditors' report, accounting policies and independence of the auditors. The Company held an annual general meeting on 17 June 2022 for the financial year ended 31 December 2021.

## CORPORATE GOVERNANCE REPORT

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

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

Telephone number: +86 (28) 86299666

Fax: +86 (28) 86299666

E-mail: [db@scntgf.com](mailto:db@scntgf.com)

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

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

For the year ended 31 December 2022, the Board reviewed and confirmed the implementation and effectiveness of the communication policy, taking into account that the Company has established communication channels to provide Shareholders and investors with timely information on the latest development of the Group.

### 14. OUR CULTURE

The Group has been committed to the guiding role of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly studied General Secretary Xi Jinping's important view on cultural construction, promotes the construction of corporate culture leveraging Party building, and integrates corporate culture into the whole process of management, ideological and political and spiritual civilization construction. The Company has been dedicated to the philosophy of "generating power for the people" and the core principle of "prosper business with integrity and serve the public; enhance the corporate value and give back to the society", focused on "fostering corporate pillars and consolidating the foundation", comprehensively strengthened the systematic construction of corporate culture, enhanced the corporate brand value by reinforcing publicity and guidance, selecting models and building strong cultural fronts, and successfully established a demonstration site of "four focuses and high quality development" grassroots ideological and political work for state-owned enterprises in the Party Committee system of Sichuan State-owned Assets Supervision and Administration Commission. It won the national "AAA Creditable Enterprise in Enterprise Credit Evaluation" and "Enterprise with Integrity" in Sichuan Province. The Company fully tapped the role of Party members and the masses, actively organized and carried out various and vivid corporate culture activities, further enhanced the sense of identity and belonging of management members and employees, created a sound atmosphere of joint efforts and passion to win, and provided strong cultural support and ideological guarantee for promoting the Company's high-quality development and corporate vision of "building a first-class modern comprehensive energy service provider".

Details of the Group's mission, vision and values, as well as related initiatives, can be found on the Company's website (in the "News Center" column) and the 2022 Environmental, Social and Governance Report.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

## DIRECTORS

Name	Age	Position
He Jing	46	Executive Director, Chairman, Chairman of the Nomination Committee
Li Hui	59	Executive Director, Deputy Chairman
Xie Peixi	41	Executive Director, Chairwoman of the Labor Union
Han Chunhong	45	Non-executive Director, Member of the Audit Committee
Tao Xueqing	34	Non-executive Director, Member of the Risk Control Committee
Lv Yan	43	Non-executive Director, Member of the Remuneration and Evaluation Committee
Liang Hong	53	Non-executive Director
Kong Ce	41	Non-executive Director
Kin Kwong Kwok Gary	46	Independent Non-executive Director, Chairman of the Audit Committee, Member of the Risk Control Committee
Li Jian	38	Independent Non-executive Director, Chairman of the Risk Control Committee, Member of the Audit Committee
He Zhen	47	Independent Non-executive Director, Member of the Nomination Committee, Member of the Remuneration and Evaluation Committee
Wang Peng	49	Independent Non-executive Director, Chairman of the Remuneration and Evaluation Committee, Member of the Nomination Committee
He Yin	47	Independent Non-executive Director

## SUPERVISORS

Name	Age	Position
Deng Ruiipu	39	Chairlady of the Supervisory Committee
Wang Meng	40	Supervisor
Huang Yao	37	Supervisor
Fu Ruoxue	49	Supervisor
Li Jia	47	Employee representative Supervisor
Liao Jun	41	Employee representative Supervisor

## SENIOR MANAGEMENT

Name	Age	Position
Li Hui	59	General Manager
Ding Daijun	54	Deputy General Manager
Wang Yuanchun	47	Deputy General Manager
You Xiao	53	Deputy General Manager
Chen Hanguang	42	Deputy General Manager
Li Bi	43	Chief Accountant
Wang Xu	54	Chief Engineer
Peng Wanzhang	49	Chief Economist

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## I. MEMBERS OF THE BOARD OF DIRECTORS

**Mr. He Jing**, aged 46, currently serves as the chairman of the Board, an executive Director and chairman of the nomination committee of the Company. He obtained a bachelor's degree in law from Southwest University of Political Science & Law. Mr. He has been the Secretary of the Party's Committee of the Company since February 2023. Before joining the Company, Mr. He served as clerk and assistant judge in Mianyang Intermediate People's Court (綿陽市中級人民法院) from August 1998 to July 2002. From July 2002 to June 2012, he worked in several positions in the General Office of the Communist Party Committee of Sichuan Province (中共四川省委辦公廳), including deputy chief of the inspection office, chief of the inspection office and secretary of the Communist Youth League under the institution. From June 2012 to July 2012, he served as a member of the gas preparatory team of Sichuan Energy Investment Group Co., Ltd.\* (四川省能源投資集團有限責任公司). From July 2012 to January 2021, he worked in several positions in Sichuan Natural Gas Investment Co., Ltd.\* (四川省天然氣投資有限責任公司), including director, head of administration department, employee director, member of the Party's Committee, president of union, chairman and legal representative. From July 2013 to December 2013, he also served as the director, general manager and legal representative of Sichuan Natural Gas Mianyang Gas Co., Ltd.\* (四川省天然氣綿陽燃氣有限責任公司). From November 2013 to February 2021, he served as the chairman of Sichuan Hongran Green Energy Co., Ltd.\* (四川省虹然綠色能源有限責任公司). From October 2014 to February 2021, he also served as the director of Sichuan Natural Gas Jiangyou Gas Co., Ltd.\* (四川省天然氣江油燃氣有限責任公司). From April 2016 to February 2021, he also served as the chairman of Sichuan Natural Gas Fuhui Gas Co., Ltd.\* (四川省天然氣富匯燃氣有限責任公司). Since November 2018, he has also served as a supervisor in HSI Limited (香港天冉國際集團有限公司). From November 2020 to February 2023, he served as Secretary of the Party's Committee, chairman, legal representative and preparatory team leader in Sichuan Natural Gas Investment Group Co., Ltd. (四川省天然氣投資集團有限責任公司). Mr. He has been serving as Secretary of the Party's Committee of the Company since February 2023 and a director of Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司).

**Mr. Li Hui**, aged 59, is currently an executive Director, deputy chairman and general manager of the Group. He joined the Group in October 2011. Mr. Li Hui is a senior 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 Hui served as the deputy general manager in the Company from October 2011 to May 2016 and the secretary to the Board of the Company from March 2015 to June 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 September 2008, an office administrator of the board and the general manager assistant in Hydropower Group from January 2005 to August 2010 and September 2008 to June 2010, 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 2012.

**Ms. Xie Peixi**, aged 41, is currently an executive Director, the vice secretary of party committee and the Chairwoman of labor union of the Group and joined the Group in January 2019. Ms. Xie is a political analyst (政工師) with a bachelor degree of law from Chengdu University of Information Technology\* (成都信息工程學院). Before joining the Group, she once worked in Dazhou Urban Planning and Construction Management Supervisory Branch\* (達州市城市規劃建設管理監察支隊) from December 1999 to April 2000. Ms. Xie successively served as the director of Dazhou Women's Association in Joint Law Enforcement Branch for Urban Management\* (達州市城市管理聯合執法支隊婦女會) from May 2004 to July 2007, the secretary of communist youth league, vice chairwoman of labor union, and the director of female worker committee and the director of labor union office in Sichuan Province Hydropower Investment and Management Group Co., Ltd. from April 2008 to March 2019, May 2015 to March 2019 and December 2015 to March 2017, respectively, a director of staff and the chairwoman of labor union in Sichuan Energy Investment Power Sale Co., Ltd.\* (四川能投售電有限責任公司) from November 2016 to January 2019.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Han Chunhong**, aged 45, is currently a non-executive Director and a member of the Audit Committee and joined the Group in March 2018. Ms. Han is a senior economist with a master degree of technical economy and management from Northeast Electric Power University\* (東北電力大學). Ms. Han is currently the general manager of capital operation department in China Power International Development Limited\* (中國電力國際發展有限公司) (“China Power”, stock code: 2380.HK). She served as a manager and a senior manager of capital operation department in China Power from May 2003 to June 2015, the deputy manager and the general manager of investor relations department in China Power International New Energy Holding Ltd.\* (中電國際新能源控股有限公司) from June 2015 to December 2017, the deputy general manager of capital operation department in China Power from December 2017 to May 2021, acting as the general manager, the director of capital operation department in China Power since May 2021, acting as the general manager, and was appointed as the general manager of capital operation department in April 2022.

**Mr. Tao Xueqing**, aged 34, currently serves as a non-executive Director and member of the risk control committee of the Company, and joined the Group in April 2023. He obtained a master’s degree from Central University of Finance and Economics majoring in technical economics and management. From July 2012 to June 2015, he served as a trainee and an investment operations associate in Beijing Changdian Innovation Investment Management Co., Ltd.\* (北京長電創新投資管理有限公司). Mr. Tao has been working in several positions in Three Gorges Capital Holding Co., Ltd. (三峽資本控股有限責任公司) since June 2015, including investment manager in the research consulting department from June 2015 to October 2018; investment manager and senior investment manager in the investment management department from October 2018 to June 2022. Mr. Tao was seconded to the corporate management department of China Three Gorges Corporation (中國長江三峽集團公司) and the integrated coordination team of the office of the State Council’s State-owned Enterprise Reform Leading Group (國務院國有企業改革領導小組辦公室) from September 2016 to March 2017 and from March 2021 to January 2022, respectively. Mr. Tao has been serving as the vice president of the investment management department of Three Gorges Capital Holding Co., Ltd. since June 2022.

**Ms. Lv Yan**, aged 43, is currently a non-executive Director and member of the Remuneration and Evaluation Committee. She joined the Group in August 2021. Ms. Lv Yan graduated from Southwest University of Science and Technology\* (西南科技大學), majoring in law with a bachelor’s degree in July 2004. Ms. Lv is currently the chairwoman of the board of Gao County State-owned Assets Operation and Management Co., Ltd.\* (高縣國有資產經營管理有限責任公司). Ms. Lv held two positions in the Environmental Protection Bureau of the Gao County\* (高縣環境保護局) from December 2004 to January 2015. From January 2015 to June 2016, she served as deputy director of the legal affairs office at county government level (縣政府法制辦公室). From July 2016 to September 2017, she was a deputy mayor of the Jiale town. Between September 2017 and March 2019, she served as the deputy director of legal affairs office at Gao County People’s Government\* (高縣人民政府法制辦). From March 2019 to August 2020 she served as the deputy director of Gao County Judicial Bureau\* (高縣司法局). From August 2020 to April 2021, she served as the director of the Economic Development and Security Bureau at Gao County Economic Development Zone Management Committee\* (高縣經開區管理委員會經濟發展保障局). From April 2021 to November 2022, she served as the general manager of Gao County Development and Investment Group Company Limited. Since November 2022, Ms. Lv has been the chairwoman of the board of Gao County State-owned Assets Operation and Management Co., Ltd.

**Ms. Liang Hong**, aged 53, is currently a non-executive Director. She joined the Group in August 2021. Ms. Liang graduated from the Sichuan Province People’s Party University\* (四川省委黨校) with a bachelor’s degree in economic management. Ms. Liang is currently a member of the party’s committee and deputy general manager of Yibin Development Holding Group Limited\* (宜賓發展控股集團有限公司). Before joining the Group, she has worked in the tax bureau from December 1987 to June 1991, and in the finance bureau of Yibin City from June 1991 to March 2003. From March 2003 to March 2021, she worked in various positions in State Asset Management Company of Yibin\* (宜賓市國有資產經營管理有限責任公司), with the latest position being a member of the party’s committee and deputy general manager of the company. Ms. Liang also served as the executive director and general manager of Chengdu Wuliangye Grand Hotel\* (成都五糧液大酒店) from May 2015 to April 2017, and the secretary to the Party’s Committee and chairwoman of the board of Yibin Qingyuan Waterworks Group Co. Ltd.\* (宜賓市清源水務集團有限公司) from August 2018 to January 2020.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Kong Ce**, aged 41, currently serves as a non-executive Director, and joined the Group in April 2023. He obtained a master's degree from University of Electronic Science and Technology of China majoring in software engineering. Mr. Kong served as a staff officer in the People's Liberation Army (中國人民解放軍) in 1997 and was awarded the rank of captain in 2008. Mr. Kong has been serving as the administration and public affairs director of Tianqi Lithium Corporation (a company listed on the Stock Exchange, stock code: 9696, and on the Shenzhen Stock Exchange, stock code: SZ002466) since August 2021. Before joining Tianqi Lithium Corporation, Mr. Kong served as a captain staff officer in Unit 78051 (78501部隊) from August 2002 to November 2012. From November 2012 to February 2018, Mr. Kong was a first-level principal staff member in the Sichuan Development and Reform Commission (四川省發展和改革委員會), and served as a deputy director of the major project office from February 2018 to October 2018. From November 2018 to August 2021, he served as the an assistant to the general manager of Sichuan Development in Hengneng Environmental Technology Co., Ltd. (四川發展中恒能環境科技技術有限公司).

**Mr. Kin Kwong Kwok Gary**, aged 46, is currently an independent non-executive Director, the chairman of the Audit Committee and a member of the Risk Control Committee and joined the Group in May 2017. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants with a bachelor degree of professional accountancy from business school of the Chinese University of Hong Kong. Mr. Kwok is chief financial officer of Changyou Alliance Group Limited. (Stock Code: 1039) from January 2020 to November 2020, and was chief financial officer of YinYi Holdings (Hong Kong) Limited, from September 2018 to January 2020. From May 2019 to January 2020, he was the joint company secretary of Dafa Properties Group Limited (Stock Code: 6111). Mr. Kwok served as an independent non-executive director and chairman of the compensation committee of Singapore Food Holdings Limited (stock code 8496) from May 2020 to November 2022, the chief financial officer of a Hong Kong-based apparel company from December 2020 to November 2021 and the independent non-executive director and chairman of the audit committee of Ronshine Service Holding Co., Ltd (stock code: 2207) since July 2021.

**Prof. Li Jian**, aged 38, is currently an independent non-executive Director, chairman of the Risk Control Committee and member of the Audit Committee. He joined the Group in August 2021. Prof. Li Jian holds a PhD in detection technology and automation devices from the University of Electronic Science and Technology\* (電子科技大學) in China. Prof. Li Jian is currently a professor at the School of Mechanical and Electrical Engineering of the University of Electronic Science and Technology. Before joining the Group, he was an associate professor in the School of Energy Science and Engineering of the University of Electronic Science and Technology from 2014 to 2017, a candidate-to-be of the Sichuan Province Academic and Technical Leaders, a member of the 13th Five-Year Plan of Sichuan Province in the field of new energy, a senior member of the Institute of Electrical and Electronics Engineers (IEEE), and a guest editor of the Institution of Engineering and Technology (IET).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. He Zhen**, aged 47, is currently an independent non-executive Director, a member of the Nomination Committee and a member of the Remuneration and Evaluation Committee and joined the Group in March 2018.

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

**Mr. Wang Peng**, aged 49, is currently an independent non-executive Director, the chairman of the Remuneration and Evaluation committee and a member of the nomination committee and joined the Group in May 2017. Mr. Wang is a professor in North China Electric Power University\* (華北電力大學) with a doctor degree of power system and its automation from North China Electric Power University\* (華北電力大學). Mr. Wang is currently a professor in North China Electric Power University and an independent non-executive director of OneForce Holdings Limited (a listed issuer on the Stock Exchange, stock code: 1933.HK). Before joining the Group, he served as a teaching staff in North China Electric Power University\* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University\* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission\* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC\* (國家能源局華北監管局)) from May 2005 to May 2015.

**Ms. He Yin**, aged 47, currently serves as an independent non-executive Director, and joined the Group in April 2023. She graduated from the School of Economics, Peking University in July 1998 and obtained a bachelor's degree in economics. Subsequently, she obtained a master's degree and a doctoral degree from University of Colorado Boulder majoring in economics in 2000 and 2004, respectively. Ms. He has been working in several positions in the School of International Trade and Economics, University of International Business and Economics since September 2009, including assistant professor from September 2009 to April 2011; associate professor from April 2011 to December 2017. Ms. He has been serving as a professor in the School of International Trade and Economics, University of International Business and Economics since December 2017. Before joining the University of International Business and Economics, Ms. He served as a research assistant, from August 1998 to August 2001 and from August 2003 to August 2004; a teaching assistant from August 2000 to August 2001; a graduate part-time instructor from August 2001 to August 2003; and a visiting scholar from January 2008 to February 2009 in the School of Economics, University of Colorado. From October 2003 to February 2004, she served as an assistant analyst in Jack Anthony Group, Inc. From February 2005 to February 2006, she served as a project consultancy researcher in the World Bank. From August 2004 to April 2008, she served as an assistant professor in the National School of Development, Peking University (北京大學國家發展研究院) (previously known as the China Centre for Economic Research, Peking University (北京大學中國經濟研究中心)). From May 2005 to December 2008, she was a researcher of the National Economic Research Institute, China Reform Foundation (中國經濟改革研究基金會國民經濟研究所). From March 2009 to September 2009, she served as an economist in Beijing Finance & Economics Magazine Agency Co., Ltd. (北京《財經》雜誌有限公司).

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## II. MEMBERS OF THE SUPERVISORY COMMITTEE

**Ms. Deng Ruipu**, aged 39, obtained a bachelor's degree majoring in international economic and trade from Hohai University in June 2005. She further obtained a master's degree in economics majoring in national economics from Hohai University in March 2008. China Three Gorges Corporation\* (中國長江三峽集團有限公司) granted the qualification of senior economist to her in December 2014. Ms. Deng worked at the research and development department of Three Gorges Finance Co., Ltd. (三峽財務有限責任公司) between May 2008 and October 2009, and subsequently worked at the equity investment management department of the same company between November 2009 and June 2015 (during which she was also acting as a member of the league branch organization (團支部組織委員) of the company between July 2011 and May 2012, and as a member of the league committee (團委委員) of the company between May 2012 and June 2015). Ms. Deng then worked at the equity interest management department of Three Gorges Capital Holdings Company Limited\* (三峽資本控股有限責任公司) between June 2015 and March 2016. Since March 2016, Ms. Deng has worked at the investment management department of the same company, and was promoted to senior investment manager in December 2016, and as the chief investment officer since April 2019.

**Ms. Wang Meng**, aged 40, is currently a Supervisor of the Company primarily responsible for monitoring and supervising the operational and financial activities of the Company. She graduated from The National Police University for Criminal Justice in the PRC, majoring in law in July 2002. Ms. Wang served as a police officer at the Xingwen County Public Security Bureau between January 2003 and June 2007. Subsequently she worked as an office clerk at Xingwen County Shunda Blasting Engineering Co., Ltd\* (興文縣順達爆破工程有限責任公司) between September 2009 and October 2012, and as the office manager at Sichuan Province Xingwen County Guangming Coal Mine\* (四川省興文縣光明煤礦) between October 2012 and June 2016. Since December 2016, she has worked in the finance department of Xingwen County Development Investment Group Co., Ltd.\* (興文縣發展投資集團有限責任公司).

**Mr. Huang Yao**, aged 37, is currently a Supervisor of the Company primarily responsible for monitoring and supervising the operational and financial activities of the Company. He obtained a bachelor's degree by correspondence study from Sichuan University of Science & Engineering, majoring in law in June 2019. Mr. Huang was an assistant officer of Yunhe Village, Jiale Town, Gao County (高縣嘉樂鎮雲鶴村村主任助理) between September 2008 and September 2013. Mr. Huang then worked in Anti-corruption Education and Training Centre for Party Member and Cadre of Junlian County (筠連縣黨員幹部廉政教育培訓中心) between September 2013 and January 2022 as an officer and deputy officer. He was also the vice secretary of party committee of disciplinary inspection and supervision organs of Junlian County (筠連縣紀檢監察機關黨委副書記) between June 2019 and 1 January 2022. Since January 2022, Mr. Huang has been the secretary of disciplinary committee (紀委書記) and the chairman of the supervisory committee of Junlian Development Holding Group Co., Ltd\* (筠連發展控股集團有限公司).

**Ms. Fu Ruoxue**, aged 49, is currently a Supervisor of the Company. Ms. Fu is a senior accountant with a part-time bachelor degree jointly granted by Southwestern University of Finance and Economics\* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee\* (四川省高等教育自學考試委員會). Ms. Fu is currently a specialized supervisor in Sichuan Development Holding Co., Ltd.\* (四川發展(控股)有限責任公司). Before joining the Group, she served as the head of the audit department in Sichuan Energy Investment Liangli Logistics Development Limited\* (四川能投量力物流發展有限公司) from October 2013 to March 2016, a supervisor of the fourth supervisory committee, a member of discipline committee in Sichuan Chemical Company Ltd.\* (川化股份有限公司) and a member of budget review committee of the labour union of Sichuan Chemical Company Ltd. from October 2008 to May 2012 and December 2008 to October 2013 respectively.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Li Jia**, aged 47, joined the Company in April 2016 and is currently an employee representative Supervisor of our Company. Ms. Li is a senior economist and holds a bachelor degree of business administration from School of Economics and Management of Southwest Jiaotong University\* (西南交通大學). Ms. Li is currently secretary to the department party committee, vice chairwoman of the labor union, director of the women's working committee, director of the organization department of the party committee, director of the labor union office and chairwoman of the department labor union of the Company. Before joining the Group, she served as the deputy director of general office of administration department, director of general office of administration department and assistant director of general manager office, 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 June 2009 to April 2016, and a supervisor, the head of comprehensive management department and a deputy office director of Sichuan Chemical Works Group Ltd.\* (川化集團有限責任公司) from December 2014 to June 2016.

**Mr. Liao Jun**, aged 42, joined the Company in December 2011, and is currently an employee representative Supervisor of the Company. Mr. Liao holds a master's degree in business administration from Staffordshire University, UK. Mr. Liao is currently the head of the discipline inspection and supervision department, the director of the discipline inspection commission office, member of the Party Committee and secretary of the first party branch of the Company. Before joining the Group, he worked as a software engineer in the engineering project department of Motorola (China) Electronics Co., Ltd. Chengdu Branch from December 2008 to February 2009, head of the development planning department of Sichuan Province Hydropower Investment and Management Group from February 2009 to December 2011. From December 2011 to April 2021, he served as the secretary of the Youth League Committee, deputy director of the comprehensive management department, deputy director and director of the Board office of the Company.

### III. MEMBERS OF SENIOR MANAGEMENT

**Mr. Li Hui**, aged 59, 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 54, is currently deputy general manager of the Group and joined the Group in October 2011. Mr. Ding is an assistant engineer majoring in chemical equipment and machinery in Sichuan University of Science & Engineering\* (四川輕化工學院). Before joining the Group, he served as a deputy manager and the deputy secretary of party branch in Junlian Power Supply Co., Ltd.\* (筠連供電有限責任公司) from June 2000 to September 2007, and the general manager in Hydropower Group Junlian Electric Power Company\* (水電集團筠連電力公司) from September 2007 to January 2013, and the general manager in Energy Investment Junlian Company\* (能投筠連公司) from January 2013 to July 2014.

**Mr. Wang Yuanchun**, aged 47, is currently a deputy general manager and joined the Group in May 2012. 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. 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 March 1993 to August 2001, August 2001 to March 2004, March 2004 to February 2006 and February 2006 to June 2011, respectively, the deputy manager in Sichuan Hydropower Group Meigu Electric Power Co., Ltd.\* (四川省水電集團美姑電力有限公司), an executive director in Meigu Jinhe Development Co., Ltd.\* (美姑金禾開發有限公司) from June 2010 to June 2012 and June 2012 to November 2013, respectively, 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 November 2013 to July 2014, July 2014 to October 2014 and September 2014 to November 2021, respectively. From September 2017 to January 2020, he also served as the secretary of the party committee and 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).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. You Xiao**, aged 53, is currently a deputy general manager of the Group and joined the Group in May 2019. Mr. You is an economist with a bachelor degree of finance from China Central Radio & TV University\* (中央廣播電視大學). He has served as the deputy general manager of the Company since May 2019. Before joining the Group, he served as the director of Xinhua Savings Office in Shudu Branch of Bank of China, the director of Luoma Savings Office in Chengdu Branch of Bank of China, the director of Ximapeng Sub-office in Chengdu Qingyang Sub-branch of Bank of China, the director of Chengbei Sub-office, the director of business development department of Bank of China, the director of business division in Jinniu Branch of Bank of China, the governor of High-tech Industrial Development Zone Sub-branch, the director of Industrial and Trade Section in Business Division of Sichuan Branch of Bank of China from February 1990 to October 1991, October 1991 to March 1993, April 1994 to October 1994, October 1994 to April 2001, April 2001 to December 2001, December 2001 to August 2002, August 2002 to May 2003 and May 2003 to June 2005. A deputy director of business division, a deputy senior manager of business department in Bank of Communications, Chengdu Branch, a deputy senior manager of Business Development Department (in charge of affairs) and a senior manager of Key Account Department in Bank of Communications, Sichuan Branch, from July 2005 to January 2006, January 2006 to April 2009, April 2009 to May 2010, and May 2010 to November 2011. A deputy general manager, an executive deputy general manager, a director, the secretary of party branch, the general manager of Chengdu Small Enterprises Credit Guarantee Co., Ltd.\* (成都小企業融資擔保有限責任公司) from December 2011 to July 2014, July 2014 to September 2014, September 2014 to November 2014, November 2014 to January 2015 and January 2015 to May 2017. The general manager, the secretary of party branch and an executive director of Western Asset Management (Shenzhen) Co., Ltd.\* (西部資產管理(深圳)有限公司) from August 2017 to December 2017, December 2017 to March 2018, and March 2018 to May 2019, respectively.

**Mr. Chen Hanguang**, aged 42, is currently a deputy general manager of the Group and joined the Group in January 2021. Mr. Chen has a bachelor's degree in Business Administration from Central Television University in China. He has successively served as deputy branch secretary of the party committee, deputy manager of the human resources department, branch secretary of the party committee, manager of the human resources department, manager of the general department and secretary of the board of directors, and assistant to the general manager of Sichuan CPI Fuxi Power Company Limited\* (四川中電福溪電力開發有限公司) from July 2013 to November 2014, from November 2014 to June 2015, from June 2015 to December 2017, from December 2017 to July 2018, from July 2018 to June 2020 and from June 2020 to January 2021.

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

**Mr. Wang Xu**, aged 54, is currently the chief engineer of the Group and joined the Group in May 2013. Mr. Wang is a senior engineer with a bachelor degree of electric power system and automation from University of Science and Technology of Chengdu\* (成都科技大學). He has served as the chief engineer of the Company since June 2019. Before joining the Group, he served as the director of the distribution center in Yibin Electric Power Bureau\* (宜賓電業局調度中心), a senior engineer for line loss management of Yibin Electric Power Bureau\* (宜賓電業局調變損管理), a senior engineer in Yibin Electric Power Bureau Meiyi Leasing Company\* (宜賓電業局美宜租賃公司), a senior engineer for consultation and power transformation design in Yibin Electric Power Bureau and Design Institute\* (宜賓電業局設計院), a director and consulting engineer in Yibin Electric Power Bureau and Design Institute, and senior engineer for electric network planning and management in Institute of Power Economics and Technology of Yibin Electric Power Bureau\* (宜賓電業局電力經濟技術研究所) from November 2001 to August 2003, August 2003 to April 2004, April 2004 to July 2005, July 2005 to January 2009, January 2009 to September 2012, and September 2012 to May 2013, the director of distribution and operation department, an assistant general manager, a deputy chief engineer, the director of investment and development department and the director of production and technology department in the Company from May 2013 to February 2014, February 2014 to July 2014, July 2014 to March 2015, March 2015 to July 2016, and July 2016 to June 2019.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Peng Wanzhang**, aged 49, is currently the chief economist of the Group and joined the Group in February 2012. Mr. Peng is an engineer with a bachelor of economic management in Party School of Sichuan Committee of C.P.C.\* (四川省委黨校) Mr. Peng currently serves as the chief economist of the Group. Before joining the Group, he served as the superintendent in Luochang Power Supply Station of Gao County Power Co., Ltd.\* (高縣電力總公司羅場供電所) in Sichuan Province, and a deputy manager, a manager and a member of party committee in rural power company from October 2000 to December 2001, December 2001 to June 2003, June 2003 to January 2007 and January 2007 to July 2008, a deputy general manager and a director in Gao County Power Co., Ltd. of Sichuan Hydropower Group and the secretary of party committee, a director and the chairman (legal representative) in Degegesaer Power Co., Ltd. of Sichuan Hydropower Group from July 2008 to June 2011 and from June 2011 to July 2014, respectively. He served as the secretary of party committee, an executive director and the general manager in Sichuan Energy Investment Yibin Power Engineering Construction Co., Ltd.\* (四川能投宜賓電力工程建設有限公司) from May 2015 to September 2017, served as the secretary of the party committee and an executive director in Pingshan Electricity from September 2014 to November 2020, and served as an assistant general manager of the Company from July 2014 to June 2019, respectively. He served as a branch secretary of the party committee, director, chairman of the board and general manager of Sichuan Energy Investment Electricity Energy Co., Ltd.\* (四川能投電能有限公司) from April 2017 to December 2021.

# AUDITOR'S REPORT

## AUDIT REPORT

KPMG Huazhen Shen Zi No. 2304232

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

### I. OPINION

We have audited the accompanying financial statements of Sichuan Energy Investment Development Co., Ltd. (“**the Company**”) and its subsidiaries (“**the Group**”), which comprise the consolidated and company balance sheets as at 31 December 2022, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders’ equity for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Group as at 31 December 2022, and the consolidated and company financial performance and cash flows of the Group for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

### II. BASIS FOR OPINION

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

# AUDITOR'S REPORT

## III. KEY AUDIT MATTERS

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

### Recognition of Revenue from Power Sales

Please refer to the accounting policy as stated in 21 under Note "III. Significant Accounting Policies and Accounting Estimates" and 30 under "V. Notes to Items of Consolidated Financial Statements".

#### Key audit matter

Revenue from the power sales business of the Group in 2022 amounted to RMB2,908,759,220.60, accounting for 88% of the operating revenue of the Group for the year (2021: RMB2,789,638,509.97, 88%).

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

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

#### How the matter was addressed in our audit

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

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

### III. KEY AUDIT MATTERS (CONTINUED)

#### Recognition of Revenue from Electrical Engineering Construction Service

Please refer to the accounting policy as stated in 21 under Note “III. Significant Accounting Policies and Accounting Estimates” and 30 under “V. Notes to Items of Consolidated Financial Statements”.

#### Key audit matter

Revenue from the electrical engineering construction service of the Group in 2022 amounted to RMB379,477,962.08, accounting for approximately 11% of the operating revenue of the Group for the year (2021: RMB367,470,740.55, 12%).

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

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

#### How the matter was addressed in our audit

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

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

# AUDITOR'S REPORT

## III. KEY AUDIT MATTERS (CONTINUED)

### Recognition of Revenue from Electrical Engineering Construction Service

Please refer to the accounting policy as stated in 21 under Note "III. Significant Accounting Policies and Accounting Estimates" and 30 under "V. Notes to Items of Consolidated Financial Statements".

#### Key audit matter

#### How the matter was addressed in our audit

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

## IV. OTHER INFORMATION

The Group's management is responsible for the other information. The other information comprises all the information included in 2022 annual report of the Group, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

## AUDITOR'S REPORT

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

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

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

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

**KPMG Huazhen LLP**

Beijing, China

*Chinese Certified Public Accountants*

**Fang Haijie (Engagement partner)**

Sheng Jin

28 March 2023

# CONSOLIDATED BALANCE SHEET

31 December 2022  
(Expressed in RMB)

	Notes	2022	2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash at bank and on hand	V.1	770,087,145.82	589,976,784.39
Bills receivable	V.2	200,000.00	3,200,000.00
Accounts receivable	V.3	363,526,861.94	372,059,985.23
Prepayments	V.4	14,919,626.24	12,858,110.54
Other receivables	V.5	22,186,662.89	19,733,589.89
Inventories	V.6	87,892,616.33	70,279,839.11
Contract assets	V.7	74,010,659.53	92,746,010.09
Other current assets	V.8	40,005,526.27	8,956,731.67
<b>Total current assets</b>		<b>1,372,829,099.02</b>	1,169,811,050.92
<b>Non-current assets:</b>			
Long-term equity investments	V.9	242,965,216.18	270,722,499.22
Other non-current financial assets	V.10	170,250.00	112,170,250.00
Fixed assets	V.11	3,062,952,630.19	2,785,047,920.89
Construction in progress	V.12	272,105,986.58	115,141,311.68
Right-of-use assets	V.47	6,597,730.52	5,844,877.08
Intangible assets	V.13	149,469,058.02	128,127,272.98
Long-term prepaid expenses	V.14	3,314,992.28	3,110,622.73
Deferred income tax assets	V.15	37,605,948.52	41,477,401.88
<b>Total non-current assets</b>		<b>3,775,181,812.29</b>	3,461,642,156.46
<b>Total assets</b>		<b>5,148,010,911.31</b>	4,631,453,207.38

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

31 December 2022 (continued)  
(Expressed in RMB)

	Notes	2022	2021
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings	V.16	300,000,000.00	300,000,000.00
Accounts payable	V.17	598,916,839.30	602,593,587.62
Contract liabilities	V.18	295,247,950.78	206,432,892.20
Employee benefits payable	V.19	129,350,952.84	112,931,581.63
Taxes payable	V.20	58,447,348.06	60,005,845.38
Other payables	V.21	115,414,446.80	137,499,593.52
Non-current liabilities due within one year	V.22	14,197,718.07	13,309,953.36
<b>Total current liabilities</b>		<b>1,511,575,255.85</b>	1,432,773,453.71
<b>Non-current liabilities:</b>			
Lease liabilities	V.47	4,163,211.28	4,257,394.52
Long-term payables	V.23	293,974,587.09	37,394,687.09
Deferred income	V.24	136,586,729.31	143,468,073.24
Deferred income tax liabilities	V.15	16,492,878.60	17,660,165.31
<b>Total non-current liabilities</b>		<b>451,217,406.28</b>	202,780,320.16
<b>Total liabilities</b>		<b>1,962,792,662.13</b>	1,635,553,773.87

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

31 December 2022 (continued)  
(Expressed in RMB)

	Notes	2022	2021
<b>Shareholders' equity:</b>			
Share capital	V.25	<b>1,074,357,700.00</b>	1,074,357,700.00
Capital reserve	V.26	<b>1,081,447,605.75</b>	1,081,447,605.75
Specific reserve	V.27	<b>15,112,314.76</b>	19,925,149.81
Surplus reserve	V.28	<b>132,895,011.72</b>	104,468,551.68
Undistributed profit	V.29	<b>843,553,062.73</b>	699,460,812.11
<b>Total equity attributable to shareholders of the parent company</b>		<b>3,147,365,694.96</b>	2,979,659,819.35
<b>Non-controlling interests</b>		<b>37,852,554.22</b>	16,239,614.16
<b>Total shareholders' equity</b>		<b>3,185,218,249.18</b>	2,995,899,433.51
<b>Total liabilities and shareholders' equity</b>		<b>5,148,010,911.31</b>	4,631,453,207.38

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY BALANCE SHEET

31 December 2022  
(Expressed in RMB)

	Notes	2022	2021
<b>Assets</b>			
<b>Current assets:</b>			
Cash at bank and on hand		475,612,844.79	422,161,728.93
Accounts receivable	XV.1	24,497,032.20	17,488,772.61
Prepayments		853,367.13	960,821.37
Other receivables	XV.2	976,237,042.68	889,738,811.55
Inventories		73,152.00	73,152.00
Other current assets		-	290,925.29
<b>Total current assets</b>		<b>1,477,273,438.80</b>	1,330,714,211.75
<b>Non-current assets:</b>			
Long-term equity investments	XV.3	1,361,877,965.65	1,339,169,907.87
Other non-current financial assets		-	112,000,000.00
Fixed assets		31,888,929.13	32,469,049.95
Intangible assets		525,323.09	757,072.24
<b>Total non-current assets</b>		<b>1,394,292,217.87</b>	1,484,396,030.06
<b>Total assets</b>		<b>2,871,565,656.67</b>	2,815,110,241.81

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY BALANCE SHEET

31 December 2022 (continued)  
(Expressed in RMB)

	Notes	2022	2021
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term borrowings		300,000,000.00	300,000,000.00
Employee benefits payable		24,472,787.32	19,882,472.89
Taxes payable		1,627,040.91	1,502,276.73
Other payables		588,245,681.82	691,847,014.12
<b>Total current liabilities and liabilities</b>		<b>914,345,510.05</b>	1,013,231,763.74
<b>Shareholders' equity:</b>			
Share capital		1,074,357,700.00	1,074,357,700.00
Capital reserve		316,102,577.31	316,102,577.31
Surplus reserve		132,895,011.72	104,468,551.68
Undistributed profit		433,864,857.59	306,949,649.08
<b>Total shareholders' equity</b>		<b>1,957,220,146.62</b>	1,801,878,478.07
<b>Total liabilities and shareholders' equity</b>		<b>2,871,565,656.67</b>	2,815,110,241.81

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative  
  
(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

2022

(Expressed in RMB)

	Notes	2022	2021
<b>I. Operating revenue</b>	V.30	<b>3,313,256,211.05</b>	3,171,673,615.54
Less: Operating costs	V.30	<b>2,740,916,362.02</b>	2,619,736,947.46
Taxes and surcharges	V.31	<b>19,108,297.85</b>	18,613,334.32
Administrative expenses	V.32	<b>203,793,957.15</b>	200,082,705.48
Finance costs	V.33	<b>8,557,733.92</b>	7,324,058.30
Including: Interest expenses		<b>10,386,241.73</b>	12,181,538.65
Interest income		<b>6,386,186.05</b>	5,822,519.30
Add: Other income	V.34	<b>2,337,578.93</b>	670,360.28
Investment income ("()" for losses)	V.35	<b>13,121,964.93</b>	5,468,716.24
Including: Income from investment in associates and joint ventures		<b>11,867,127.34</b>	1,746,813.85
Gains on fair value changes ("()" for losses)	V.36	–	10,446,562.43
Credit impairment losses ("()" for losses)	V.37	<b>(3,062,705.31)</b>	(14,650,515.31)
Asset impairment losses ("()" for losses)	V.38	<b>(735,451.17)</b>	(16,078,553.01)
Gains on asset disposal ("()" for losses)	V.39	<b>6,441.81</b>	(97,418.40)
<b>II. Operating profit ("()" for loss)</b>		<b>352,547,689.30</b>	311,675,722.21
Add: Non-operating income	V.40	<b>13,994,696.88</b>	10,361,312.55
Less: Non-operating expenses	V.40	<b>4,996,447.16</b>	842,045.57
<b>III. Profit before income tax ("()" for loss)</b>		<b>361,545,939.02</b>	321,194,989.19
Less: Income tax expenses	V.41	<b>58,997,245.27</b>	50,277,884.52
<b>IV. Net profit ("()" for net loss)</b>		<b>302,548,693.75</b>	270,917,104.67
(i) Net profit classified by continuity of operations:			
1. Net profit from continuing operations ("()" for net loss)		<b>302,548,693.75</b>	270,917,104.67
2. Net profit from discontinued operations ("()" for net loss)		–	–
(ii) Net profit classified by ownership:			
1. Net profit attributable to shareholders of the parent company ("()" for net loss)		<b>301,441,634.66</b>	269,557,691.02
2. Net profit attributable to non-controlling interests ("()" for net loss)		<b>1,107,059.09</b>	1,359,413.65

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

2022 (continued)  
(Expressed in RMB)

	<i>Notes</i>	<b>2022</b>	2021
<b>V. Other comprehensive income, after tax</b>		-	-
<b>VI. Total comprehensive income</b>		<b>302,548,693.75</b>	270,917,104.67
(i) Total comprehensive income attributable to shareholders of the parent company		<b>301,441,634.66</b>	269,557,691.02
(ii) Total comprehensive income attributable to non-controlling interests		<b>1,107,059.09</b>	1,359,413.65
<b>VII. Earnings per share:</b>			
(i) Basic earnings per share	<i>V.42</i>	<b>0.28</b>	0.25
(ii) Diluted earnings per share	<i>V.42</i>	<b>0.28</b>	0.25

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**

Legal representative

(Signature and seal)

**Li Bi**

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY INCOME STATEMENT

2022

(Expressed in RMB)

	Notes	2022	2021
<b>I. Operating revenue</b>	XV.4	<b>43,418,077.39</b>	38,336,491.31
Less: Operating costs	XV.4	<b>13,110,064.66</b>	4,028,577.52
Taxes and surcharges		<b>818,888.84</b>	879,488.82
Administrative expenses		<b>37,242,572.59</b>	44,036,457.06
Finance costs		<b>(581,946.44)</b>	(391,489.40)
Including: Interest expenses		<b>17,510,151.77</b>	20,266,546.36
Interest income		<b>21,081,434.65</b>	20,439,372.92
Add: Other income		<b>454,134.87</b>	–
Investment income (“()” for losses)	XV.5	<b>289,653,497.20</b>	263,964,235.05
Including: Income from investment in associates and joint ventures		<b>3,708,057.78</b>	2,667,473.72
Gains on fair value changes (“()” for losses)		–	10,446,562.43
<b>II. Operating profit (“()” for loss)</b>		<b>282,936,129.81</b>	264,194,254.79
Add: Non-operating income		<b>1,328,481.01</b>	–
Less: Non-operating expenses		<b>18.27</b>	205,676.53
<b>III. Profit before income tax (“()” for loss)</b>		<b>284,264,592.55</b>	263,988,578.26
Less: Income tax expenses		–	–
<b>IV. Net profit (“()” for net loss)</b>		<b>284,264,592.55</b>	263,988,578.26
(i) Net profit from continuing operations (“()” for net loss)		<b>284,264,592.55</b>	263,988,578.26
(ii) Net profit from discontinued operations (“()” for net loss)		–	–

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY INCOME STATEMENT

2022 (continued)  
(Expressed in RMB)

	Notes	2022	2021
<b>V. Other comprehensive income, after tax</b>		-	-
<b>VI. Total comprehensive income</b>		<b>284,264,592.55</b>	263,988,578.26

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative  
  
(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

2022  
(Expressed in RMB)

	Note	2022	2021
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from sales of goods or rendering of services		<b>3,913,703,055.47</b>	3,534,362,440.28
Cash received relating to other operating activities		<b>11,200,561.45</b>	3,824,835.30
Subtotal of cash inflows from operating activities		<b>3,924,903,616.92</b>	3,538,187,275.58
Cash paid for goods and services		<b>2,658,134,345.34</b>	2,481,416,364.86
Cash paid to and on behalf of employees		<b>438,445,774.37</b>	410,310,693.84
Cash paid for all types of taxes		<b>244,740,235.20</b>	202,044,141.78
Cash paid relating to other operating activities		<b>22,228,471.60</b>	28,723,440.68
Subtotal of cash outflows from operating activities		<b>3,363,548,826.51</b>	3,122,494,641.16
Net cash flows from operating activities	V.44	<b>561,354,790.41</b>	415,692,634.42
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from disposal of investments		<b>610,624,410.37</b>	498,000,000.00
Cash received from return on investments		<b>19,641,023.64</b>	9,544,421.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>3,046,457.34</b>	2,594,586.06
Cash received relating to other investing activities		<b>1,000,000.00</b>	14,700,000.00
Subtotal of cash inflows from investing activities		<b>634,311,891.35</b>	524,839,007.74
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		<b>674,789,726.35</b>	324,083,590.61
Cash paid for acquisition of investments		<b>501,000,000.00</b>	338,000,000.00
Cash paid relating to other investing activities		-	6,200,000.00
Subtotal of cash outflows from investing activities		<b>1,175,789,726.35</b>	668,283,590.61
Net cash flows from investing activities		<b>(541,477,835.00)</b>	(143,444,582.87)

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

2022 (continued)  
(Expressed in RMB)

	Note	2022	2021
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from absorption of investments		<b>21,000,000.00</b>	–
Including: Cash received from absorption of investments from non-controlling interests by subsidiaries		<b>21,000,000.00</b>	–
Cash received from borrowings		<b>546,864,170.00</b>	400,000,000.00
Cash received relating to other financing activities		<b>278,489,165.20</b>	37,394,687.09
<hr/>			
Subtotal of cash inflows from financing activities		<b>846,353,335.20</b>	437,394,687.09
<hr style="border-top: 1px dashed #000;"/>			
Cash paid for debt repayment		<b>548,057,701.82</b>	480,420,000.00
Cash paid for distribution of dividends or profits and for interest expenses		<b>140,968,312.21</b>	141,196,858.72
Including: Cash paid to non-controlling interests for distribution of dividends or profits by subsidiaries		<b>520,000.00</b>	–
Cash paid relating to other financing activities		<b>3,608,084.58</b>	4,309,911.19
<hr/>			
Subtotal of cash outflows from financing activities		<b>692,634,098.61</b>	625,926,769.91
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from financing activities		<b>153,719,236.59</b>	(188,532,082.82)

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

2022 (continued)  
(Expressed in RMB)

	Notes	2022	2021
<b>IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>		<b>314,369.43</b>	(538,437.08)
<b>V. NET INCREASE IN CASH AND CASH EQUIVALENTS (“”) FOR NET DECREASE)</b>			
	V.44	<b>173,910,561.43</b>	83,177,531.65
Add: Balance of cash and cash equivalents at the beginning of the year		<b>583,976,784.39</b>	500,799,252.74
<b>VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	V.44	<b>757,887,345.82</b>	583,976,784.39

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY STATEMENT OF CASH FLOWS

2022  
(Expressed in RMB)

	2022	2021
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from sales of goods or rendering of services	40,583,355.08	36,418,378.39
Cash received relating to other operating activities	8,895,724.28	11,773,141.60
Subtotal of cash inflows from operating activities	49,479,079.36	48,191,519.99
Cash paid to and on behalf of employees	34,501,753.31	30,389,770.73
Cash paid for all types of taxes	4,576,737.51	4,386,961.25
Cash paid relating to other operating activities	12,218,956.59	11,221,937.11
Subtotal of cash outflows from operating activities	51,297,447.41	45,998,669.09
Net cash flows from operating activities	(1,818,368.05)	2,192,850.90
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash received from disposal of investments	601,000,000.00	498,000,000.00
Cash received from return on investments	307,945,439.42	237,133,404.57
Cash received relating to other investing activities	4,000,000.00	37,278,705.26
Subtotal of cash inflows from investing activities	912,945,439.42	772,412,109.83
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,291,306.58	461,177.94
Cash paid for acquisition of investments	550,000,000.00	417,700,000.00
Cash paid relating to other investing activities	157,518,479.50	93,550,000.00
Subtotal of cash outflows from investing activities	708,809,786.08	511,711,177.94
Net cash flows from investing activities	204,135,653.34	260,700,931.89

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY STATEMENT OF CASH FLOWS

2022 (continued)  
(Expressed in RMB)

	2022	2021
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash received from borrowings	546,864,170.00	400,000,000.00
Subtotal of cash inflows from financing activities	546,864,170.00	400,000,000.00
Cash paid for debt repayment	548,057,701.82	479,420,000.00
Cash paid for distribution of dividends and for interest expenses	147,987,007.04	149,618,022.30
Subtotal of cash outflows from financing activities	696,044,708.86	629,038,022.30
Net cash flows from financing activities	(149,180,538.86)	(229,038,022.30)
<b>IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>314,369.43</b>	<b>(538,437.08)</b>
<b>V. NET INCREASE IN CASH AND CASH EQUIVALENTS (“”) FOR NET DECREASE)</b>	<b>53,451,115.86</b>	<b>33,317,323.41</b>
Add: Balance of cash and cash equivalents at the beginning of the year	422,161,728.93	388,844,405.52
<b>VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>475,612,844.79</b>	<b>422,161,728.93</b>

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2022  
(Expressed in RMB)

	Note	Attributable to shareholders of the parent company					Undistributed profit	Subtotal	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve					
<b>I. Balance at the beginning of the year</b>		1,074,357,700.00	1,081,447,605.75	19,925,149.81	104,468,551.68	699,460,812.11	2,979,659,819.35	16,239,614.16	2,995,899,433.51	
<b>II. Movements during the year ("I" for decrease)</b>										
(i) Total comprehensive income		-	-	-	-	301,441,634.66	301,441,634.66	1,107,059.09	302,548,693.75	
(ii) Capital contributed by owners		-	-	-	-	-	-	21,000,000.00	21,000,000.00	
(iii) Profit distribution	V.29									
1. Appropriation for surplus reserve		-	-	-	28,426,460.04	(28,426,460.04)	-	-	-	
2. Distribution to shareholders		-	-	-	-	(128,922,924.00)	(128,922,924.00)	(520,000.00)	(129,442,924.00)	
(iv) Specific reserve										
1. Appropriated during the year		-	-	20,242,255.67	-	-	20,242,255.67	33,587.25	20,275,842.92	
2. Used during the year		-	-	(25,055,090.72)	-	-	(25,055,090.72)	(7,706.28)	(25,062,797.00)	
<b>III. Balance at the end of the year</b>		1,074,357,700.00	1,081,447,605.75	15,112,314.76	132,895,011.72	843,553,062.73	3,147,365,694.96	37,852,554.22	3,185,218,249.18	

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative  
  
(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2021  
(Expressed in RMB)

	Note	Attributable to shareholders of the parent company					Subtotal	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Undistributed profit			
<b>I. Balance at the beginning of the year</b>		1,074,357,700.00	1,081,447,605.75	20,480,082.77	78,069,693.85	585,224,902.92	2,839,579,985.29	14,880,200.51	2,854,460,185.80
<b>II. Movements during the year ("I" for decrease)</b>									
(i) Total comprehensive income		-	-	-	-	269,557,691.02	269,557,691.02	1,359,413.65	270,917,104.67
(ii) Profit distribution	V.29								
1. Appropriation for surplus reserve		-	-	-	26,398,857.83	(26,398,857.83)	-	-	-
2. Distribution to shareholders		-	-	-	-	(128,922,924.00)	(128,922,924.00)	-	(128,922,924.00)
(iii) Specific reserve									
1. Appropriated during the year		-	-	19,830,235.85	-	-	19,830,235.85	-	19,830,235.85
2. Used during the year		-	-	(20,385,168.81)	-	-	(20,385,168.81)	-	(20,385,168.81)
<b>III. Balance at the end of the year</b>		1,074,357,700.00	1,081,447,605.75	19,925,149.81	104,468,551.68	699,460,812.11	2,979,659,819.35	16,239,614.16	2,995,899,433.51

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative  
  
(Signature and seal)

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

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2022  
(Expressed in RMB)

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

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2021

(Expressed in RMB)

	Share capital	Capital reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
<b>I. Balance at the beginning of the year</b>	1,074,357,700.00	316,102,577.31	78,069,693.85	198,282,852.65	1,666,812,823.81
<b>II. Movements during the year</b>					
(i) Total comprehensive income	-	-	-	263,988,578.26	263,988,578.26
(ii) Profit distribution					
1. Appropriation for surplus reserve	-	-	26,398,857.83	(26,398,857.83)	-
2. Distribution to shareholders	-	-	-	(128,922,924.00)	(128,922,924.00)
<b>III. Balance at the end of the year</b>	1,074,357,700.00	316,102,577.31	104,468,551.68	306,949,649.08	1,801,878,478.07

These financial statements have been approved by the Board of Directors on 28 March 2023.

**Xiong Lin**  
Legal representative

(Signature and seal)

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

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 93 to 198 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## I. BASIC INFORMATION OF THE COMPANY

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

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

## II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

As at 31 December 2022, the Group’s current liabilities exceeded its current assets by RMB138,746,156.83. As the Group’s cash flow from operating activities continues to be a net cash inflow, the balance of undrawn bank credit facilities as at 31 December 2022 was RMB2,104,000,000.00, and based on the communication with banks, the Group believes that it can renew or extend the term of short-term borrowings (if necessary) based on its good credit history, the Board of Directors considers that the Group has sufficient funds to meet its working capital commitments and debt obligations, and therefore these financial statements have been prepared on a going concern basis.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2022, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

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

### 2. Accounting period

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

### 3. Operating cycle

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

### 4. Functional currency

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

##### **(1) Business combinations involving enterprises under common control**

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (2) Business combinations involving enterprises not under common control

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6. Preparation of consolidated financial statements

#### (1) General principles

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

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

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

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

#### (2) Subsidiaries acquired through a business combination

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6. Preparation of consolidated financial statements (continued)

#### (3) Disposal of subsidiaries

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

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

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

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

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

#### (4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 7. Recognition criteria for cash and cash equivalents

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

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

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

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

### 9. Financial instruments

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

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

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

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

(b) Subsequent measurement of financial assets of the Group

– Financial assets at FVPL

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

– Financial assets measured at amortized cost

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

– Debt investments at FVOCI

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

– Investments in equity instruments at FVOCI

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

#### (3) Classification and subsequent measurement of financial liabilities

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

– Financial liabilities at FVPL

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

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

– Financial liabilities measured at amortized cost

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

#### (4) Offsetting

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

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

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

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

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

#### (6) Impairment

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

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

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

Measurement of expected credit losses

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

#### (6) Impairment (continued)

Measurement of expected credit losses (continued)

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

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

Financial instruments that have low credit risk

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

Significant increases in credit risk

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

#### (6) Impairment (continued)

Credit-impaired financial assets

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

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

Presentation of provision for expected credit losses

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

Write-off

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (continued)

#### (7) Equity instrument

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

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

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

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

### 10. Inventories

#### (1) Classification and cost

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

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

#### (2) Cost of inventories transferred out

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Inventories (continued)

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

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

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

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

#### (4) *Inventory system*

The Group maintains a perpetual inventory system.

### 11. Long-term equity investments

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Long-term equity investments (continued)

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

(a) Investments in subsidiaries

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

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

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

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

(b) Investment in joint ventures and associates

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Long-term equity investments (continued)

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Long-term equity investments (continued)

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

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

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

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

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

### 12. Fixed assets

#### (1) *Recognition criteria for fixed assets*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Fixed assets (continued)

#### (2) Depreciation of fixed assets

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

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

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

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

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

#### (4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognized:

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

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

### 13. Construction in progress

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Borrowing costs

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15. Intangible assets

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

The respective amortization periods for such intangible assets are as follows:

<b>Item</b>	<b>Amortization period (years)</b>
Land use right	50 years
Software	5 ~ 10 years

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

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

### 16. Goodwill

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

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

### 17. Long-term prepaid expenses

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

<b>Item</b>	<b>Amortization period</b>
Leasehold improvements	3 ~ 5 years

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18. Impairment of assets other than inventories and financial assets

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Fair value measurement

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

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

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

### 20. Provisions

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Revenue

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Revenue (continued)

For performance obligation satisfied over time, the Group recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

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

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

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

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

#### (1) Sales of electricity

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

#### (2) Sales of materials

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

#### (3) Electricity installation engineering

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 22. Contract costs

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

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

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

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

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

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

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- the costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

### 23. Employee benefits

#### (1) Short-term employee benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Employee benefits (continued)

#### (2) Post-employment benefits-defined contribution plans

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

#### (3) Termination benefits

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

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

### 24. Government grants

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Specific reserve

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

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

### 26. Income tax

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

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

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

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

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Income tax (continued)

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

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

### 27. Lease

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Lease (continued)

#### *The Group as a lessee*

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Assets held for sale and discontinued operations

#### (1) Assets held for sale

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

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

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

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

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

#### (2) Discontinued operations

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

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

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

### 29. Dividend distribution

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 30. Related parties

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

### 31. Segment reporting

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

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

### 32. Significant accounting estimates and judgements

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

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

#### (1) Construction contracts

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 32. Significant accounting estimates and judgements (continued)

##### **(3) Depreciation and amortization**

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

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

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

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

##### **(5) Income taxes and deferred taxation**

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 33. Changes in significant accounting policies and accounting estimates

#### (1) Description and reasons for changes in accounting policies

In 2022, the Group implemented the relevant requirements and guidelines of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in recent years, primarily including:

- The requirements in relation to “the accounting treatment of products or by-products produced by an enterprise before a fixed asset reaches its intended useable status or during the research and development process for external sale” (the “Accounting Treatment for Trial Operation”) in Accounting Standards for Business Enterprises No. 15 (Cai Kuai [2021] No. 35) (the “Interpretation No. 15”);
- The requirement in relation to “determination of loss contracts” in the Interpretation No. 15; and
- The Notice on Issues Related to the Application of ‘Accounting Treatment of COVID-19 Related Rent Concessions’ (《關於適用<新冠肺炎疫情相關租金減讓會計處理規定>相關問題的通知》) (Cai Kuai [2022] No. 13).

The adoption of the above requirements did not have a material impact on the Group’s financial condition and results of operation.

#### (2) Changes in accounting estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## IV. TAXATION

### 1. Major types of taxes and corresponding tax rates

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

### 2. Tax concessions

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC enterprise income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in (1) to (4) below, other subsidiaries within the Group are subject to enterprise income tax at the statutory rate of 25%.

- (1) According to the Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy, enterprises established in western region and engaged in activities encouraged by the state are applicable to a preferential enterprise income tax rate of 15% from 2011 to 2030. Certain subsidiaries operate in the western region of the PRC and therefore can enjoy a preferential enterprise income tax rate of 15%, provided that their revenues from principal activities contribute more than 60% of their total revenues in each of the year.
- (2) Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd., Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd., Sichuan Energy Investment Gong County Electricity Co., Ltd., Sichuan Energy Investment Gao County Electricity Co., Ltd., Sichuan Energy Power Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd. and Shuifu Yangliutan Power Generation Co., Ltd., subsidiaries of the Company, meet the above requirements, and are subject to the enterprise income tax at the rate of 15%.
- (3) Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises, the annual taxable income of micro and small enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%.
- (4) Sichuan Energy Investment Gao County Integrated Energy Co., Ltd., a subsidiary of the Company, is qualified as a micro and small enterprise and its annual taxable income not more than RMB1 million shall be included in its taxable income at the reduced rate of 12.5%, with the applicable enterprise income tax rate of 20%.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash at bank and on hand

Item	2022	2021
Cash on hand	–	7,317.07
Bank deposits	<b>757,887,345.82</b>	583,969,467.32
Other cash at bank and on hand	<b>12,199,800.00</b>	6,000,000.00
Total	<b>770,087,145.82</b>	589,976,784.39

Other cash at bank and on hand at the end of the year represented the power purchase deposits of RMB10,002,800.00 deposited by Sichuan Energy Investment Electricity Energy Co., Ltd. in the bank deposit account; the construction deposits of RMB2,175,000.00 deposited by Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. in the bank deposit account, and business deposits of RMB22,000.00 deposited by Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd. in the bank deposit account.

### 2. Bills receivable

#### (1) Bills receivable by category

Category	2022	2021
Bank acceptances	<b>200,000.00</b>	3,200,000.00
Commercial acceptances	–	–
Subtotal	<b>200,000.00</b>	3,200,000.00
Less: Provision for bad and doubtful debts	–	–
Total	<b>200,000.00</b>	3,200,000.00

All bills receivable above are due within one year.

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 2. Bills receivable (continued)

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

<b>Category</b>	<b>Amount derecognized at the end of 2022</b>	Amount not derecognized at the end of 2022
Bank acceptances	<b>33,259,265.20</b>	–
Commercial acceptances	–	–
Total	<b>33,259,265.20</b>	–

<b>Category</b>	<b>Amount derecognized at the end of 2021</b>	Amount not derecognized at the end of 2021
Bank acceptances	<b>7,873,336.64</b>	–
Commercial acceptances	–	–
Total	<b>7,873,336.64</b>	–

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 3. Accounts receivable

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

<b>Customer type</b>	<b>2022</b>	2021
Receivable due from related parties	<b>77,535,576.55</b>	48,956,274.42
Receivable due from others	<b>415,141,514.30</b>	443,389,205.54
Subtotal	<b>492,677,090.85</b>	492,345,479.96
Less: Provision for bad and doubtful debts	<b>129,150,228.91</b>	120,285,494.73
Total	<b>363,526,861.94</b>	372,059,985.23

(2) Accounts receivable by ageing is as follows:

<b>Ageing</b>	<b>2022</b>	2021
Within 1 year (inclusive)	<b>339,185,826.24</b>	355,106,675.42
1 to 2 years (inclusive)	<b>46,969,704.26</b>	24,095,118.30
2 to 3 years (inclusive)	<b>11,727,367.32</b>	33,462,377.21
Over 3 years	<b>94,794,193.03</b>	79,681,309.03
Subtotal	<b>492,677,090.85</b>	492,345,479.96
Less: Provision for bad and doubtful debts	<b>129,150,228.91</b>	120,285,494.73
Total	<b>363,526,861.94</b>	372,059,985.23

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 3. Accounts receivable (continued)

#### (3) Accounts receivable by provision method

Category	2022					2021				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on individual basis	63,425,999.20	12.87%	63,425,999.20	100.00%	-	58,908,047.23	11.97%	58,908,047.23	100%	-
Provision for bad and doubtful debts on portfolio basis	429,251,091.65	87.13%	65,724,229.71	15.31%	363,526,861.94	433,437,432.73	88.03%	61,377,447.50	14.16%	372,059,985.23
- Electricity fees receivable	141,760,573.25	28.77%	6,189,792.57	4.37%	135,570,780.68	201,321,901.97	40.89%	10,078,313.75	5.01%	191,243,588.22
- Construction amounts receivable	287,490,518.40	58.36%	59,534,437.14	20.71%	227,956,081.26	232,115,530.76	47.14%	51,299,133.75	22.10%	180,816,397.01
<b>Total</b>	<b>492,677,090.85</b>	<b>100.00%</b>	<b>129,150,228.91</b>	<b>26.21%</b>	<b>363,526,861.94</b>	<b>492,345,479.96</b>	<b>100.00%</b>	<b>120,285,494.73</b>	<b>24.43%</b>	<b>372,059,985.23</b>

(a) Reasons for provision for bad and doubtful debts on individual basis in 2022:

Name	Closing balance	Balance of provision for bad and doubtful debts	Reasons for provision
Company A	24,291,359.46	(24,291,359.46)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company B	11,712,280.66	(11,712,280.66)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company C	3,275,817.91	(3,275,817.91)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company D	2,321,606.94	(2,321,606.94)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company E	1,948,269.35	(1,948,269.35)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company F	1,145,596.99	(1,145,596.99)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Company G	1,076,750.13	(1,076,750.13)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
Other customers	17,654,317.76	(17,654,317.76)	It is determined that the amount cannot be recoverable based on the counterparty's operating status
<b>Total</b>	<b>63,425,999.20</b>	<b>(63,425,999.20)</b>	

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 3. Accounts receivable (continued)

#### (3) Accounts receivable by provision method (continued)

(b) Recognition criteria and explanation of provision for bad and doubtful debts on portfolio basis in 2022:

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

Portfolio 1 Electricity fees receivable  
Portfolio 2 Construction amounts receivable

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

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

#### 31 December 2022

##### Portfolio 1: portfolio of electricity fees receivable

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

##### Portfolio 2: portfolio of construction amounts receivable

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 3. Accounts receivable (continued)

#### (3) Accounts receivable by provision method (continued)

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

**31 December 2021**

#### Portfolio 1: portfolio of electricity fees receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	170,889,194.91	781,869.59
Overdue for 1 to 36 months	18%	25,505,530.36	4,682,461.46
Overdue for 37 to 60 months	91%	1,685,684.17	1,534,564.80
Overdue for more than 61 months	95%	3,241,492.53	3,079,417.90
<b>Total</b>		<b>201,321,901.97</b>	<b>10,078,313.75</b>

#### Portfolio 2: portfolio of construction amounts receivable

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	69,529,734.52	328,154.83
Overdue for 1 to 36 months	17%	131,722,833.01	21,929,340.17
Overdue for 37 to 60 months	94%	18,557,129.18	17,351,096.40
Overdue for more than 61 months	95%	12,305,834.05	11,690,542.35
<b>Total</b>		<b>232,115,530.76</b>	<b>51,299,133.75</b>

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

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

	2022	2021
Opening balance	<b>120,285,494.73</b>	110,497,605.40
Provision for the year	<b>10,168,951.93</b>	9,135,003.80
(Written-off)/Reversal for the year	<b>(1,304,217.75)</b>	652,885.53
<b>Closing balance</b>	<b>129,150,228.91</b>	120,285,494.73

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 4. Prepayments

The ageing analysis of prepayments is as follows:

Ageing	2022		2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (inclusive)	<b>13,193,885.38</b>	<b>88.43</b>	9,872,274.02	76.78
Over 1 year	<b>1,725,740.86</b>	<b>11.57</b>	2,985,836.52	23.22
<b>Total</b>	<b>14,919,626.24</b>	<b>100.00</b>	12,858,110.54	100.00

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

#### 5. Other receivables

	Note	2022	2021
Others	(1)	<b>22,186,662.89</b>	19,733,589.89
<b>Total</b>		<b>22,186,662.89</b>	19,733,589.89

##### (1) Others

(a) Other receivables by customer type:

Customer type	2022	2021
Receivable due from related parties	<b>7,838,173.87</b>	3,152,756.67
Receivable due from other companies	<b>57,760,667.20</b>	68,285,713.97
Subtotal	<b>65,598,841.07</b>	71,438,470.64
Less: Provision for bad and doubtful debts	<b>43,412,178.18</b>	51,704,880.75
<b>Total</b>	<b>22,186,662.89</b>	19,733,589.89

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 5. Other receivables (continued)

#### (1) Others (continued)

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

Ageing	2022	2021
Within 1 year (inclusive)	17,865,492.31	12,372,137.91
1 to 2 years (inclusive)	3,995,925.75	9,039,560.70
2 to 3 years (inclusive)	3,279,376.07	821,051.24
Over 3 years	40,458,046.94	49,205,720.79
Subtotal	65,598,841.07	71,438,470.64
Less: Provision for bad and doubtful debts	43,412,178.18	51,704,880.75
Total	22,186,662.89	19,733,589.89

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

(c) Other receivables by provision method

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

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

	2022				2021			
	Stage I 12-month ECL	Stage II Lifetime ECL- not credit- impaired	Stage III Lifetime ECL- credit- impaired	Total	Stage I 12-month ECL	Stage II Lifetime ECL- not credit- impaired	Stage III Lifetime ECL- credit- impaired	Total
Provision for bad and doubtful debts								
Opening balance	111,183.63	2,324,995.83	49,268,701.29	51,704,880.75	-	611,314.28	45,644,184.92	46,255,499.20
Provision/(Reversal) for the year	53,202.16	262,736.34	(7,422,185.12)	(7,106,246.62)	111,183.63	1,713,681.55	3,690,646.33	5,515,511.51
Reversal/(written-off) for the year	-	-	(1,186,455.95)	(1,186,455.95)	-	-	(66,129.96)	(66,129.96)
Closing balance	164,385.79	2,587,732.17	40,660,060.22	43,412,178.18	111,183.63	2,324,995.83	49,268,701.29	51,704,880.75

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 6. Inventories

##### (1) Inventories by category

Type of inventories	2022			2021		
	Book balance	Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Raw materials	87,866,201.78	72,545.53	87,793,656.25	70,226,229.36	72,545.53	70,153,683.83
Low-value consumables	98,960.08	-	98,960.08	126,155.28	-	126,155.28
<b>Total</b>	<b>87,965,161.86</b>	<b>72,545.53</b>	<b>87,892,616.33</b>	<b>70,352,384.64</b>	<b>72,545.53</b>	<b>70,279,839.11</b>

The Group had no inventories for guarantee at the end of the year (2021: Nil).

#### 7. Contract assets

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

Item	2022			2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Unsettled electricity installation works under construction	76,592,488.40	2,581,828.87	74,010,659.53	95,846,996.68	3,100,986.59	92,746,010.09

- (a) The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group recognizes as contract assets the portion of the construction progress that exceeds the payments made by the customers.
- (b) All contract assets at the end of the year are expected to be transferred to receivables within one year.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 7. Contract assets (continued)

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

2022

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

2021

Item	Opening balance	Provision for the year	Reversal for the year	Charged-off or written-off for the year	Closing balance
Unsettled electricity installation works under construction	1,580,227.28	1,520,759.31	-	-	3,100,986.59
<b>Total</b>	<b>1,580,227.28</b>	<b>1,520,759.31</b>	<b>-</b>	<b>-</b>	<b>3,100,986.59</b>

#### (3) Assessment of ECL on contract assets

Based on the Group's historical experience, there is no significant difference in the loss of different customer segments, therefore no further distinction is made between different customer segments in the calculation of provision for bad and doubtful debts for contract assets.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 8. Other current assets

<b>Item</b>	<b>2022</b>	2021
Deductible input tax	<b>24,350,904.74</b>	5,085,573.43
Prepaid income tax	<b>15,457,567.77</b>	3,642,299.31
Other taxes prepaid	<b>197,053.76</b>	228,858.93
Total	<b>40,005,526.27</b>	8,956,731.67

#### 9. Long-term equity investments

**(1)** Long-term equity investments by category:

<b>Item</b>	<b>2022</b>	2021
Investments in associates	<b>243,310,216.18</b>	271,067,499.22
Less: Provision for impairment – Associates	<b>345,000.00</b>	345,000.00
Total	<b>242,965,216.18</b>	270,722,499.22

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 9. Long-term equity investments (continued)

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

Investee	Opening book balance	Investment Income/(loss) recognized under equity method	Investment reduction	Closing book balance	Closing and opening balance of provision for impairment
Associates					
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	50,281,203.12	1,078,819.98	-	51,360,023.10	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,570,078.02	418,011.82	-	105,988,089.84	-
Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司)	30,000,000.00	-	30,000,000.00	-	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	10,982,510.71	2,211,225.98	-	13,193,736.69	-
Xingwen County Daguang Cement Products Co., Ltd. (興文縣大光水泥製品有限責任公司)	345,000.00	-	-	345,000.00	345,000.00
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	61,497,231.03	(1,303,780.47)	9,624,410.38	50,569,040.18	-
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	12,391,476.34	9,462,850.03	-	21,854,326.37	-
<b>Total</b>	<b>271,067,499.22</b>	<b>11,867,127.34</b>	<b>39,624,410.38</b>	<b>243,310,216.18</b>	<b>345,000.00</b>

(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. whose registered capital is RMB100,000,000, in which the Group holds 30% equity interest with a subscribed contribution of RMB30,000,000. On 30 December 2022, Sichuan Yibin Electricity Co., Ltd. undertook a simplified deregistration. As of the date of deregistration, Sichuan Yibin Electricity Co., Ltd. did not commence business operation, and no shareholder contributed any capital.

(b) Investment in associates includes amount granted to associates of RMB37,939,548.63 (2021: RMB47,563,959.01), which is unsecured, interest-free and have no fixed terms of payment. The Group has no intention to recover the amount in the next year.

### 10. Other non-current financial assets

Item	2022	2021
Financial assets measured at FVPL		
Including: Equity instrument investment – unlisted equity investment	170,250.00	112,170,250.00

(1) On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000,000 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. During the year, the investment period expired and the Company received settlement amount of RMB111,315,991.02 (exclusive of tax), and recognized investment losses of RMB684,008.98.

(2) Further details of the Group’s fair value measurement are set out in Note IX.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 11. Fixed assets

#### (1) Information on fixed assets

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
<b>Cost</b>					
Opening balance	1,338,264,465.99	3,038,927,419.60	41,064,526.75	181,396,120.10	4,599,652,532.44
Addition during the year	19,118,852.96	392,753,222.97	2,811,884.18	26,386,825.66	441,070,785.77
– Purchase	6,410,246.41	8,552,704.91	2,811,884.18	16,258,285.17	34,033,120.67
– Transferred from construction in progress	12,708,606.55	384,200,518.06	–	10,128,540.49	407,037,665.10
Disposal or scrap during the year	(230,490.56)	(9,088,751.26)	(2,377,197.90)	(2,764,883.81)	(14,461,323.53)
Closing balance	1,357,152,828.39	3,422,591,891.31	41,499,213.03	205,018,061.95	5,026,261,994.68
<b>Accumulated depreciation</b>					
Opening balance	432,705,466.64	1,248,058,277.15	29,288,360.27	62,026,144.67	1,772,078,248.73
Provision for the year	31,929,976.10	105,545,583.61	2,336,928.85	19,058,962.49	158,871,451.05
Disposal or scrap during the year	(112,558.02)	(5,423,961.06)	(2,211,270.75)	(2,618,802.77)	(10,366,592.60)
Closing balance	464,522,884.72	1,348,179,899.70	29,414,018.37	78,466,304.39	1,920,583,107.18
<b>Impairment provision</b>					
Opening balance	7,341,090.25	34,857,935.92	172,241.94	155,094.71	42,526,362.82
Provision for the year	–	1,254,470.43	–	138.46	1,254,608.89
Disposal or scrap during the year	(1,804.86)	(1,007,463.71)	(14,653.80)	(30,792.03)	(1,054,714.40)
Closing balance	7,339,285.39	35,104,942.64	157,588.14	124,441.14	42,726,257.31
<b>Carrying amount</b>					
Closing carrying amount	885,290,658.28	2,039,307,048.97	11,927,606.52	126,427,316.42	3,062,952,630.19
Opening carrying amount	898,217,909.10	1,756,011,206.53	11,603,924.54	119,214,880.72	2,785,047,920.89

- (a) As at 31 December 2022, plant and buildings of the Group with a net carrying amount of RMB148,113,997.11 (2021: RMB26,859,462.02) had not obtained the certificate of ownership.
- (b) No property, plant and equipment were pledged to banks as at 31 December 2022 (2021: nil).
- (c) All of the property, plant and equipment owned by the Group are located in the Chinese mainland.
- (d) During the year, certain property, plant and equipment were physically damaged or ceased for operation. The Group assessed the recoverable amounts of those property, plant and equipment as nil and as a result, impairment loss of RMB1,254,608.89 (2021: RMB14,557,793.70) was recognized in "Asset impairment losses" for the year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 12. Construction in progress

	Note	2022	2021
Construction in progress	(1)	<b>255,565,778.47</b>	99,671,867.98
Engineering materials	(2)	<b>16,540,208.11</b>	15,469,443.70
<b>Total</b>		<b>272,105,986.58</b>	115,141,311.68

#### (1) Information on construction in progress

Item	2022			2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
220 KV substation in Lianhua of Xingwen County	-	-	-	56,745,115.97	-	56,745,115.97
Power grid construction project	<b>221,939,206.89</b>	-	<b>221,939,206.89</b>	35,949,181.26	-	35,949,181.26
Relocation project	-	-	-	1,332,924.97	-	1,332,924.97
Others	<b>33,626,571.58</b>	-	<b>33,626,571.58</b>	5,644,645.78	-	5,644,645.78
<b>Total</b>	<b>255,565,778.47</b>	-	<b>255,565,778.47</b>	99,671,867.98	-	99,671,867.98

Movements in construction in progress in 2022 are as follows:

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

Movements in construction in progress in 2021 are as follows:

Item	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other transfer-out during the year	Closing balance
220 KV substation in Lianhua of Xingwen County	-	56,745,115.97	-	-	56,745,115.97
Power grid construction project	45,920,417.50	124,492,081.87	134,463,318.11	-	35,949,181.26
Relocation project	335,218.53	997,706.44	-	-	1,332,924.97
Yibin centralized dispatching center	132,056,928.73	53,440,490.09	185,497,418.82	-	-
Others	3,236,356.32	26,868,233.99	24,459,944.53	-	5,644,645.78
<b>Total</b>	<b>181,548,921.08</b>	<b>262,543,628.36</b>	<b>344,420,681.46</b>	-	<b>99,671,867.98</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 12. Construction in progress (continued)

##### (2) Engineering materials

Item	2022			2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Post-disaster reconstruction project	1,954,669.31	-	1,954,669.31	1,958,851.36	-	1,958,851.36
Rural power grid improvement project	4,508,714.13	-	4,508,714.13	5,163,571.47	-	5,163,571.47
Rural power grid transformation and upgrading project	8,062,990.10	-	8,062,990.10	5,598,133.02	-	5,598,133.02
Others	2,013,834.57	-	2,013,834.57	2,748,887.85	-	2,748,887.85
<b>Total</b>	<b>16,540,208.11</b>	<b>-</b>	<b>16,540,208.11</b>	<b>15,469,443.70</b>	<b>-</b>	<b>15,469,443.70</b>

Movements in engineering materials in 2022 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Post-disaster reconstruction project	1,958,851.36	-	4,182.05	1,954,669.31
Rural power grid improvement project	5,163,571.47	-	654,857.34	4,508,714.13
Rural power grid transformation and upgrading project	5,598,133.02	106,798,262.55	104,333,405.47	8,062,990.10
Others	2,748,887.85	6,242,900.78	6,977,954.06	2,013,834.57
<b>Total</b>	<b>15,469,443.70</b>	<b>113,041,163.33</b>	<b>111,970,398.92</b>	<b>16,540,208.11</b>

Movements in engineering materials in 2021 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Post-disaster reconstruction project	1,976,227.96	-	17,376.60	1,958,851.36
Rural power grid improvement project	5,327,882.64	-	164,311.17	5,163,571.47
Rural power grid transformation and upgrading project	6,427,742.61	170,301.82	999,911.41	5,598,133.02
Others	2,014,374.48	734,513.37	-	2,748,887.85
<b>Total</b>	<b>15,746,227.69</b>	<b>904,815.19</b>	<b>1,181,599.18</b>	<b>15,469,443.70</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 13. Intangible assets

#### (1) Information on intangible assets

Item	Land use right	Software	Total
<b>Cost</b>			
Balance as at 1 January 2021	152,626,556.35	19,081,147.21	171,707,703.56
Increase during the year	2,429,749.46	2,064,085.50	4,493,834.96
Balance as at 31 December 2021	155,056,305.81	21,145,232.71	176,201,538.52
Increase during the year	22,538,726.71	3,248,044.60	25,786,771.31
Balance as at 31 December 2022	<b>177,595,032.52</b>	<b>24,393,277.31</b>	<b>201,988,309.83</b>
<b>Accumulated amortisation</b>			
Balance as at 1 January 2021	28,989,478.52	14,281,220.88	43,270,699.40
Increase during the year	2,893,415.95	1,481,354.40	4,374,770.35
Balance as at 31 December 2021	31,882,894.47	15,762,575.28	47,645,469.75
Increase during the year	3,001,375.38	1,443,610.89	4,444,986.27
Balance as at 31 December 2022	<b>34,884,269.85</b>	<b>17,206,186.17</b>	<b>52,090,456.02</b>
<b>Provision for impairment</b>			
Balance as at 1 January 2021	–	428,795.79	428,795.79
Increase during the year	–	–	–
Balance as at 31 December 2021	–	428,795.79	428,795.79
Increase during the year	–	–	–
Balance as at 31 December 2022	<b>–</b>	<b>428,795.79</b>	<b>428,795.79</b>
<b>Carrying amount</b>			
31 December 2022	<b>142,710,762.67</b>	<b>6,758,295.35</b>	<b>149,469,058.02</b>
31 December 2021	123,173,411.34	4,953,861.64	128,127,272.98

The Group does not have intangible assets formed through internal R&D. (2021: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 13. Intangible assets (continued)

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

Item	Carrying amount	Reasons for having not obtained certificates of ownership
Land use right of Wangchang 220 KV transformer substation	6,823,691.58	Application in progress
Land for Tengda power supply plant	984,916.87	Application in progress
Land (Xijie 35 KV transformer substation)	939,389.56	Unable to apply due to collective land
Others	1,704,996.31	Unable to apply due to collective land
<b>Total</b>	<b>10,452,994.32</b>	

#### 14. Long-term prepaid expenses

Item	Opening balance	Increase during the year	Amortisation for the year	Other decrease	Closing balance
Power station renovation and line repair works	1,809,895.10	480,131.36	634,160.00	-	1,655,866.46
Refurbishment fee	1,231,650.79	1,281,955.22	904,990.99	-	1,608,615.02
Others	69,076.84	-	18,566.04	-	50,510.80
Less: Provision for impairment	-	-	-	-	-
<b>Total</b>	<b>3,110,622.73</b>	<b>1,762,086.58</b>	<b>1,557,717.03</b>	<b>-</b>	<b>3,314,992.28</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 15. Deferred income tax assets and deferred income tax liabilities

##### (1) Deferred income tax assets and deferred income tax liabilities

Item	2022		2021	
	Deductible or taxable temporary differences ("()") for taxable temporary differences	Deferred tax assets/liabilities ("()") for liabilities	Deductible or taxable temporary differences ("()") for taxable temporary differences	Deferred tax assets/liabilities ("()") for liabilities
Deferred income tax assets:				
Provision for impairment of assets	259,684,455.87	38,976,521.17	260,310,790.97	39,068,620.79
Deductible losses	-	-	23,353,377.88	3,503,006.68
Government grants	21,500,710.87	3,225,106.63	21,934,974.54	3,290,246.18
Depreciation of fixed assets	-	-	-	-
Others	55,727,077.13	8,359,061.57	55,727,077.07	8,359,061.57
Subtotal	<u>336,912,243.87</u>	<u>50,560,689.37</u>	<u>361,326,220.46</u>	<u>54,220,935.22</u>
Eliminations		<u>12,954,740.85</u>		<u>12,743,533.34</u>
Amount after eliminations		<u>37,605,948.52</u>		<u>41,477,401.88</u>
Deferred income tax liabilities:				
Valuation appreciation of fixed assets	(196,317,461.64)	(29,447,619.45)	(202,691,324.24)	(30,403,698.65)
Subtotal	<u>(196,317,461.64)</u>	<u>(29,447,619.45)</u>	<u>(202,691,324.24)</u>	<u>(30,403,698.65)</u>
Eliminations		<u>(12,954,740.85)</u>		<u>(12,743,533.34)</u>
Amount after eliminations		<u>(16,492,878.60)</u>		<u>(17,660,165.31)</u>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 15. Deferred income tax assets and deferred income tax liabilities (continued)

##### (2) Breakdown of unrecognized deferred income tax assets

Item	2022	2021
Deductible losses	36,092,700.21	84,073,405.36
Total	36,092,700.21	84,073,405.36

##### (3) Maturity profile of deductible losses for which no deferred tax assets were recognized

Year	2022	2021
2021	-	3,540,215.49
2022	-	12,163,452.68
2023	-	14,404,810.31
2024	16,247,766.81	34,119,993.48
2025	-	-
2026	19,844,933.40	19,844,933.40
Total	36,092,700.21	84,073,405.36

##### (4) Unrecognized deferred income tax liabilities

The Group had no unrecognized deferred tax liabilities at the end of the year.

##### (5) Movements in deferred tax (assets)/liabilities

Deferred tax arising from	Provision for impairment	Revaluation of property, plant and equipment	Government grants	Deductible losses	Others	Total
1 January 2021	(34,594,934.14)	31,359,647.13	(3,060,150.22)	(4,890,037.73)	(3,318,768.76)	(14,504,243.72)
(Credited)/charged to profit or loss	(4,473,686.65)	(955,948.48)	(230,095.96)	1,387,031.05	(5,040,292.81)	(9,312,992.85)
31 December 2021	(39,068,620.79)	30,403,698.65	(3,290,246.18)	(3,503,006.68)	(8,359,061.57)	(23,817,236.57)
(Credited)/charged to profit or loss	92,099.62	(956,079.20)	65,139.55	3,503,006.68	-	2,704,166.65
<b>31 December 2022</b>	<b>(38,976,521.17)</b>	<b>29,447,619.45</b>	<b>(3,225,106.63)</b>	<b>-</b>	<b>(8,359,061.57)</b>	<b>(21,113,069.92)</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 16. Short-term borrowings

##### (1) Category of short-term borrowings:

Item	2022	2021
Unsecured borrowings	300,000,000.00	300,000,000.00
Total	300,000,000.00	300,000,000.00

##### (2) Overdue outstanding short-term borrowings:

The Group had no overdue outstanding short-term borrowings at the end of the year.

#### 17. Accounts payable

##### (1) Accounts payable by nature are as follows:

Item	2022	2021
Payment for purchase of electricity	169,650,057.56	245,175,690.76
Construction payment	235,011,455.95	210,731,357.55
Materials payment	193,932,605.11	145,466,099.18
Others	322,720.68	1,220,440.13
Total	598,916,839.30	602,593,587.62

##### (2) Accounts payable by aging are as follows:

The ageing analysis of accounts payable, based on the invoice date, is as follows:

Ageing	2022	2021
Within 1 year (inclusive)	574,028,979.89	576,821,572.75
1 to 2 years (inclusive)	12,282,057.47	12,577,364.61
2 to 3 years (inclusive)	2,897,832.80	6,130,333.67
Over 3 years	9,707,969.14	7,064,316.59
Total	598,916,839.30	602,593,587.62

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 18. Contract liabilities

Item	2022	2021
Electricity fee received in advance	195,738,270.38	184,609,627.94
Electrical project payment	99,509,680.40	21,823,264.26
Total	295,247,950.78	206,432,892.20

The Group normally receives prepayment for electricity from customers. Prior to selling electricity to these customers, the Group will recognize contract liability for the prepaid amount. If the Group receives advance payments from customers before construction begins or if the amount settled exceeds the progress of the project, contract liability will be recognized until the progress of the project recognized exceeds the amount of advance payments received. All contract liabilities at the end of the current year are expected to be recognized as revenue within one operating cycle.

Material movements in the Group's balance of contract liabilities during the year are as follows:

Reason for change	Electricity payment received in advance	Electricity project payment	Total
Increase due to cash received (excluding amount recognized as revenue during the year)	195,738,270.38	93,679,930.84	289,418,201.22
Revenue recognized from the amount included in the opening carrying amount of contract liabilities	(184,609,627.94)	(15,993,514.70)	(200,603,142.64)
Total	11,128,642.44	77,686,416.14	88,815,058.58

#### 19. Employee benefits payable

(1) *Employee benefits payable are presented as follows:*

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term benefits	111,845,999.83	394,487,123.72	377,016,090.72	129,317,032.83
Post-employment benefits – defined contribution plans	1,085,581.80	60,378,021.86	61,429,683.65	33,920.01
Total	112,931,581.63	454,865,145.58	438,445,774.37	129,350,952.84

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 19. Employee benefits payable (continued)

##### (2) Short-term benefits

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies	106,197,417.60	307,258,624.22	289,198,871.68	124,257,170.14
Staff welfare	446,317.21	15,210,024.28	15,656,341.49	–
Social insurance	21,152.96	29,375,486.91	29,375,390.50	21,249.37
– Medical insurance	8,709.82	24,382,671.78	24,439,979.67	(48,598.07)
– Work injury insurance	2,940.16	4,572,744.82	4,572,673.94	3,011.04
– Maternity insurance	9,502.98	420,070.31	362,736.89	66,836.40
Housing provident fund	(59,640.80)	32,043,879.69	32,072,986.41	(88,747.52)
Labour union operating funds and staff education funds	5,240,752.86	9,897,108.62	10,010,500.64	5,127,360.84
Other short-term benefits	–	702,000.00	702,000.00	–
<b>Total</b>	<b>111,845,999.83</b>	<b>394,487,123.72</b>	<b>377,016,090.72</b>	<b>129,317,032.83</b>

##### (3) Post-employment benefits – defined contribution plans

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension insurance	13,013.68	45,640,966.32	45,625,640.88	28,339.12
Unemployment insurance	(131.88)	1,719,713.58	1,719,581.70	–
Enterprise annuity	1,072,700.00	13,017,341.96	14,084,461.07	5,580.89
<b>Total</b>	<b>1,085,581.80</b>	<b>60,378,021.86</b>	<b>61,429,683.65</b>	<b>33,920.01</b>

- (a) Staff costs include remuneration of directors, supervisors and senior management (see Note XIV.2 and Note XIV.3).
- (b) Pursuant to the relevant labor regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.
- (c) The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.
- (d) The Group’s contributions to the Schemes vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the Schemes which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 20. Taxes payable

Item	2022	2021
VAT – Accruals to be transferred to output tax	<b>26,699,842.82</b>	25,793,088.52
VAT	<b>14,602,048.20</b>	15,849,982.10
Enterprise income tax	<b>13,196,847.33</b>	15,092,189.20
Urban maintenance and construction tax	<b>855,405.48</b>	474,847.15
Education surcharge	<b>762,928.87</b>	432,362.09
Others	<b>2,330,275.36</b>	2,363,376.32
Total	<b>58,447,348.06</b>	60,005,845.38

#### 21. Other payables

	<i>Note</i>	2022	2021
Interest payable	(1)	<b>5,385,445.21</b>	5,438,084.09
Others	(2)	<b>110,029,001.59</b>	132,061,509.43
Total		<b>115,414,446.80</b>	137,499,593.52

##### (1) Interest payable

Item	2022	2021
Interest payable on unsecured borrowings	<b>237,500.01</b>	290,138.89
Interest payable on borrowings from third parties	<b>5,147,945.20</b>	5,147,945.20
Total	<b>5,385,445.21</b>	5,438,084.09

Material overdue unpaid interest: Nil.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 21. Other payables (continued)

#### (2) Others

Other payables by nature are as below:

<b>Item</b>	<b>2022</b>	<b>2021</b>
Payable to related parties	<b>16,031,091.26</b>	35,819,602.87
Construction payables related to fixed assets	<b>13,199,492.00</b>	26,316,651.99
Security deposit payable	<b>15,608,793.00</b>	22,210,548.00
Levy payable	<b>12,563,171.00</b>	5,965,796.00
Others	<b>52,626,454.33</b>	41,748,910.57
<b>Total</b>	<b>110,029,001.59</b>	132,061,509.43

### 22. Non-current liabilities due within one year

Non-current liabilities due within one year by item are as follows:

<b>Item</b>	<b>2022</b>	<b>2021</b>
Long-term borrowings due within one year	<b>12,868,329.54</b>	12,868,329.54
Lease liabilities due within one year	<b>1,329,388.53</b>	441,623.82
<b>Total</b>	<b>14,197,718.07</b>	13,309,953.36

### 23. Long-term payables

#### (1) Breakdown of long-term payables

<b>Item</b>	<b>2022</b>	<b>2021</b>
Special payables	<b>293,974,587.09</b>	37,394,687.09
<b>Total</b>	<b>293,974,587.09</b>	37,394,687.09

The Group received an amount of RMB256,579,900.00 under the Investment Plans within the Central Budget during the year, which shall be exclusively used for the enhancement and upgrading projects of rural power grid.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 24. Deferred income

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Cause
Resettlement project	100,376,899.45	–	6,002,745.30	94,374,154.15	Relocation compensation
County power grid transformation project	5,524,551.63	–	306,447.88	5,218,103.75	Government funding
Snow disaster project	27,323,153.87	–	1,134,420.48	26,188,733.39	Post-disaster reconstruction funds
Other government subsidies	10,243,468.29	1,489,922.63	927,652.90	10,805,738.02	
<b>Total</b>	<b>143,468,073.24</b>	<b>1,489,922.63</b>	<b>8,371,266.56</b>	<b>136,586,729.31</b>	

Items related to government grants:

Item	Opening balance	Additional grants in the year	Amount recognized in non-operating income during the year	Amount recognized in other income during the year	Closing balance	Related to assets/related to income
Resettlement project	100,376,899.45	–	6,002,745.30	–	94,374,154.15	Related to assets
County power grid transformation project	5,524,551.63	–	306,447.88	–	5,218,103.75	Related to assets
Snow disaster project	27,323,153.87	–	1,134,420.48	–	26,188,733.39	Related to assets
Other government subsidies	10,243,468.29	1,489,922.63	31,343.33	896,309.57	10,805,738.02	Related to assets/related to income
<b>Total</b>	<b>143,468,073.24</b>	<b>1,489,922.63</b>	<b>7,474,956.99</b>	<b>896,309.57</b>	<b>136,586,729.31</b>	

#### 25. Share capital

	Opening balance	Closing balance
Total shares	1,074,357,700.00	1,074,357,700.00

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 26. Capital reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	203,429,005.75	–	–	203,429,005.75
Other capital reserve	878,018,600.00	–	–	878,018,600.00
State capital reserve benefits	878,018,600.00	–	–	878,018,600.00
<b>Total</b>	<b>1,081,447,605.75</b>	<b>–</b>	<b>–</b>	<b>1,081,447,605.75</b>

#### (1) Share premium

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

#### (2) Other capital reserve

State capital reserve benefits represented government funds in respect of the Group's construction and modification of rural power grid. The funds were received and allocated to the subsidiaries for construction of power supplies by the parent company. The recognition of RMB878,018,600 as state capital reserve benefits was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province.

### 27. Specific reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety production funds	19,925,149.81	20,242,255.67	25,055,090.72	15,112,314.76
<b>Total</b>	<b>19,925,149.81</b>	<b>20,242,255.67</b>	<b>25,055,090.72</b>	<b>15,112,314.76</b>

Pursuant to the relevant PRC regulations for power companies, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 28. Surplus reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserve	104,468,551.68	28,426,460.04	–	132,895,011.72
Total	104,468,551.68	28,426,460.04	–	132,895,011.72

- (1) According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.
- (2) Statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

#### 29. Undistributed profit

Item	Note	2022	2021
Undistributed profit at the beginning of the year	(1)	699,460,812.11	585,224,902.92
Add: Net profit for the year attributable to shareholders of the parent company		301,441,634.66	269,557,691.02
Less: Appropriation for statutory surplus reserve		(28,426,460.04)	(26,398,857.83)
Dividends payable on ordinary shares	(2)	(128,922,924.00)	(128,922,924.00)
Undistributed profit at the end of the year	(3)	843,553,062.73	699,460,812.11

- (1) Breakdown of adjustments to undistributed profit at the beginning of the year: Nil

#### (2) Distribution of dividends on ordinary shares for the year

On 17 June 2022, a dividend for the year ended 31 December 2021 of RMB128,922,924.00, representing RMB0.12 per share (2021: RMB128,922,924.00, representing RMB0.12 per share) was approved by the shareholders at the annual general meeting of the Company.

#### (3) Explanation of undistributed profit at the end of the year

As of 31 December 2022, the Group's undistributed profit attributable to the parent company included surplus reserve set aside by subsidiaries of the Company of RMB144,191,178.66 (2021: RMB122,200,369.65).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 30. Operating revenue and operating costs

##### (1) Operating revenue and operating costs

Item	Note	2022		2021	
		Revenue	Cost	Revenue	Cost
Principal business		3,309,625,246.30	2,740,883,162.02	3,165,768,141.46	2,617,661,424.52
Other businesses		3,630,964.75	33,200.00	5,905,474.08	2,075,522.94
<b>Total</b>		<b>3,313,256,211.05</b>	<b>2,740,916,362.02</b>	3,171,673,615.54	2,619,736,947.46
Including: Revenue from contracts	V.30(2)	3,310,211,651.37		3,167,556,698.63	
Other income		3,044,559.68		4,116,916.91	

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 2% of the Group's revenue.

##### (2) Revenue from contracts

Type of contracts	2022	2021
Classified by contract type		
Power supply contracts	2,908,759,220.60	2,789,638,509.97
Contracts of power installation projects	379,477,962.08	367,470,740.55
Material sales contracts	21,388,063.62	8,658,890.38
Others	586,405.07	1,788,557.73
<b>Total</b>	<b>3,310,211,651.37</b>	3,167,556,698.63
Classified by time of transfer of goods		
Revenue recognized at a point in time	2,930,733,689.29	2,800,085,958.08
Revenue recognized over time	379,477,962.08	367,470,740.55
<b>Total</b>	<b>3,310,211,651.37</b>	3,167,556,698.63

##### (3) Information about the transaction prices allocated to the remaining performance obligations

As of 31 December 2022, the total transaction prices allocated to the remaining performance obligations under the Group's existing contracts were RMB382,628,239.05 (2021: RMB360,908,102.83). The amount represents the revenue expected to be recognized in the future in respect of the electrical engineering construction and related business contracts between customers and the Group. The Group expects that this part of contracts will be completed within the next 12 to 24 months.

The Group applied the practical expedient for power supply contract and material sales contract for which the contract term was originally expected to not exceed one year, and therefore the information disclosed above does not include the transaction prices allocated by the Group to the remaining performance obligations in that contract.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 31. Taxes and surcharges

Item	2022	2021
City maintenance and construction tax	5,378,634.27	5,254,949.11
Education surcharges	4,985,729.62	5,111,742.74
Housing property tax	3,883,352.98	3,114,565.13
Others	4,860,580.98	5,132,077.34
Total	19,108,297.85	18,613,334.32

#### 32. Administrative expenses

Item	2022	2021
Labour cost	151,022,837.05	150,240,298.37
Depreciation and amortisation charge	14,476,298.88	12,431,232.71
Consultancy and advisory fee	6,050,191.89	9,292,373.49
Office and travel expenses	8,217,928.39	9,074,832.76
Property management fee	6,243,488.60	2,706,988.48
Vehicle transportation costs	2,555,330.85	2,249,220.34
Labour protection expense	1,727,904.45	1,949,988.34
Business entertainment expense	1,235,843.21	1,927,890.25
Auditor's remuneration	1,560,000.00	1,560,000.00
Including: audit service	1,560,000.00	1,560,000.00
Other services	-	-
Others	10,704,133.83	8,649,880.74
Total	203,793,957.15	200,082,705.48

#### 33. Finance costs

Item	2022	2021
Interest expenses on loans and payables	9,971,456.94	12,616,144.11
Interest expenses on lease liabilities	414,784.79	336,156.75
Less: Interest expense capitalized	-	770,762.21
Interest income on deposits and receivables	(6,386,186.05)	(5,822,519.30)
Net foreign exchange losses/(gains)	2,380,454.78	(352,562.94)
Other finance costs	2,177,223.46	1,317,601.89
Total	8,557,733.92	7,324,058.30

The capitalization rate per annum, at which the borrowing costs were capitalized by the Group, was 0 for the year (2021: 3.50%).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 34. Other income

Item	2022	2021
Subsidy for power grid transformation	561,342.33	544,482.56
Employment stability subsidy	1,475,814.61	96,124.93
Others	300,421.99	29,752.79
Total	2,337,578.93	670,360.28

#### 35. Investment income

##### *Investment income by item*

Item	2022	2021
Investment income from long-term equity investments accounted for using the equity method	11,867,127.34	1,746,813.85
Investment income from financial assets held for trading	1,938,846.57	3,721,902.39
Others	(684,008.98)	-
Total	13,121,964.93	5,468,716.24

#### 36. Gains on fair value changes

Item	2022	2021
Gains on changes in fair value of derivative financial liabilities	-	(1,483,571.33)
Other non-current financial assets	-	11,930,133.76
Total	-	10,446,562.43

#### 37. Credit impairment losses

Item	2022	2021
Accounts receivable	10,168,951.93	9,135,003.80
Other receivables	(7,106,246.62)	5,515,511.51
Total	3,062,705.31	14,650,515.31

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 38. Asset impairment losses

Item	2022	2021
Fixed assets	1,254,608.89	14,557,793.70
Contract assets	(519,157.72)	1,520,759.31
Total	735,451.17	16,078,553.01

#### 39. Gains on asset disposals

Item	2022	2021
Gains/(losses) on disposal of fixed assets	6,441.81	(97,418.40)
Total	6,441.81	(97,418.40)

#### 40. Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

Item	2022	2021
Government grants	7,752,643.13	8,464,821.65
Gain from fine payments	3,090,001.30	–
Tax refund	1,328,481.01	–
Others	1,823,571.44	1,896,490.90
Total	13,994,696.88	10,361,312.55

Government grants recorded in profit or loss for the current period

Item of grants	2022	2021	Related to assets/ related to income
Resettlement project	6,002,745.30	6,648,974.67	Related to assets
County power grid transformation project	306,447.88	163,694.12	Related to assets
Snow disaster project	1,134,420.48	1,082,763.24	Related to assets
Others	309,029.47	569,389.63	Related to assets/related to income
Total	7,752,643.13	8,464,821.66	

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 40. Non-operating income and non-operating expenses (continued)

##### (2) Non-operating expenses

Item	2022	2021
Expenses on charity donation	61,159.40	53,664.02
Losses on compensation, penalties and fines	3,090,000.00	–
Others	1,845,287.76	788,381.55
Total	4,996,447.16	842,045.57

#### 41. Income tax expenses

Item	Note	2022	2021
Income tax expenses for the year calculated based on tax laws and regulations		55,316,992.05	58,298,627.72
Movements in deferred tax	(1)	2,704,166.65	(9,312,992.85)
Adjustments of tax filing differences		976,086.57	1,292,249.65
Total		58,997,245.27	50,277,884.52

(1) The analysis of changes in deferred tax is set out below:

Item	2022	2021
Origination and reversal of temporary differences	(798,840.03)	(7,925,961.64)
Recognition of deductible tax losses unused in prior years	3,503,006.68	(1,387,031.21)
Total	2,704,166.65	(9,312,992.85)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 41. Income tax expenses (continued)

(2) Reconciliation between income tax expenses and accounting profit is as follows:

Item	2022	2021
Profit before tax	361,545,939.02	321,194,989.19
Expected income tax expenses calculated at the tax rate of 25%	90,386,484.76	80,298,747.30
Effect of different tax rates for subsidiaries	(30,760,402.86)	(29,786,920.47)
Effect of non-deductible costs, expenses and losses	1,649,993.33	1,207,869.38
Effect of deductible temporary differences or deductible losses for which no deferred tax assets are recognized for the year	275,021.05	1,950,545.82
Effect of non-taxable income	(2,620,239.84)	(3,998,134.41)
Preferential income tax for new rural power grid project	(340,374.74)	(387,625.33)
Effect of items eligible for additional deduction on income tax	(569,323.00)	(298,847.42)
Tax filing differences (Effect of adjusting income tax for previous years)	976,086.57	1,292,249.65
<b>Income tax expenses for the year</b>	<b>58,997,245.27</b>	<b>50,277,884.52</b>

#### 42. Calculation of basic earnings per share

##### (1) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding of the Company:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	301,441,634.66	269,557,691.02
Weighted average number of ordinary shares outstanding of the Company	1,074,357,700.00	1,074,357,700.00
<b>Basic earnings per share (RMB/share)</b>	<b>0.28</b>	<b>0.25</b>

The weighted average number of ordinary shares is calculated as follows:

	2022	2021
Number of ordinary shares in issue at the beginning of the year	1,074,357,700.00	1,074,357,700.00
Weighted average number of ordinary shares at the end of the year	1,074,357,700.00	1,074,357,700.00

There were no potentially dilutive ordinary shares for the year ended 31 December 2022, and therefore, diluted earnings per share are the same as the basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 43. Supplementary information to the income statement

Classification of expenses in the income statement by nature:

<b>Item</b>	<b>2022</b>	<b>2021</b>
Operating revenue	<b>3,313,256,211.05</b>	3,171,673,615.54
Less: Changes in inventories of finished goods and work in progress	–	–
Raw materials consumed	<b>2,260,547,821.20</b>	2,064,882,184.09
Repair fees	<b>35,207,693.60</b>	49,685,733.81
Employee benefits expenses	<b>454,865,145.58</b>	421,380,916.15
Depreciation and amortisation charge	<b>168,108,182.17</b>	156,717,711.24
Asset impairment losses	<b>735,451.17</b>	16,078,553.01
Credit impairment losses	<b>3,062,705.31</b>	14,650,515.31
Finance costs	<b>8,557,733.92</b>	7,324,058.30
Taxes	<b>19,108,297.85</b>	18,613,334.32
Other expenses	<b>10,515,490.95</b>	110,664,887.10
Operating profit	<b>352,547,689.30</b>	311,675,722.21

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 44. Related information of cash flow statement

##### (1) Supplementary information to the cash flow statement

a. Reconciliation of net profit to cash flow from operating activities:

Item	2022	2021
Net profit	302,548,693.75	270,917,104.67
Add: Provisions for asset impairment	735,451.17	16,078,553.01
Credit impairment losses	3,062,705.31	14,650,515.31
Depreciation of fixed assets	158,871,451.05	148,472,583.67
Amortisation of intangible assets	4,444,986.27	4,374,770.35
Amortisation of long-term prepaid expenses	1,557,717.03	1,456,145.87
Depreciation of right-of-use assets	3,234,027.82	2,694,340.07
Losses on disposal of fixed assets, intangible assets and other long-term assets ("()") for gains)	(6,441.81)	97,418.40
Losses on fair value changes ("()") for gains)	-	(10,446,562.43)
Finance costs ("()") for income)	6,380,510.46	6,006,456.41
Losses arising from investment ("()") for gains)	(13,121,964.93)	(5,468,716.24)
Decrease in deferred tax assets ("()") for increase)	3,871,453.36	(7,814,214.88)
Increase in deferred tax liabilities ("()") for decrease)	(1,167,286.71)	(1,498,777.97)
Decrease in inventories ("()") for increase)	(17,612,777.22)	(6,089,091.38)
Decrease in operating receivables ("()") for increase)	(34,356,017.92)	(66,371,299.62)
Increase in operating payables ("()") for decrease)	151,283,549.34	57,093,103.78
Amortisation of deferred income	(8,371,266.56)	(8,459,694.60)
Net cash flows from operating activities	561,354,790.41	415,692,634.42

b. Net changes in cash and cash equivalents:

Item	2022	2021
Cash at the end of the year	757,887,345.82	583,976,784.39
Less: Cash at the beginning of the year	583,976,784.39	500,799,252.74
Net increase in cash and cash equivalents	173,910,561.43	83,177,531.65

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 44. Related information of cash flow statement (continued)

##### (2) Composition of cash and cash equivalents

Item	2022	2021
Cash	757,887,345.82	583,976,784.39
Including: Cash on hand	–	7,317.07
Bank deposits on demand	757,887,345.82	583,969,467.32
Cash and cash equivalents at the end of the year	757,887,345.82	583,976,784.39

#### 45. Assets with restricted ownership or use right

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for restriction
Cash at bank and on hand	6,000,000.00	6,199,800.00	–	12,199,800.00	Deposits
Total	6,000,000.00	6,199,800.00	–	12,199,800.00	Deposits

Other cash at bank and on hand at the end of the year represented the power purchase deposits of RMB10,002,800.00 deposited by Sichuan Energy Investment Electricity Energy Co., Ltd. in the bank deposit account; the construction deposits of RMB2,175,000.00 deposited by Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. in the bank deposit account, and business deposits of RMB22,000.00 deposited by Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd. in the bank deposit account.

#### 46. Government grants

##### (1) Basic information of government grants

Type	Amount	Presented under	Amount recorded in profit or loss for the current period
Resettlement project	94,374,154.15	Deferred income	6,002,745.30
County power grid transformation project	5,218,103.75	Deferred income	306,447.88
Snow disaster project	26,188,733.39	Deferred income	1,134,420.48
Others	10,805,738.02	Deferred income	927,652.90
Others	277,686.14	Non-operating income (direct inclusion)	277,686.14
Others	1,441,269.36	Other income (direct inclusion)	1,441,269.36
Total	138,305,684.81		10,090,222.06

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

#### 47. Lease

##### *Lease with the Group as lessee*

Right-of-use assets

<b>Item</b>	<b>Plant and buildings</b>
<b>Cost</b>	
Balance as at 1 January 2022	12,604,367.67
Increase during the year	3,986,881.26
Decrease during the year	-
<hr/>	
Balance as at 31 December 2022	16,591,248.93
<hr/>	
<b>Accumulated depreciation</b>	
Balance as at 1 January 2022	6,759,490.59
Provision for the year	3,234,027.82
<hr/>	
Balance as at 31 December 2022	9,993,518.41
<hr/>	
<b>Carrying amount</b>	
Balance as at 31 December 2022	6,597,730.52
<hr/>	
Balance as at 1 January 2022	5,844,877.08
<hr/>	

Lease liabilities

<b>Item</b>	<i>Note</i>	<b>2022</b>	2021
Long-term lease liabilities		<b>4,163,211.28</b>	4,257,394.52
Lease liabilities due within one year	V.22	<b>1,329,388.53</b>	441,623.82
<hr/>			
Total		<b>5,492,599.81</b>	4,699,018.34
<hr/>			
<b>Item</b>		<b>2022</b>	2021
Short-term lease expenses applied the practical expedient		<b>611,940.71</b>	1,205,852.79
Total cash outflow for leases		<b>4,220,025.29</b>	5,515,763.98
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# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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

### 48. Dividends

#### (1) Dividends payable to equity shareholders of the Company attributable to the year

	2022	2021
Final dividend proposed after the end of the year of RMB0.12 per ordinary share (2021: RMB0.12 per ordinary share)	<b>128,922,924.00</b>	128,922,924.00

On 28 March 2023, a dividend for the year ended 31 December 2022 of approximately RMB128,922,924.00 (2021: RMB128,922,924.00), representing RMB0.12 per share was proposed by the Board (2021: RMB0.12 per share). Such dividend is to be approved by the shareholders at the general meeting of the Company. The final dividend proposed after the end of the balance sheet date has not been recognized as a liability as at the balance sheet date.

#### (2) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2022	2021
Final dividend in respect of the previous financial year, approved and paid during the year	<b>128,922,924.00</b>	128,922,924.00

On 17 June 2022, a final dividend for the year ended 31 December 2021 of RMB128,922,924.00, representing RMB0.12 per share was approved by the shareholders at the annual general meeting of the Company.

## VI. CHANGE IN SCOPE OF CONSOLIDATION

During the year, the Company and 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) jointly contributed capital to establish Sichuan Energy Investment Gao County Integrated Energy Co., Ltd.\* (四川能投高縣綜合能源有限公司), and hold its 60% and 40% equity interests, respectively. Resolutions put forward at its general meetings shall be voted on by shareholders based on capital contribution proportion, and the Company is able to exercise control over Sichuan Energy Investment Gao County Integrated Energy Co., Ltd. Therefore, it has been consolidated into the Group. There were no other changes in the consolidation scope of the Group during the year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Group members

Name of subsidiary	Place of registration and business	Legal form	Nature of business	Registered capital	Percentage of shareholding (%) (or percentage of similar interests)	
					Direct	Indirect
Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd. (四川能投宜賓市敘州電力有限公司)	Yibin City, Sichuan Province	Limited liability company	Electricity sales	60,000,000.00	100%	-
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	Yibin City, Sichuan Province	Limited liability company	Power installation	100,000,000.00	100%	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司)	Gong County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	11,960,000.00	100%	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	78,100,000.00	100%	-
Sichuan Energy Investment Yibin Power Generation Co., Ltd. (四川能投宜賓發電有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Power generation	3,000,000.00	100%	-
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	Pingshan County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	111,111,400.00	100%	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	Xingwen County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	32,020,000.00	100%	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	Junlian County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	40,000,000.00	100%	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	Shuifu City, Yunnan Province	Limited liability company	Power generation	10,000,000.00	100%	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	Yibin City, Sichuan Province	Limited liability company	Electricity sales	50,000,000.00	74%	-
Sichuan Energy Investment Gao County Integrated Energy Co., Ltd. (四川能投高縣綜合能源有限公司)	Gao County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	20,000,000.00	60%	-

#### (2) Significant non-wholly-owned subsidiaries

Name of subsidiary	Proportion of non-controlling interests	Profit or loss attributable to non-controlling interests for the year	Dividends declared and distributed to non-controlling interests for the year	Non-controlling interests at the end of the year
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	26%	1,129,909.34	520,000.00	29,901,732.99

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (continued)

#### (3) Key financial information of significant non-wholly-owned subsidiaries

The following table shows the key financial information of the above subsidiary, which are amounts before intra-group elimination, while adjustments were made for the fair value at the consolidation date and unification of accounting policies:

	<b>Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)</b>	
	<b>2022</b>	2021
Current assets	<b>141,601,793.08</b>	121,600,104.12
Non-current assets	<b>31,302,595.35</b>	18,915,855.85
Total assets	<b>172,904,388.43</b>	140,515,959.97
Current liabilities	<b>57,774,746.44</b>	77,874,063.03
Total liabilities	<b>57,774,746.44</b>	77,874,063.03
Operating revenue	<b>387,480,464.72</b>	520,176,397.97
Net profit	<b>4,448,409.83</b>	5,228,514.06
Total comprehensive income	<b>4,448,409.83</b>	5,228,514.06
Cash flows from operating activities	<b>(17,753,305.25)</b>	221,801,892.57

### 2. Interests in associates

(1) Details of associates are as follows:

Name of associate	Form of business structure	Place of registration and business	Registered capital	The Group's effective interest			Principal activity
				The Group's effective interest	Held by the Company	Held by subsidiary	
<b>Associates</b>							
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Incorporated	The PRC	200,000,000	20%	20%	-	Authorized financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporated	The PRC	400,000,000	25%	25%	-	Authorized financial and consulting services
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Incorporated	The PRC	28,320,000	49%	-	49%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Incorporated	The PRC	32,000,000	49%	-	49%	Power generation
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Incorporated	The PRC	22,000,000	49%	49%	-	Power supply

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 2. Interests in associates (continued)

(2) Combined financial information of insignificant joint ventures and associates is as follows:

Item	2022	2021
<b>Associates:</b>		
– Insignificant associates	<b>243,310,216.18</b>	271,067,499.22
Subtotal	<b>243,310,216.18</b>	271,067,499.22
Less: Provision for impairment	<b>345,000.00</b>	345,000.00
Total	<b>242,965,216.18</b>	270,722,499.22
	<b>2022</b>	2021
<b>Associates:</b>		
Aggregate carrying amount of investments	<b>242,965,216.18</b>	270,722,499.22
Total amounts calculated based on shareholding proportions		
– Net profit	<b>11,867,127.34</b>	1,746,813.85
– Total comprehensive income	<b>11,867,127.34</b>	1,746,813.85

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group is exposed to financial instruments risks during its ordinary activities, primarily including:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, as well as the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the year.

The objectives of the Group's risk management are to seek appropriate balance between the risks and benefits, and to mitigate the adverse effects that the risks of financial instruments may have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities. The internal audit department of the Group undertakes both regular and random inspection of the internal control system for its compliance with risk management policies.

### 1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash and bank balances, accounts receivable, contract assets, bond investment and derivative financial instruments for the purpose of hedging. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet. Except for the financial guarantees given by the Group as set out in Note XII, 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 balance sheet date is disclosed in Note XII.

#### (1) Accounts receivable and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 10.58% (2021: 11.71%) of the total accounts receivable and contract assets was due from the five largest customers of the Group.

In respect of accounts receivable, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Normally, the Group does not obtain collateral from customers.

More details of accounts receivable and contract assets, please see Note V.3 and V.7.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, (subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority). The Group's policy is to regularly monitor its short-term and long-term liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December) and the earliest date the Group can be required to pay:

Item	2022 undiscounted contractual cash flow					Total	Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years			
Short-term borrowings	321,951,343.24	-	-	-	-	321,951,343.24	300,000,000.00
Non-current liabilities due within one year	14,197,718.07	-	-	-	-	14,197,718.07	14,197,718.07
Accounts payable	598,916,839.30	-	-	-	-	598,916,839.30	598,916,839.30
Other payables	115,414,446.80	-	-	-	-	115,414,446.80	115,414,446.80
Employee benefits payable	129,350,952.84	-	-	-	-	129,350,952.84	129,350,952.84
Taxes payable	58,447,348.06	-	-	-	-	58,447,348.06	58,447,348.06
Lease liabilities	-	2,818,310.47	1,764,194.59	861,259.37	-	5,443,764.43	4,163,211.28
<b>Total</b>	<b>1,238,278,648.31</b>	<b>2,818,310.47</b>	<b>1,764,194.59</b>	<b>861,259.37</b>	<b>-</b>	<b>1,243,722,412.74</b>	<b>1,220,490,516.35</b>

Item	2021 undiscounted contractual cash flow					Total	Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years			
Short-term borrowings	326,368,994.72	-	-	-	-	326,368,994.72	300,000,000.00
Non-current liabilities due within one year	13,309,953.36	-	-	-	-	13,309,953.36	13,309,953.36
Accounts payable	602,593,587.62	-	-	-	-	602,593,587.62	602,593,587.62
Other payables	137,499,593.52	-	-	-	-	137,499,593.52	137,499,593.52
Employee benefits payable	112,931,581.63	-	-	-	-	112,931,581.63	112,931,581.63
Taxes payable	60,005,845.38	-	-	-	-	60,005,845.38	60,005,845.38
Lease liabilities	-	1,598,386.34	2,742,878.16	1,583,068.59	-	5,924,333.09	4,257,394.52
<b>Total</b>	<b>1,252,709,556.23</b>	<b>1,598,386.34</b>	<b>2,742,878.16</b>	<b>1,583,068.59</b>	<b>-</b>	<b>1,258,633,889.32</b>	<b>1,230,597,956.03</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Interest rate risk

Interest-bearing financial instruments at fixed rates and at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the following interest-bearing financial instruments were held by the Group:

Fixed rate financial instruments:

Item	2022		2021	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Lease liabilities	5%	(5,492,599.80)	5%	(4,699,018.34)
<b>Total</b>		<b>(5,492,599.80)</b>		<b>(4,699,018.34)</b>

Floating rate financial instruments:

Item	2022		2021	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Short-term borrowings	(1Y LPR) – 0.5%~0.7%/ (6M LPR) – 0.8%	(300,000,000.00)	(1Y Libor) – 0.23% ~ 0.45%	(300,000,000.00)
<b>Total</b>		<b>(300,000,000.00)</b>		<b>(300,000,000.00)</b>

### (2) Sensitivity analysis

As at 31 December 2022, an increase of 100 basis points in interest rates, with all other variables held constant, would decrease the shareholders' equity and net profit of the Group by RMB2,250,000.00 (2021: increase of RMB2,250,000.00).

The sensitivity analysis above indicates the instantaneous change in the net profit and shareholders' equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and shareholders' equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Foreign exchange risk

In respect of cash and bank balances, accounts receivable and payable, short-term borrowings and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(1) As at 31 December, the Group's exposure to currency risk arising from recognized assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

	2022		2021	
	Foreign currency balance	RMB equivalent	Foreign currency balance	RMB equivalent
Cash at bank and on hand and gross balance sheet exposure				
– HKD	7,988,987.49	7,136,322.85	8,473,911.87	6,928,270.34

(2) The followings are the exchange rates for Renminbi against foreign currencies applicable to the Group:

	Average exchange rate		Reporting date mid-spot rate	
	2022	2021	2022	2021
HKD	0.85891	0.83004	0.89327	0.81765

### (3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the HK dollar at 31 December would have decreased the Group's and the Company's shareholders' equity and net profit by RMB267,612.11 (2021: RMB259,810.14).

A 5% weakening of the Renminbi against the HK dollar at 31 December would have had the equal but opposite effect on the shareholders' equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes description of other risk exposures. The analysis is performed on the same basis using identical methods for previous year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## IX. FAIR VALUE DISCLOSURE

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the Reporting Period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorized is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

### 1. Closing fair value of assets and liabilities measured at fair value

Item	Note	31 December 2022			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement		-	-	-	-
Other non-current financial assets	V.10	-	-	170,250.00	170,250.00
Equity instruments investment		-	-	170,250.00	170,250.00
Total assets measured at fair value on a recurring basis		-	-	170,250.00	170,250.00

Item	Note	31 December 2021			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement		-	-	-	-
Other non-current financial assets	V.10	-	-	112,170,250.00	112,170,250.00
Equity instruments investment		-	-	112,170,250.00	112,170,250.00
Total assets measured at fair value on a recurring basis		-	-	112,170,250.00	112,170,250.00

### 2. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorized within Level 2

Fair value of forward foreign exchange contracts in derivative financial assets is measured by discounting the differences between the exercise prices and market prices of the forward foreign exchange contracts. The discount rates used are derived from the applicable government bonds yield curve as at the end of the reporting period.

Fair value of interest rate swap contracts in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been transferred at the end of reporting period, taking into account current interest rates and the creditworthiness of the swap counterparty.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## IX. FAIR VALUE DISCLOSURE (CONTINUED)

### 3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorised within Level 3

The valuation of the Group's assets and liabilities measured at fair value in Level 3 on a recurring and non-recurring basis is performed by a dedicated team headed by the finance manager, which reports directly to the chief financial officer and the Audit Committee. The team prepares an analysis report of changes in fair value measurements at mid-term and end of each year, which shall be reviewed and approved by the chief financial officer. The team discusses the valuation process and results with the chief financial officer and the Audit Committee at mid-year and year-end.

### 4. Reconciliation of the opening carrying amount to the closing carrying amount, and sensitivity analysis on unobservable inputs for recurring fair value measurements in Level 3

Reconciliation of the opening carrying amount to the closing carrying amount for recurring fair value measurements in Level 3 is as follows:

2022	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
Assets											
Other non-current financial assets	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-
Including: Investment in equity instruments	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-
Total	112,170,250.00	-	-	(684,008.98)	-	-	-	-	(111,315,991.02)	170,250.00	-

2021	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
Assets											
Other non-current financial assets	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76
Including: Investment in equity instruments	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76
Total	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## IX. FAIR VALUE DISCLOSURE (CONTINUED)

### 4. Reconciliation of the opening carrying amount to the closing carrying amount, and sensitivity analysis on unobservable inputs for recurring fair value measurements in Level 3 (continued)

Note: The details of the above gains or losses recognized in profit or loss or other comprehensive income for the year are as follows:

Item	2022	2021
Realised gains or losses included in profit or loss for the year		
– Investment income	(684,008.98)	–
Unrealised gains or losses included in profit or loss for the year		
– Gains on changes in fair value	–	11,930,133.76
Total	(684,008.98)	11,930,133.76

### 5. Changes in valuation technique during the year and reasons for changes

In 2022, there was no change in the valuation technique for fair value of the above assets and liabilities measured at fair value on a recurring and non-recurring basis in level 3.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

### 1. The parent company of the Company

Name of the parent company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)	Ultimate controlling party of the Company
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Chengdu, Sichuan province	Electricity and thermal power production and supply	RMB2,828.18 million	36.71%	36.71%	Sichuan Development (Holding) Co., Ltd. (四川發展(控股)有限責任公司)

### 2. Subsidiaries of the Company

Please refer to Note VII.1 for details of the subsidiaries of the Group.

### 3. Joint ventures and associates of the Company

Please refer to Note VII.2 for details of significant associates of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 4. Other related parties

Name of other related party	Relationship
Sichuan Energy Investment Group Co., Ltd. (四川省能源投資集團有限責任公司)	The parent company of Sichuan Province Hydropower Investment and Management Group Co., Ltd.
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Under common control of the ultimate controlling party
Yibin Jinwei Grid Construction Co., Ltd. (宜賓金緯電網有限公司)	Under common control of the ultimate controlling party
Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Electricity Development Co., Ltd. (四川能投電力開發有限公司)	Under common control of the ultimate controlling party
Sichuan Jinding Industrial & Financial Holding Co., Ltd. (四川金鼎產融控股有限公司)	Under common control of the ultimate controlling party
Sichuan Jinhesheng Investment Co., Ltd. (四川金禾盛投資有限公司)	Under common control of the ultimate controlling party
Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd. (四川金鼎產融股權投資基金管理有限公司)	Under common control of the ultimate controlling party
Sichuan Yixu Express Highway Development Co., Ltd. (四川宜敘高速公路開發有限責任公司)	Under common control of the ultimate controlling party
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Huicheng Training Management Co., Ltd. (四川能投匯成培訓管理有限公司)	Under common control of the ultimate controlling party
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司) (previously known as Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司))	Under common control of the ultimate controlling party
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Under common control of the ultimate controlling party
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Associate of the ultimate controlling party
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Associate of the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 4. Other related parties (continued)

Name of other related party	Relationship
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Significant investor
Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	Subsidiary of significant investor
Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	Subsidiary of significant investor
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	Subsidiary of significant investor
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Subsidiary of significant investor
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Subsidiary of significant investor
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Subsidiary of significant investor
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Subsidiary of significant investor
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Associate
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Associate
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Associate
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Associate
Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司)	Associate
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Associate

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 5. Related party transactions

#### (1) Purchases of goods/receipt of services (excluding remuneration of key management personnel)

##### The Group

Related party	Content of related party transaction	2022	2021
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Purchase of electricity	<b>2,251,432.91</b>	5,122,277.17
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Purchase of electricity	<b>11,196,808.12</b>	12,124,315.91
Sichuan Energy Investment Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司) (previously known as Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司))	Purchase of electricity	<b>7,487,253.77</b>	466,559.29
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Procurement of materials and equipment	–	3,641,352.17
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Property catering	<b>5,347,869.70</b>	3,952,505.24
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Use of rural power grid assets	<b>26,743,186.93</b>	23,752,035.67
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payments	<b>117,032,417.77</b>	7,758,873.48
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Construction payments	<b>9,094,560.65</b>	302,198.49
Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	Construction payments	–	175,693.03
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Construction payments	<b>105,631,721.47</b>	–
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Construction payments	<b>3,020,697.30</b>	–
<b>Total</b>		<b>287,805,948.62</b>	57,295,810.45

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

#### 5. Related party transactions (continued)

##### (1) Purchases of goods/receipt of services (excluding remuneration of key management personnel) (continued)

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets usage agreement with the parent company (“the usage agreement”) for a term of three years, pursuant to which the Group have the rights to use the above-mentioned rural power grid assets owned by the parent company after the relevant part of these rural power grid assets connecting to the Group’s power grid. The annual usage fee payable by the Group to the parent company is calculated based on the volume of the Group’s electricity transmitting through the parent company’s rural power grid multiplied by the unit usage price as stipulated in the usage agreement.

On 28 December 2021, Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司) (“Gong County Electricity”) entered into the 2022 power purchase and sales contract with Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司) (“Yiliangruiyuan Hydropower”) for a fixed term of three years commencing from 1 January 2022 and ending on 31 December 2024, pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to Gong County Electricity. The unit price of electricity payable by Gong County Electricity shall be RMB0.32 per kwh (inclusive of tax), which is determined on the basis of the price of electricity Gong County Electricity purchased electricity from other relatively small independent third-party electricity suppliers in Yunnan Province, the PRC, and subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province\* (《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》). The amount of purchase of electricity shall be the unit price of electricity, namely RMB0.32 per kwh, multiplied by the actual volume of on-grid electricity supplied by Yiliangruiyuan Hydropower to Gong County Electricity.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 5. Related party transactions (continued)

#### (2) Sales of goods/Rendering of services

##### The Group

Related party	Content of related party transaction	2022	2021
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Sales of electricity	4,675,402.67	4,171,854.69
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Sales of electricity	33,767,908.26	318,862,501.00
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Sales of electricity	339,315.87	-
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Sales of electricity	625,580.18	528,417.33
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Sales of electricity	87,484.93	-
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Sales of electricity	303,781.65	-
Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	Sales of electricity	165,900.60	-
Gao County Fenghui Grain and Edible Oil Co., Ltd. (高縣豐匯糧油有限責任公司)	Sales of electricity	105,807.29	-
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payments	11,297,397.46	8,104,200.26
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Sublease service fee	2,277,455.71	3,081,792.68
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Construction payments	14,955,190.35	-
Sichuan Energy Investment Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司) (previously known as Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司))	Construction payments	-	761,467.89
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Maintenance of rural power grid assets	13,268,153.04	12,874,316.81
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Construction payments	3,000,587.13	3,551,288.31
Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	Construction payments	1,197,940.83	-
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Construction payments	1,778,715.60	-
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Construction payments	2,933,510.99	-
Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	Construction payments	1,426,687.01	-
Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	Construction payments	6,759,300.33	-
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Construction payments	26,292.04	-
Total		98,992,411.94	351,935,838.97

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 5. Related party transactions (continued)

#### (2) Sales of goods/Rendering of services (continued)

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets management and maintenance agreement with its parent company for a term of three years, pursuant to which the Group agreed to provide management and maintenance service for certain rural power grid assets owned by the parent company in the areas where the Group operates its business. The annual service fee payable by the parent company to the Group is determined based on negotiation by reference to the "Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)" (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)) issued by State Grid Sichuan Electric Power Company.

#### (3) Remuneration of key management personnel

##### The Group

Item	2022	2021
Remuneration of key management personnel	8,274,545.22	6,138,720.33

##### The Company

Item	2022	2021
Remuneration of key management personnel	8,274,545.22	6,138,720.33

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 6. Amounts due from/to related parties

#### Amounts due from related parties

##### The Group

Item	Related party	2022	2021	
<b>Accounts receivable</b>	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	5,997,901.93	10,911,543.54	
	Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	-	3,817,020.20	
	Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	31,337,303.12	27,963,251.66	
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	20,338,093.72	5,761,275.00	
	Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	3,048,705.44	102,000.00	
	Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	359,674.82	-	
	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	2,363,003.40	-	
	Gao County Public Resources Service Management Co., Ltd. (高縣公共資源服務管理有限責任公司)	953,391.50	-	
	Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	1,938,800.00	-	
	Gao County State-owned Assets Operation and Management Co., Ltd. (高縣國有資產經營管理有限責任公司)	2,424,933.21	-	
	Gao County Urban-rural Development and Construction Co., Ltd. (高縣城鄉開發建設有限責任公司)	8,773,769.41	-	
	Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	-	401,184.02	
	<b>Other receivables</b>	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	214,831.07	2,741,676.07
		Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	7,401,181.88	411,080.60
		Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	222,160.92	-
<b>Prepayments</b>	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	1,478,007.60	-	

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 6. Amounts due from/to related parties (continued)

#### Amounts due to related parties (continued)

##### The Group

Item	Related party	2022	2021
<b>Accounts payable</b>	Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	9,033,751.31	14,794,684.36
	Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	194,368.30	52,891.81
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	10,254,897.70	2,315,009.75
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	30,219,800.02	10,107,544.25
	Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	35,875,418.92	-
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司) Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	436,690.59	1,435,548.59
	-	-	5,745.17
<b>Other payables</b>	Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司)	-	30,000,000.00
	Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	90,695.78	-
	Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	261,465.67	261,465.67
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	11,078,241.42	5,493,811.32
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	1,297,855.70	62,291.08
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	993,375.00	-
	Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	1,929,630.51	-
	Sichuan Energy Investmnet Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司) (previously known as Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司))	379,827.18	2,000.00
	Degegesaer Power Co., Ltd. of Sichuan Province Hydropower Investment and Management Group (四川省水電投資經營集團德格薩爾電力有限公司)	-	34.80
	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	224,294.30	130,694.92
<b>Contract liabilities</b>	Water Conservancy and Hydropower Engineering Co., Ltd. of Sichuan Energy Investment Construction Engineering Group (四川能投建工集團水利水電工程有限公司)	771,718.64	1,160,475.33
	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)	12,392.85	-
	Gao County Fuxi Industry Concentration Zone Investment Development Co., Ltd. (高縣福溪工業集中區投資開發有限公司)	38,339.39	-
	Gao County Fenghui Grain and Edible Oil Co., Ltd. (高縣豐匯糧油有限責任公司)	37,324.65	-
	Sichuan Yixu Express Highway Development Co., Ltd (四川宜敘高速公路開發有限責任公司)	132,131.45	-
	Sichuan Energy Investmnet Integrated Energy Co., Ltd. (四川能投綜合能源有限責任公司) (previously known as Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司))	-	44,316.14
	-	-	-
<b>Special payables</b>	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	293,974,587.09	37,394,687.09

# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB unless otherwise indicated)*

## X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

### 7. Transactions with other government-related entities in the PRC

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

### 8. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of 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 company, 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 RMB unless otherwise indicated)

## XI. CAPITAL MANAGEMENT

The Group's primary objectives of capital management are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk and by ensuring access to finance at reasonable financial costs.

The Group defines "capital" as shareholders' equity plus borrowings by related parties with no fixed repayment term and less unrecognized dividends proposed for distribution. The Group's capital excludes balances of related party transactions.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. The factors considered by the Group include: the Group's capital requirements in the future, capital efficiency, actual and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic conditions affects the Group, the Group will adjust its capital structure.

The Group monitors its capital structure through adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term loans, long-term loans and lease liabilities) plus unrecognized dividends proposed for distribution and net of borrowings by related parties with no fixed repayment term and cash and cash equivalents.

The adjusted net debt-to-capital ratio is as follows:

	The Group		The Company	
	2022	2021	2022	2021
Current liabilities				
Short-term borrowings	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00
Long-term borrowings due within one year	12,868,329.54	12,868,329.54	-	-
Lease liabilities due within one year	1,329,388.53	441,623.82	-	-
Non-current liabilities				
Lease liabilities	4,163,211.28	4,257,394.52	-	-
Total debt	318,360,929.35	317,567,347.88	300,000,000.00	300,000,000.00
Add: Dividends proposed for distribution	128,922,924.00	128,922,924.00	128,922,924.00	128,922,924.00
Less: Cash and cash equivalents	757,887,345.82	583,976,784.39	475,612,844.79	422,161,728.93
Adjusted net debt	(310,603,492.47)	(137,486,512.51)	(46,689,920.79)	6,761,195.07
Shareholders' equity	3,185,218,249.18	2,995,899,433.51	1,957,220,146.62	1,801,878,478.07
Less: Dividends proposed for distribution	128,922,924.00	128,922,924.00	128,922,924.00	128,922,924.00
Adjusted capital	3,056,295,325.18	2,866,976,509.51	1,828,297,222.62	1,672,955,554.07
Adjusted net debt-to-capital ratio	(10.16%)	(4.80%)	(2.55%)	0.40%

Neither the Company nor any of the Company's subsidiaries are subject to external mandatory capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

<b>Item</b>	<b>2022</b>	<b>2021</b>
Contracted	<b>104,883,250.10</b>	91,909,064.99
Total	<b>104,883,250.10</b>	91,909,064.99

#### (2) Unrecognized commitments relating to investments in joint ventures

The Group has no unrecognized commitments relating to the investment in associates during the year.

### 2. Contingency

The Group had not experienced any material contingency during the year.

#### (1) Contingent liability

The Group did not have contingent liabilities relating to investments in associates during the year.

#### (2) Contingent assets

The Group has no material contingent assets during the year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XIII. POST BALANCE SHEET DATE EVENTS

### 1. Material non-adjusting post balance sheet date events

The Group had not experienced any material non-adjusting post balance sheet date event during the year.

### 2. Profit distribution after the balance sheet date

Item	Note	Amount
Profit or dividend proposed for distribution		128,922,924.00

#### ***Dividend for ordinary shares proposed for distribution after the balance sheet date***

On 28 March 2023, the Board proposed the payment of cash dividends of RMB0.12 per share (2021: RMB0.12 per share) by the Company to the ordinary shareholders, totaling RMB128,922,924.00 (2021: RMB128,922,924.00). This proposal is subject to approval by the shareholders' general meeting. Cash dividends proposed after the balance sheet date had not been recognized as liabilities at the balance sheet date.

## XIV. OTHER SIGNIFICANT EVENTS

### 1. Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified from financial information provided regularly to the Group's most senior executive management reviews for the purpose of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction services in the PRC. The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, management considers the Group has only one operating segment and therefore, no segment information is presented.

The Group only operates in the Mainland China and accordingly, no geographical information is presented.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Directors' remuneration

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2022
<b>Executive Directors</b>				
Mr. Xiong Lin	-	724,649.05	40,198.71	764,847.76
Mr. Li Hui	-	724,649.05	40,198.71	764,847.76
Ms. Xie Peixi	-	597,299.05	40,198.71	637,497.76
<b>Non-executive Directors</b>				
Ms. Li Yu	-	-	-	-
Ms. Han Chunhong	-	-	-	-
Ms. Liang Hong	-	-	-	-
Ms. Lv Yan	-	-	-	-
<b>Independent non-executive Directors</b>				
Mr. Kin Kwong Kwok Gary	250,000.00	-	-	250,000.00
Mr. Wang Peng	150,000.00	-	-	150,000.00
Ms. He Zhen	146,000.00	-	-	146,000.00
Mr. Li Jian	156,000.00	-	-	156,000.00
<b>Supervisors</b>				
Ms. Li Jia	-	437,250.26	40,198.71	477,448.97
Ms. Fu Ruoxue	-	-	-	-
Mr. Yan Yi	-	-	-	-
Mr. Peng Yu	-	-	-	-
Mr. Tang Hong	-	-	-	-
Mr. Liao Jun	-	373,526.26	40,198.71	413,724.97
Ms. Deng Ruipu	-	-	-	-
Ms. Wang Meng	-	-	-	-
Mr. Huang Yao	-	-	-	-
<b>Total</b>	<b>702,000.00</b>	<b>2,857,373.67</b>	<b>200,993.55</b>	<b>3,760,367.22</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Directors' remuneration (continued)

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2021
<b>Executive Directors</b>				
Mr. Zeng Yong	–	–	–	–
Mr. Xiong Lin	–	665,891.98	34,713.40	700,605.38
Mr. Li Hui	–	711,691.98	34,713.40	746,405.38
Ms. Xie Peixi	–	585,691.98	34,713.40	620,405.38
<b>Non-executive Directors</b>				
Mr. Zhou Yanbin	–	–	–	–
Ms. Li Yu	–	–	–	–
Ms. Han Chunhong	–	–	–	–
Mr. Xu Zhenhua	–	–	–	–
Ms. Liang Hong	–	–	–	–
Ms. Lv Yan	–	–	–	–
<b>Independent non-executive Directors</b>				
Mr. Kin Kwong Kwok Gary	250,000.00	–	–	250,000.00
Mr. Fan Wei	–	–	–	–
Mr. Wang Peng	150,000.00	–	–	150,000.00
Ms. He Zhen	149,000.00	–	–	149,000.00
Mr. Li Jian	59,250.00	–	–	59,250.00
<b>Supervisors</b>				
Mr. Zeng Zhiwei	–	–	–	–
Ms. Li Jia	–	423,070.17	34,713.40	457,783.57
Mr. Hu Changxian	–	358,357.31	34,713.40	393,070.71
Ms. Fu Ruoxue	–	–	–	–
Ms. Chen Yingchun	–	–	–	–
Mr. Xie Jun	–	–	–	–
Mr. Yan Yi	–	–	–	–
Mr. Peng Yu	–	–	–	–
Mr. Tang Hong	–	–	–	–
Mr. Liao Jun	–	356,685.37	34,713.40	391,398.77
<b>Total</b>	<b>608,250.00</b>	<b>3,101,388.79</b>	<b>208,280.40</b>	<b>3,917,919.19</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Directors' remuneration (continued)

- (1) During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in Note XIV.3 as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.
- (2) Mr. Peng Yu and Mr. Yan Yi resigned as supervisors of the Company on 3 August 2022, and Ms. Wang Meng and Ms. Deng RuiPu were appointed as supervisors of the Company on 3 August 2022.
- (3) On 17 October 2022, Mr. Tang Hong resigned as a supervisor of the Company, and Mr. Huang Yao was appointed as a supervisor of the Company on 17 October 2022.

### 3. Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2021: three) are a director whose emoluments are reflected in the above tables. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

Item	2022	2021
Salaries and other emoluments	<b>1,194,598.11</b>	1,313,778.26
Retirement scheme contributions	<b>80,397.42</b>	69,426.80
Total	<b>1,274,995.53</b>	1,383,205.06

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

Item	2022 Number of individuals	2021 Number of individuals
Nil – HKD1,000,000	<b>2</b>	2
Total	<b>2</b>	2

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Accounts receivable

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

Customer type	2022	2021
Receivable due from subsidiaries	24,497,032.20	17,488,772.61
Subtotal	24,497,032.20	17,488,772.61
Less: Provision for bad and doubtful debts	-	-
Total	24,497,032.20	17,488,772.61

(2) Accounts receivable by ageing is as follows:

Ageing	2022	2021
Within 1 year (inclusive)	24,497,032.20	17,488,772.61
Subtotal	24,497,032.20	17,488,772.61
Less: Provision for bad and doubtful debts	-	-
Total	24,497,032.20	17,488,772.61

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

### (3) Accounts receivable by provision method

Category	2022					2021				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
Amount	Proportion (%)	Amount	Proportion (%)	Amount		Proportion (%)	Amount	Proportion (%)		
Provision for bad and doubtful debts on portfolio basis										
- Portfolio of related parties	24,497,032.20	100%	-	-	24,497,032.20	17,488,772.61	100%	-	-	17,488,772.61
Total	24,497,032.20	100%	-	-	24,497,032.20	17,488,772.61	100%	-	-	17,488,772.61

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 2. Other receivables

	Note	2022	2021
Dividends receivable	(1)	<b>14,163,356.80</b>	24,163,356.76
Others	(2)	<b>962,073,685.88</b>	865,575,454.79
<b>Total</b>		<b>976,237,042.68</b>	889,738,811.55

#### (1) Dividends receivable

(a) Classification of dividends receivable:

Investee	2022	2021
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	<b>14,163,356.80</b>	24,163,356.76
<b>Total</b>	<b>14,163,356.80</b>	24,163,356.76

#### (2) Others

(a) Other receivables by customer type:

Customer type	2022	2021
Receivable due from subsidiaries	<b>961,991,037.16</b>	865,084,677.53
Others	<b>82,648.72</b>	490,777.26
Subtotal	<b>962,073,685.88</b>	865,575,454.79
Less: Provision for bad and doubtful debts	-	-
<b>Total</b>	<b>962,073,685.88</b>	865,575,454.79

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 2. Other receivables (continued)

##### (2) Others (continued)

(b) Other receivables by ageing are as follows:

Ageing	2022	2021
Within 1 year (inclusive)	132,793,969.80	93,862,667.76
1 to 2 years (inclusive)	81,164,406.83	224,341,814.01
2 to 3 years (inclusive)	219,958,973.40	5,000,000.00
Over 3 years	528,156,335.85	542,370,973.02
Subtotal	962,073,685.88	865,575,454.79
Less: Provision for bad and doubtful debts	-	-
Total	962,073,685.88	865,575,454.79

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

(c) Other receivables by provision method

Category	2022					2021				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on portfolio basis										
- Portfolio 1	962,073,685.88	100%	-	-	962,073,685.88	865,575,454.79	100%	-	-	865,575,454.79
Total	962,073,685.88	100%	-	-	962,073,685.88	865,575,454.79	100%	-	-	865,575,454.79

The Company's other receivables were mainly borrowings and other current accounts of subsidiaries within the scope of consolidation, which the Company considers are recoverable at any time and no provision for bad and doubtful debts is required.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 3. Long-term equity investments

#### (1) Long-term equity investments by category:

Item	2022			2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	1,191,336,116.02	-	1,191,336,116.02	1,142,336,116.02	-	1,142,336,116.02
Investment in associates	170,541,849.63	-	170,541,849.63	196,833,791.85	-	196,833,791.85
Total	1,361,877,965.65	-	1,361,877,965.65	1,339,169,907.87	-	1,339,169,907.87

#### (2) Investment in subsidiaries

Name	Opening balance	Increase during the year	Decrease during the year	Closing balance	Provision for the year	Closing balance of provision
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	113,505,246.64	-	-	113,505,246.64	-	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	97,349,923.01	-	-	97,349,923.01	-	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	305,302,001.65	-	-	305,302,001.65	-	-
Sichuan Energy Investment Yuejiang Power Generation Co., Ltd. (四川能投月江發電有限公司)	3,000,000.00	-	-	3,000,000.00	-	-
Sichuan Energy Investment Yibin Electricity Co., Ltd. (四川能投宜賓電力有限公司)	60,000,000.00	-	-	60,000,000.00	-	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司)	44,763,745.89	-	-	44,763,745.89	-	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	40,000,000.00	-	-	40,000,000.00	-	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	340,314,958.06	-	-	340,314,958.06	-	-
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	101,100,240.77	-	-	101,100,240.77	-	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	37,000,000.00	37,000,000.00	-	74,000,000.00	-	-
Sichuan Energy Investment Gao County Integrated Energy Co., Ltd. (四川能投高縣綜合能源有限公司)	-	12,000,000.00	-	12,000,000.00	-	-
Total	1,142,336,116.02	49,000,000.00	-	1,191,336,116.02	-	-

For information on the subsidiaries of the Company, Please see Note VII.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

### XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

#### 3. Long-term equity investments (continued)

##### (3) Investments in associates:

Name of investee	Opening balance	Investment income under equity method	Investment reduction	Closing balance	Closing and opening balance of provision for impairment
Associates					
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	50,281,203.12	1,078,819.98	-	51,360,023.10	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,570,078.02	418,011.82	-	105,988,089.84	-
Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司)	30,000,000.00	-	30,000,000.00	-	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	10,982,510.71	2,211,225.98	-	13,193,736.69	-
<b>Total</b>	<b>196,833,791.85</b>	<b>3,708,057.78</b>	<b>30,000,000.00</b>	<b>170,541,849.63</b>	<b>-</b>

#### 4. Operating revenue and operating costs

##### (1) Operating revenue and operating costs

Item	Note	2022		2021	
		Revenue	Cost	Revenue	Cost
Principal business		<b>43,418,077.39</b>	<b>13,110,064.66</b>	38,336,491.31	4,028,577.52
Other businesses		-	-	-	-
<b>Total</b>		<b>43,418,077.39</b>	<b>13,110,064.66</b>	<b>38,336,491.31</b>	<b>4,028,577.52</b>
Including: Revenue from					
contracts	XV.4(2)	<b>43,418,077.39</b>		38,336,491.31	

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

### 4. Operating revenue and operating costs (continued)

#### (2) Revenue from contracts

Type of contracts	2022	2021
Type of goods		
– Grid wheeling charges of subsidiaries	21,820,822.02	21,837,649.22
– Management fee of subsidiaries	21,597,255.37	16,498,842.09
<b>Total</b>	<b>43,418,077.39</b>	38,336,491.31
Classified by time of transfer of goods		
– Revenue recognized at a point in time	21,820,822.02	21,837,649.22
– Revenue recognized over time	21,597,255.37	16,498,842.09
<b>Total</b>	<b>43,418,077.39</b>	38,336,491.31

### 5. Investment income

Item	2022	2021
Investment income from long-term equity investments accounted for using the cost method	284,690,601.83	257,574,858.94
Investment income from long-term equity investments accounted for using the equity method	3,708,057.78	2,667,473.72
Investment income from financial assets held for trading during the holding period	1,938,846.57	3,721,902.39
Others	(684,008.98)	–
<b>Total</b>	<b>289,653,497.20</b>	263,964,235.05

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

## XVI. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revision) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

<b>Profit for the reporting period</b>	<b>Weighted average return on net assets (%)</b>	<b>Basic earnings per share</b>
Net profit attributable to ordinary shareholders of the Company	10.35%	0.28

### 1. Calculation of earnings per share

#### *Basic earnings per share*

The calculation of basic earnings per share is detailed in Note V.42.

### 2. Calculation of weighted average return on net assets

#### *Weighted average return on net assets*

Weighted average return on net assets is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average consolidated net assets attributable to ordinary shareholders of the Company:

	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	301,441,634.66	269,557,691.02
Weighted average consolidated net assets attributable to ordinary shareholders of the Company	2,912,710,628.32	2,828,857,690.52
Weighted average return on net assets	10.35%	9.53%

The weighted average consolidated net assets attributable to ordinary shareholders of the Company are calculated as follows:

	2022	2021
Consolidated net assets attributable to ordinary shareholders of the Company at the beginning of the year	2,828,857,690.52	2,758,817,773.49
Impact of consolidated net profit attributable to ordinary shareholders of the Company during the year	167,705,875.61	140,079,834.06
Weighted average consolidated net assets attributable to ordinary shareholders of the Company at the end of the year	2,912,710,628.32	2,828,857,690.52