THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this supplemental circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Huadian Power International Corporation Limited*** (the "**Company**"), you should at once hand this supplemental circular, the new proxy form (which was despatched on 15 June 2021) to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

華電國際電力股份有限公司
Huadian Power International Corporation Limited*

*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "**PRC**"))*

(Stock Code: 1071)

MAJOR AND CONNECTED TRANSACTIONS:
(1) CAPITAL INCREASE IN FUXIN DEVELOPMENT;
(2) DISPOSALS OF NEW ENERGY ASSETS AND EQUITY;
(3) ACQUISITIONS OF HUNAN AREA COMPANIES;
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

This supplemental circular should be read together with the notice of the AGM dated 28 May 2021.

A letter from the Board is set out on pages 11 to 57 of this supplemental circular. A letter from the Independent Board Committee in relation to the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements is set out on page 58 of this supplemental circular. A letter from the Gram Capital, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements, is set out on pages 59 to 95 of this supplemental circular.

15 June 2021

CONTENTS

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

"Acquisitions"	means collectively, the acquisition of 37.19% equity interests in Fuxin Development and the acquisition of Hunan Area Companies;
"AGM"	means the annual general meeting of the Company to be held at 2:00 p.m. on Wednesday, 30 June 2021 at Oriental Garden Hotel, No. 6 Dongzhimen South Street, Dongcheng District, Beijing, the PRC;
"Assets and Equity Disposal Agreements"	means collectively, the Assets Disposal Agreements and the Equity Disposal Agreements;
"Assets Disposal Agreements"	means collectively, the Hangzhou Assets Disposal Agreement, the Longyou Assets Disposal Agreement, the Weifang Assets Disposal Agreement, the Laizhou Assets Disposal Agreement, the Wuhan Assets Disposal Agreement, the Huangshi Assets Disposal Agreement, the Zanhuang Assets Disposal Agreement and the Lechang Assets Disposal Agreement;
"Board"	means the board of directors of the Company;
"Capital Increase"	means the capital increase in Fuxin Development made by the Company pursuant to the Capital Increase Agreement;
"Capital Increase Agreement"	means the capital increase agreement entered into among the Company, Huadian Fuxin and Fuxin Development on 24 May 2021, in relation to the proposed capital increase in Fuxin Development by the Company;
"CEA"	means China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司), an independent and duly qualified valuer in the PRC;
"Changde Company"	means Hunan Huadian Changde Power Generation Company Limited* (湖南華電常德發電有限公司), a non-wholly-owned subsidiary of China Huadian as at the Latest Practicable Date;

"Changde Equity Acquisition Agreement"	means the equity acquisition agreement entered into between the Company and China Huadian on 24 May 2021, in relation to the proposed acquisition of 48.98% equity interests in Changde Company by the Company from China Huadian;
"Changsha Company"	means Hunan Huadian Changsha Power Generation Company Limited* (湖南華電長沙發電有限公司), a non-wholly-owned subsidiary of China Huadian as at the Latest Practicable Date;
"Changsha Equity Acquisition Agreement"	means the equity acquisition agreement entered into between the Company and China Huadian on 24 May 2021, in relation to the proposed acquisition of 70% equity interests in Changsha Company by the Company from China Huadian;
"Changsha Group"	means Changsha Company and Hunan Huadian Changyuan Investment Co. Ltd* (湖南華電長源投資有限公司), a wholly-owned subsidiary of Changsha Company as at the Latest Practicable Date;
"Changxing Company"	means Changxing Heping Huadian Wind Power Generation Company Limited* (長興和平華電風力發電有限公司), a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date;
"China Alliance"	means China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司), an independent and duly qualified valuer in the PRC;
"China Appraisal"	means China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司), an independent and duly qualified valuer in the PRC;
"China Huadian"	means China Huadian Corporation Limited* (中國華電集團有限公司), a wholly PRC State-owned enterprise, and the controlling Shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries and companies whose 30% or more equity interests are directly or indirectly held by China Huadian;

"Company"	means Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
"controlling Shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
"Directors"	means the directors of the Company;
"Disposals"	means collectively, the disposal of New Energy Companies, and the disposal of New Energy Assets and Equity;
"Enlarged Group"	means the Group upon completion of the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements;
"Equity Acquisitions"	means the equity acquisitions of Hunan Area Companies from China Huadian by the Company pursuant to the Equity Acquisition Agreements;
"Equity Acquisition Agreements"	means collectively, Changsha Equity Acquisition Agreement, Changde Equity Acquisition Agreement and Pingjiang Equity Acquisition Agreement;
"Equity Disposal Agreements"	means collectively, Hubei Equity Disposal Agreement and Hebei Equity Disposal Agreement;
"Fuxin Development"	means Huadian Fuxin Energy Development Company Limited* (華電福新能源發展有限公司), a wholly-owned subsidiary of Huadian Fuxin as at the Latest Practicable Date;
"Fuxin Development Group"	means Fuxin Development and its subsidiaries as at the Latest Practicable Date;

"Group"	means the Company and its subsidiaries as at the Latest Practicable Date;
"Guangdong Company"	means Guangdong Huadian Qianshan Wind Power Generation Company Limited* (廣東華電前山風力發電有限公司), a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date;
"Hangzhou Assets Disposal Agreement"	means the assets disposal agreement entered into between Hangzhou Banshan Company and Changxing Company on 24 May 2021, in relation to the proposed disposal of assets by Hangzhou Banshan Company to Changxing Company;
"Hangzhou Banshan Company"	means Hangzhou Huadian Banshan Power Generation Company Limited* (杭州華電半山發電有限公司), a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Hebei Equity Disposal Agreement"	means the equity disposal agreement entered into between Huarui Company and Fuxin Development on 24 May 2021, in relation to the proposed disposal of 60.3803% equity interests in Hebei Yuzhou Company by Huarui Company to Fuxin Development;
"Hebei Yuzhou Company"	means Hebei Huadian Yuzhou Wind Power Company Limited* (河北華電蔚州風電有限公司), a non-wholly-owned subsidiary of Huarui Company as at the Latest Practicable Date;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Huadian Fuxin"	means Huadian Fuxin Energy Corporation Limited* (華電福新能源有限公司), a wholly-owned subsidiary of China Huadian as at the Latest Practicable Date;

"Huangshi Branch"	means Huangshi Photovoltaic Power Generation Branch of Huadian Hubei Power Generation Company Limited* (華電湖北發電有限公司黃石光伏發電分公司), a branch of a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Huangshi Assets Disposal Agreement"	means the assets disposal agreement entered into between Huangshi Branch and Jinquan Company on 24 May 2021, in relation to the proposed disposal of assets by Huangshi Branch to Jinquan Company;
"Huarui Company"	means Hebei Huarui Energy Group Company Limited* (河北華瑞能源集團有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Hubei Company"	means Huadian Hubei Power Generation Company Limited* (華電湖北發電有限公司), a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Hubei Equity Disposal Agreement"	means the equity disposal agreement entered into between Hubei Company and Fuxin Development on 24 May 2021, in relation to the proposed disposal of 100% equity interests in Hubei Suixian Company, Hubei Wuxue Company and Hubei Zaoyang Company by Hubei Company to Fuxin Development;
"Hubei Wuxue Company"	means Hubei Huadian Wuxue New Energy Company Limited* (湖北華電武穴新能源有限公司), a wholly-owned subsidiary of Hubei Company as at the Latest Practicable Date;
"Hubei Suixian Company"	means Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited* (湖北華電隨縣殷店光伏發電有限公司), a wholly-owned subsidiary of Hubei Company as at the Latest Practicable Date;
"Hubei Zaoyang Company"	means Hubei Huadian Zaoyang Photovoltaic Power Generation Company Limited* (湖北華電棗陽光伏發電有限公司), a wholly-owned subsidiary of Hubei Company as at the Latest Practicable Date;

"Hunan Area Companies"	means Changsha Company, Changde Company and Pingjiang Company, or any of the above companies, subject to specific Equity Acquisition Agreement;
"Independent Board Committee"	means the independent committee of the Board, comprising independent non-executive Directors, namely Mr. Wang Dashu, Mr. Zong Wenlong, Mr. Feng Zhenping and Mr. Li Xingchun, appointed to advise the Independent Shareholders on the Capital Increase Agreement, the Assets and Equity Disposal Agreements, the Equity Acquisition Agreements and the transactions contemplated thereunder pursuant to the requirements of the Hong Kong Listing Rules;
"Independent Financial Adviser" or "Gram Capital"	means Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements;
"Independent Shareholders"	means the Shareholders who are not required to abstain from voting for approving (i) the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the transactions thereunder; and (ii) the Equity Acquisition Agreements and the transactions thereunder;
"Jinquan Company"	means Hubei Jinquan Wind Power Generation Company Limited* (湖北金泉風力發電有限公司), a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date;
"Kangbao Company"	means Kangbao Xiehe Wind Power Generation Company Limited* (康保協合風力發電有限公司), a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date;
"Laizhou Company"	means Huadian Laizhou Power Generation Company Limited* (華電萊州發電有限公司), a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;

"Laizhou Assets Disposal Agreement"	means the assets disposal agreement entered into between Laizhou Company and Shandong Company on 24 May 2021, in relation to the proposed disposal of assets by Laizhou Company to Shandong Company;
"Latest Practicable Date"	means 9 June 2021, being the latest practicable date prior to the printing of this supplemental circular for ascertaining certain information contained herein;
"Lechang Branch"	means Lechang Wind Power Branch of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B)* (韶關市坪石發電廠有限公司(B廠)樂昌風電分公司), a branch of a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Lechang Assets Disposal Agreement"	means the assets disposal agreement entered into between Lechang Branch and Guangdong Company on 24 May 2021, in relation to the proposed disposal of assets by Lechang Branch to Guangdong Company; and
"Longyou Company"	means Huadian Zhejiang Longyou Thermal Company Limited* (華電浙江龍游熱電有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Longyou Assets Disposal Agreement"	means the assets disposal agreement entered into between Longyou Company and Changxing Company on 24 May 2021, in relation to the proposed disposal of assets by Longyou Company to Changxing Company;
"New Energy Assets"	means collectively, the assets to be disposed of under the Assets Disposal Agreements;
"New Energy Assets and Equity"	means collectively, the assets and equity to be disposed of under the Assets and Equity Disposal Agreements;
"New Energy Equity"	means collectively, the equity to be disposed of under the Equity Disposal Agreements;
"New Energy Companies"	means collectively, the 27 subsidiaries of the Company set out in the table on pages 14 to 16 of this supplemental circular;

"Ningxia Lingwu"	means Huadian Ningxia Lingwu Power Generation Company Limited* (華電寧夏靈武發電有限公司), a limited liability company incorporated in the PRC;
"Ningxia Heating"	means Ningxia Huadian Heating Corporation Limited* (寧夏華電供熱有限公司), a limited liability company incorporated in the PRC;
"Pingjiang Company"	means Hunan Huadian Pingjiang Power Generation Company Limited* (湖南華電平江發電有限公司), a wholly-owned subsidiary of China Huadian as at the Latest Practicable Date;
"Pingjiang Equity Acquisition Agreement"	means the equity acquisition agreement entered into between the Company and China Huadian on 24 May 2021, in relation to the proposed acquisition of 100% equity interests in Pingjiang Company by the Company from China Huadian;
"PRC"	means the People's Republic of China;
"Previous Transactions"	means the transfer of 65% equity interests in Ningxia Lingwu, the dividend receivable arising from the 65% equity interests in Ningxia Lingwu, and 53% equity interests in Ningxia Heating from the Company to China Huadian as disclosed in the announcement of the Company dated 28 February 2021 and the circular of the Company dated 31 March 2021;
"RMB"	means Renminbi, the lawful currency of the PRC;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shandong Company"	means Huadian Shandong Rushan New Energy Company Limited* (華電山東乳山新能源有限公司), a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date;
"share(s)"	means the share(s) with a par value of RMB1.00 each in the share capital of the Company;
"Shareholder(s)"	means the shareholder(s) of the Company;

"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
"Transactions"	means collective, the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements;
"Transition Period"	means the period from the following day of the Valuation Benchmark Date to the completion date;
"Valuation Benchmark Date"	means 31 December 2020;
"Weifang Company"	means Huadian Weifang Power Generation Company Limited* (華電濰坊發電有限公司), a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Weifang Assets Disposal Agreement"	means the assets disposal agreement entered into between Weifang Company and Shandong Company on 24 May 2021, in relation to the proposed disposal of assets by Weifang Company to Shandong Company;
"Wuhan Branch"	means Wuhan Photovoltaic Power Generation Branch of Huadian Hubei Power Generation Company Limited* (華電湖北發電有限公司武漢光伏發電分公司), a branch of a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date;
"Wuhan Assets Disposal Agreement"	means the assets disposal agreement entered into between Wuhan Branch and Jinquan Company on 24 May 2021, in relation to the proposed disposal of assets by Wuhan Branch to Jinquan Company;
"Yinxin Appraisal"	means Yinxin Appraisal Co., Ltd.* (銀信資產評估有限公司), an independent and duly qualified valuer in the PRC;
"Zanhuang Branch"	means Zanhuang New Energy Branch of Hebei Huadian Complex Pumping-storage Hydropower Company Limited* (河北華電混合蓄能水電有限公司贊皇新能源分公司), a branch of a wholly-owned subsidiary of the Company as at the Latest Practicable Date;

"Zanhuang Assets Disposal Agreement"	means the assets disposal agreement entered into between Zanhuang Branch and Kangbao Company on 24 May 2021, in relation to the proposed disposal of assets by Zanhuang Branch to Kangbao Company; and
"%"	means per cent.

* *For identification purpose only*

華電國際電力股份有限公司
Huadian Power International Corporation Limited*
*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "**PRC**"))*
(Stock Code: 1071)

Directors:
Ding Huande *(Chairman, Executive Director)*
Ni Shoumin *(Vice Chairman, Non-executive Director)*
Peng Xingyu *(Non-executive Director)*
Luo Xiaoqian *(Executive Director)*
Zhang Zhiqiang *(Non-executive Director)*
Li Pengyun *(Non-executive Director)*
Wang Xiaobo *(Non-executive Director)*
Feng Rong *(Executive Director)*
Wang Dashu *(Independent Non-executive Director)*
Zong Wenlong *(Independent Non-executive Director)*
Feng Zhenping *(Independent Non-executive Director)*
Li Xingchun *(Independent Non-executive Director)*

Office address:
No. 2 Xuanwumennei Street
Xicheng District
Beijing, the PRC

Place of business in Hong Kong:
31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

15 June 2021

To the Shareholders,

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS:
(1) CAPITAL INCREASE IN FUXIN DEVELOPMENT;
(2) DISPOSALS OF NEW ENERGY ASSETS AND EQUITY;
(3) ACQUISITIONS OF HUNAN AREA COMPANIES;
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 24 May 2021 in relation to the major and connected transactions.

The purpose of this supplemental circular is to provide the Shareholders with information in respect of the resolutions regarding the following matters to be proposed at the AGM to enable the Shareholders to make their informed decisions as to how to vote at the AGM:

(i) the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the transactions thereunder; and

(ii) the Equity Acquisition Agreements and the transactions thereunder.

II. CAPITAL INCREASE AGREEMENT

On 24 May 2021, the Company entered into the Capital Increase Agreement with Huadian Fuxin and Fuxin Development, pursuant to which the Company agreed to make a capital contribution of RMB21,237.4178 million in Fuxin Development by way of (i) a transfer of the equity interests held by the Company in the New Energy Companies to Fuxin Development, representing an amount of not more than RMB13,609.4178 million; and (ii) a cash payment of not lower than RMB7,628 million by the Company to Fuxin Development.

1. Major Terms

The major terms of the Capital Increase Agreement are set out below:

Date

24 May 2021

Parties

(1) the Company;

(2) Huadian Fuxin; and

(3) Fuxin Development

Subject Matter

The Company agreed to make a capital contribution of RMB21,237.4178 million to Fuxin Development, of which RMB5,897.4735 million will be included in the registered capital of Fuxin Development, and RMB15,339.9443 million will be included in the capital reserve of Fuxin Development. Huadian Fuxin agreed to waive its preferential subscription right for Fuxin Development in the Capital Increase. Upon completion of the Capital Increase, the Company will hold 37.19% equity interests in Fuxin Development. Fuxin Development will not become a subsidiary of the Company and its financial statements will not be consolidated into the consolidated financial statements of the Company.

The following table sets out the shareholding structure of Fuxin Development (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Capital Increase:

	As at the Latest Practicable Date			Immediately after the completion of the Capital Increase		
Shareholders	**Registered capital** *(RMB0'000)*	**Capital reserve** *(RMB0'000)*	**Percentage of equity interests** *(%)*	**Registered capital** *(RMB0'000)*	**Capital reserve** *(RMB0'000)*	**Percentage of equity interests** *(%)*
Huadian Fuxin	996,000.00	689,767.22	100%	996,000.00	689,767.22	62.81%
The Company	–	–	–	589,747.35	1,533,994.43	37.19%
Total	**996,000.00**	**689,767.22**	**100%**	**1,558,747.35**	**2,223,761.65**	**100%**

Consideration

The amount contributed by the Company pursuant to the Capital Increase Agreement of RMB21,237.4178 million was determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interests in Fuxin Development as at the Valuation Benchmark Date of RMB35,867 million as set out in the assets valuation report prepared by China Appraisal using the income approach.

Upon completion of the Capital Increase, the value of assets of Fuxin Development will be enlarged from RMB35,867 million into approximately RMB57,104 million, thus the capital contribution amount of the Company accounts for 37.19% of the enlarged value of assets of Fuxin Development (i.e. Fuxin Development as enlarged by the Capital Increase).

Despite that the capital contribution amount of the Company represented a significant premium to Fuxin Development's net assets value of RMB21,088.71 million as at 31 December 2020, having considered (i) Fuxin Development's net asset value as at 31 December 2020 may not reflect the fair market value of Fuxin Development as at 31 December 2020; (ii) the capital contribution amount of the Company was calculated on the appraised value of Fuxin Development as at 31 December 2020; and (iii) Fuxin Development has recorded an increase of approximately RMB2,000 million of net assets value as at 31 March 2021 as compared with that as at 31 December 2020 according to its internal management accounts, the Board is of the opinion that the consideration under the Capital Increase Agreement is fair and reasonable.

The capital contribution amount shall be settled by the following ways:

(1) a transfer of the equity interests in the New Energy Companies held by the Company to Fuxin Development

The amount contributed by the Company by way of a transfer of the equity interests in the New Energy Companies of not more than RMB13,609.4178 million represents the appraised value of the equity interests in the New Energy Companies held by the Company as at the Valuation Benchmark Date as set out in the assets valuation report summarized by China Appraisal, representing an excess of RMB3,648.8362 million over the net book value of the equity interests in the New Energy Companies held by the Company as at the Valuation Benchmark Date.

Details of the valuation of each of the New Energy Companies are set out below:

No.	New Energy Companies	Equity interests held by the Company as at the Latest Practicable Date	Valuer	Valuation method	Valuation amount of 100% equity interests *(RMB0'000)*	Valuation amount corresponding to the equity interests held by the Company *(RMB0'000)*
(1)	Huadian Huzhou New Energy Power Generation Company Limited	100.00%	CEA	Income approach	2,829.94	2,829.94
(2)	Huadian Ningbo New Energy Power Generation Company Limited	100.00%	CEA	Income approach	4,486.41	4,486.41
(3)	Huadian Henan New Energy Power Generation Company Limited	100.00%	CEA	Income approach	39,197.42	39,197.42
(4)	Huadian Taiqian Photovoltaic Power Generation Company Limited	50.00%	CEA	Income approach	47,766.05	23,883.03
(5)	Huadian Laizhou Wind Power Company Limited	55.00%	CEA	Income approach	14,005.05	7,702.78
(6)	Huadian Laizhou Wind Power Generation Company Limited	55.00%	CEA	Income approach	57,809.98	31,795.49
(7)	Huadian Laizhou Wind Energy Power Company Limited	55.00%	CEA	Income approach	72,809.15	40,045.03
(8)	Huadian Longkou Wind Power Company Limited	65.00%	CEA	Income approach	40,942.80	26,612.82
(9)	Longkou Dongyi Wind Power Company Limited	55.00%	CEA	Income approach	41,122.34	22,617.29
(10)	Huadian Shandong New Energy Company Limited	100.00%	CEA	Income approach	225,989.80	225,989.80
(11)	Huadian Xuwen Wind Power Company Limited	100.00%	CEA	Income approach	76,892.63	76,892.63
(12)	Huadian Xiaxian Wind Power Company Limited	100.00%	Yinxin Appraisal	Income approach	20,200.00	20,200.00
(13)	Shanxi Huadian Pinglu New Energy Company Limited	100.00%	Yinxin Appraisal	Income approach	27,640.00	27,640.00

No.	New Energy Companies	Equity interests held by the Company as at the Latest Practicable Date	Valuer	Valuation method	Valuation amount of 100% equity interests *(RMB0'000)*	Valuation amount corresponding to the equity interests held by the Company *(RMB0'000)*
(14)	Shanxi Huadian Ying County New Energy Company Limited	100.00%	Yinxin Appraisal	Income approach	14,320.00	14,320.00
(15)	Zezhou County Huadian Wind Power Company Limited	100.00%	Yinxin Appraisal	Income approach	38,820.00	38,820.00
(16)	Shaanxi Huadian Xunyi Wind Power Company Limited	100.00%	Yinxin Appraisal	Income approach	33,380.00	33,380.00
(17)	Huadian Chongqing New Energy Power Generation Company Limited	100.00%	Yinxin Appraisal	Asset-based approach	2,113.05	2,113.05
(18)	Hebei Huadian Guyuan Wind Power Company Limited	61.8709%	China Alliance	Income approach	227,220.00	140,583.06
(19)	Hebei Huadian Kangbao Wind Power Company Limited	100.00%	China Alliance	Income approach	249,930.00	249,930.00
(20)	Huadian Tangshan Wind Power Company Limited	100.00%	China Alliance	Asset-based approach	2,028.63	2,028.63
(21)	Huadian Zhangjiakou Saibei New Energy Generation Company Limited	100.00%	China Alliance	Income approach	1,790.00	1,790.00
(22)	Huadian Power International Ningxia New Energy Power Company Limited	63.925%	China Alliance	Income approach	428,440.00	273,880.27
(23)	Huadian Ningxia Ningdong Shangde Solar Power Generation Company Limited	60.00%	China Alliance	Income approach	3,720.00	2,232.00
(24)	Huadian Kezuozhongqi Wind Power Company Limited	100.00%	China Alliance	Income approach	28,180.00	28,180.00
(25)	Huadian Wengniuteqi Wind Power Company Limited	100.00%	China Alliance	Income approach	12,450.00	12,450.00

No.	New Energy Companies	Equity interests held by the Company as at the Latest Practicable Date	Valuer	Valuation method	Valuation amount of 100% equity interests *(RMB0'000)*	Valuation amount corresponding to the equity interests held by the Company *(RMB0'000)*
(26)	Huadian Shangdu Wind Power Company Limited (which was renamed as Huadian Fengzhen City Fengdi Wind Power Generation Company Limited on 15 April 2021)	100.00%	China Alliance	Asset-based approach	1,907.33	1,907.33
(27)	Huadian (Zhengxiangbai Banner) New Energy Company Limited	100.00%	China Alliance	Asset-based approach	9,434.81	9,434.81
					Total:	**1,360,941.78**

Upon completion of the Capital Increase, the New Energy Companies will cease to be subsidiaries of the Company, and their financial statements will be de-consolidated from the consolidated financial statements of the Company.

(2) a cash payment by the Company to Fuxin Development

The amount contributed by the Company by way of a cash payment of not lower than RMB7,628 million shall be paid by the Company to Fuxin Development in two instalments as follows:

(i) 70% of the cash capital contribution amount shall be paid by the Company to Fuxin Development within five business days from the effective date of the Capital Increase Agreement; and

(ii) 30% of the cash capital contribution amount, together with the interest at the applicable one-year loan prime rate[(1)] announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by the Company to Fuxin Development within 180 days from the effective date of the Capital Increase Agreement.

(1) As announced by People's Bank of China on 20 May 2021, the effective one-year loan prime rate at current stage is 3.85%. However, such rate is subject to the adjustments (if any) announced by People's Bank of China from time to time and the effective one-year loan prime rate upon payment will be applied for the calculation of the interest.

Conditions Precedent

The Capital Increase Agreement shall become effective upon fulfilment of the following conditions:

(1) the Capital Increase Agreement has been duly executed and sealed by each party;

(2) the valuation reports have been filed with the competent authority(ies) for administration of State-owned assets;

(3) the transactions under the Capital Increase Agreement and the Assets and Equity Disposal Agreements have been approved by the competent authority(ies) for administration of State-owned assets; and

(4) the resolution on the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the transactions thereunder has been approved by the Independent Shareholders of the Company at the AGM.

None of the conditions precedent above can be waived. As at the Latest Practicable Date, none of the other conditions precedent has been fulfilled other than conditions (1) and (2).

Profit or Loss during the Transition Period

The profit or loss in Fuxin Development during the Transition Period shall be enjoyed or borne by the Company and Huadian Fuxin in proportion to their respective shareholdings after the completion of the Capital Increase. The increase in the net assets value of Fuxin Development arising from free transfer of assets from Huadian Fuxin during the Transition Period which will be determined by reference to the audit reports of such assets, shall be made up by the Company to Fuxin Development in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash. The cash capital contribution obtained by Fuxin Development from Huadian Fuxin during the Transition Period shall be made up by the Company to Fuxin Development in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash. The cash dividend declared by Fuxin Development to Huadian Fuxin during the Transition Period shall be made up by Fuxin Development to the Company in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash.

The profit or loss in the New Energy Companies during the Transition Period shall be enjoyed or borne by Fuxin Development. The cash capital contribution obtained by the New Energy Companies from the Company during the Transition Period shall be made up by Fuxin Development to the Company in the equal amount in cash. The cash dividend declared by the New Energy Companies to the Company during the Transition Period shall be made up by the Company to Fuxin Development in the equal amount in cash.

The amount of the above matters will be determined in writing by the Company and Fuxin Development within 15 business days from the effective date of the Capital Increase Agreement, and be paid by the relevant party within 30 business days from that date.

Completion

The completion of the Capital Increase will take place on the effective date of the Capital Increase Agreement.

For the avoidance of doubt, the completion of the transfer of New Energy Companies shall take place separately. If the completion of any equity transfer of the New Energy Companies cannot take place, the Company will pay an amount equal to the corresponding consideration of such company to Fuxin Development in cash.

The Company, Huadian Fuxin and Fuxin Development shall cooperate with each other and complete the filing or registration procedures for the change in equity interests of Fuxin Development and the New Energy Companies with the competent authority for industrial and commerce change registration as soon as possible after the completion of the Capital Increase.

2. Profit Forecasts in relation to the Valuation Method

As the assets valuation reports of certain New Energy Companies and Fuxin Development Group were prepared by the valuers using the income approach, the calculations of the appraised value as set out in such assets valuation reports are deemed as profit forecasts under paragraph 29(2) of Appendix 1B of the Hong Kong Listing Rules. As such, the Company disclosed the following details of the valuation.

Details of the principal assumptions, including commercial assumptions on which the profit forecasts are made, are set out as below:

(1) General Assumptions

1. Transaction Assumption

Transaction assumption assumes that all the assets to be valued are being transacted, and the valuers valuate the assets by simulating a market transaction with reference to, among others, trading conditions of the assets to be valued. It is one of the most basic premise assumptions for assets valuation.

2. Open Market Assumption

Open market assumption assumes that the parties to an asset traded or proposed to be traded in the market are on an equal position with each other and have access to sufficient market information, sufficient time to make rational judgments on the function, use of the asset and its transaction price. The open market assumption is made on the basis that the assets can be traded in the open market.

3. Assumption of Going Concern

It is assumed that the valuation method, parameter and basis used in the valuation are determined on the basis that the assets under valuation will be utilised continuously for current purposes and under the prevailing style, scope, frequency and environment, or will be used after certain adjustments.

(2) Special Assumptions

1. There is no material change in the prevailing macro-economic situation, financial and industrial policies of the State;

2. There is no material change in other applicable taxation policies, tax rates and other social and economic conditions in which the appraised entities operate;

3. The future management teams of the appraised entities duly perform their duties and maintain the existing operation style on a going concern;

4. Each asset is valuated based on the actual stock on the Valuation Benchmark Date, and the current market price of relevant assets is based on the domestic effective price on the Valuation Benchmark Date;

5. The basic information and financial information provided by the entrusting parties and the appraised entities are true, accurate and complete;

6. The scope of valuation is based on the valuation declaration lists provided by the entrusting parties and the appraised entities without considering any contingent assets and contingent liabilities that may exist beyond such lists;

7. The main business, composition of revenues and costs, sales strategy and cost control of appraised entities in the future operation period are consistent with management's expectations without significant changes;

8. According to the relevant provisions of the Notice on Value-added Tax Policy for Wind Power Generation (Cai Shui [2015] No. 74) issued by the Ministry of Finance and the State Taxation Administration on 12 June 2015, starting from 1 July 2015, for sale of self-produced electricity generated from wind power, the taxpayer may enjoy the policy of 50% immediate refund of value-added tax. For the wind power project companies under the appraised entities, the above tax incentive has been applied for the forecast period;

9. Article 1 of the Announcement on Continuation of Enterprise Income Tax Policy for Western Development (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission

provided that from 1 January 2021 to 31 December 2030, corporate income tax will be levied at a reduced rate of 15% on enterprises engaged in encouraged industries in Western China. As such, it is assumed that the subsidiaries enjoying preferential tax policies for Western Development will resume paying tax at the statutory income tax rate from 2031;

10. For power generation projects of the appraised entities that have been included in the State subsidy catalogue as of the Valuation Benchmark Date, it is assumed that the State subsidy tariffs receivable in previous years will be fully recovered by 2024, and the State subsidy tariffs receivable in 2024 and subsequent years will be received in the following year; for power generation projects that have not been included in the subsidy catalogue as of the Valuation Benchmark Date, it is assumed that the State subsidy tariffs receivable in previous years will be fully recovered by 2025, and the State subsidy tariffs receivable in 2025 and subsequent years will be received in the following year.

    Regarding the assumption of the recovery period for national subsidies, most project companies currently have a national subsidy period of about 2 years, while project companies in a few regions have a longer period of 4-5 years. However, in recent years, with the continuous development of new energy power generation technology, the construction cost per watt has decreased year by year, and the amount of subsidies has also decreased year by year. In 2021, the new energy power generation industry will fully enter the grid parity, and new grid-connected projects will no longer have subsidy income. In the future, only stock subsidies need to be resolved. It is expected that the pressure of subsidy will be less and less. Therefore, the evaluation assumes that the period for national subsidies of the projects that enter the subsidy list will be shortened to one year after 2025, while the same for the projects that do not enter the subsidy list will be postponed to the next year;

11. In view of the frequent changes or material changes in monetary funds or bank deposits of the enterprises during operation, the valuation of financial costs in this report does not take into account the interest income generated from the deposits and any uncertain gains or losses including foreign exchange gains or losses. If there is any change to the above conditions, the valuation results will generally render invalid; and

12. It is assumed that the cash inflow of the appraised entities after the Valuation Benchmark Date is an average inflow and the cash outflow is an average outflow. The major cash inflow item is electricity sales revenue and the major cash outflow item is operation expenses. The forecast period of major cash inflow and outflow items are mainly determined based on the production time

and the life cycle of the power generation units of the enterprise. Based on the industry practice, wind power generation units are calculated based on a 20-year life cycle, and photovoltaic generation units are calculated based on a 25-year life cycle.

(3) The basis of the underlying assumptions for discount rate

1. Determination of risk-free interest rate r_f

After inquiry, the treasury bond yields published on the website of the China Appraisal Society, which are provided by China Central Depository & Clearing Co. Ltd. (CCDC), are as follows:

Date	**Period**	**The current day (%)**
31 December 2020	3 months	2.28
	6 months	2.43
	1 year	2.47
	2 years	2.72
	3 years	2.82
	5 years	2.95
	7 years	3.17
	10 years	3.14
	30 years	3.73

The revenue period of most entrusted valuation targets is 15-25 years and in accordance with the requirements of the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號－收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the risk-free interest rate is generally indicated as the yield rate of treasury bonds upon maturity. The matching of the remaining maturity of treasury bonds and the maturity of cash flows of the enterprise is supposed to consider in selecting treasury bonds. Thus, the 10-year treasury bond yield was selected as the risk-free interest rate in the valuation, namely r_f=3.14%.

2. Market risk premium

Market risk premium refers to the expected excess earnings of investors required on equity investments with the same average risk in the overall market, namely the risk compensation in excess of the risk-free interest rate. Market risk premium is generally calculated based on the historical risk premium on the market.

The long-term average yield rate of the China A shares market index is adopted as the market expected return rate r_m in the valuation and the part of the market expected return rate in excess of the risk-free interest rate is adopted as the market risk premium.

As required by the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號－收益法評估企業價值中折現率的測算》(中評協[2020]38號)), representative indexes, such as the CSI 300 Index, the SSE Composite Index, are generally selected in calculating the market risk premium with the Chinese securities market indexes. When calculating the excess yield rate for a historical period, the time span could be set over 10 years, the data frequency could choose weekly or monthly data and the calculation method could adopt arithmetic or geometric average.

Based on the tracking studies on the China A shares market of the Research Academy of China United Assets Appraisal Group and the provisions of the above guidance, the representative SSE Composite Index was adopted in the valuation, the arithmetic average was adopted with the weekly and monthly data as the data frequency to calculate and annualize the annual yield rate and calculate their arithmetic, geometric and harmonic average to determine the market expected return rate after comprehensive analysis, namely r_m=10.64%.

Market risk premium=r_m–r_f=10.64%–3.14%=7.50%.

3. Recognition of capital structure

The enterprise operates in the new energy power generation industry. After years of development, the industry has entered into the mature period with a relatively stable capital structure. The average capital structure of comparable companies is adopted in calculating the discount rate in future years in the valuation. The value of equity and debts are estimated based on their market value in calculating the capital structure.

4. Determination of the β coefficient

Based on the stocks of companies listed on the Shanghai and Shenzhen Stock Exchanges in the industry of production and supply of electricity and heat under the classification of China Securities Regulatory Commission, the comparability of the appraised enterprises and comparable companies in terms of business type, corporate scale, profitability, growth, industrial competitiveness and enterprise development stage are taken into consideration. With the choice of appropriate comparable companies, the SSE Composite Index as the target index, after referring to the financial terminal of WIND Information, the market price as at the valuation benchmark date is taken into calculation with a calculation cycle of 5 years before the valuation benchmark date and arrives the estimated expected financial leverage-free risk coefficient β_u, 0.6142 on the stocks of comparable companies and arrives the estimated market risk coefficient β_e, 1.0758 on the equity capital of the appraised enterprises.

5. Determination of particular risk coefficient

The differences between the appraised targets and listed companies in terms of corporate scale, enterprise development stage, core competitiveness, the reliance on large customers and key suppliers, financing capabilities and financing costs as well as the soundness of profit forecast are supposed to be taken into consideration when determining the particular risk coefficient to determine the discount rate. The valuer compared and analysed the enterprise and comparable listed companies to arrive the particular risk coefficient ε=1.00% during the valuation. The specific processes are shown in the following table:

Risk factor	Influencing factor	Value of influencing factor	Weight	Adjustment coefficient
Scale of enterprise	The scale of the enterprise is comparable to the average of comparable companies	0.00%	10	0.00%
Development stage of enterprise	Business of the enterprise is more mature than comparable companies and the development is relatively stable	0.00%	10	0.00%
Core competitiveness of enterprise	The enterprise has independent intellectual property rights, relatively strong R&D capability, relatively strong and independent capability in business development and relatively strong core competitiveness	0.00%	20	0.00%
Dependence of enterprise on upstream and downstream companies	The enterprise has a relatively high concentration of customers, is relatively dependent on customers, and has a relatively weak bargaining power	0.00%	20	0.00%
Financing capacity and financing costs	The company's financing capacity is relatively poor, and it mainly relies on related parties to provide financial support. The financing cost is relatively high, but the need for capital in future years is relatively small	5.00%	10	0.50%

Risk factor	Influencing factor	Value of influencing factor	Weight	Adjustment coefficient
Robustness of profit forecasts	Profit forecast is relatively robust, and the future annual growth rate is related to the industry level	0.00%	20	0.00%
Other factors	The supporting material of profit forecast is rather sufficient and the realizability is relatively high	5.00%	10	0.50%
Total		0.01		

6. Determination of the expected return rate on debts r_d

The expected return rate on debts is the capital cost of debts financing of enterprises. The capital structure adopted in the valuation is the average capital structure of comparable companies. Following the principle of matching the debts cost and the capital structure, the expected return rate on debts is determined with the over 5-year LPR announced by the National Interbank Funding Center as authorized by the People's Bank of China, which is 4.65%. The income tax mode applicable to comparable listed companies, which is 25%, is adopted as the income tax rate.

7. Calculation of the discount rate WACC

The discount rates reached through substituting the above parameters into formula are as set out in the following table:

Equity Ratio W_e	49.95%
Debt Ratio W_d	50.05%
Expected return rate on debts r_d	4.65%
Risk-free interest r_f	3.14%
Expected return rate on market r_m	10.64%
Applicable tax rate	25.00%
Leverage-free β_u	61.42%
Equity β_e	107.58%
Particular risk coefficient	1.00%
Equity cost r_e	12.21%
Debt cost (after-tax) r_d	3.49%
Discount rate (thousands rounded)	7.80%

(4) Due diligence work conducted by the Directors

The Directors have conducted relevant due diligence work which includes, among others, (i) the review of Fuxin Development's licenses, certificates, material contracts, systems and ownership proofs; (ii) the review of the accountants' report of Fuxin Development for the three years ended 31 December 2020; (iii) the review of the valuation report and discussion with China Appraisal on the valuation methodology, the forecasts and assumptions basis adopted; and (iv) the site visits to the office of Fuxin Development and communications with the management and key personnel of business department of Fuxin Development.

Based on the aforementioned, the Directors consider that they have conducted sufficient due diligence work to the extent possible on the financial, legal and business of Fuxin Development.

BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions. The Board has confirmed that the profit forecasts, including assumptions, contained in the valuation report have been made with due care and careful enquiry. Letters from BDO Limited and the Board that have been disclosed in the Company's further announcement in relation to the Transactions dated 4 June 2021 are enclosed herein as Appendix XII and Appendix XIII, respectively, to this supplemental circular.

3. Information on Fuxin Development

Fuxin Development is a limited liability company incorporated in the PRC in August 2009. As at the Latest Practicable Date, it is a wholly-owned subsidiary of Huadian Fuxin and is principally engaged in the generation and sale of wind power, solar power and other clean energy power in the PRC. As at 31 December 2020, the controlled installed capacity of Fuxin Development Group is 16,948.5 MW, among which the installed capacity in operation is 13,974.5 MW and the installed capacity under construction is 2,974 MW, respectively.

According to the financial report prepared by Fuxin Development based on the International Financial Reporting Standards, the total assets value of Fuxin Development as at 31 December 2020 is RMB121,551.08 million, and the net assets value of Fuxin Development as at 31 December 2020 is RMB21,088.71 million. The net profit (before and after taxation on an aggregate basis) for the years ended 31 December 2019 and 2020 are set out as below:

	For the year ended 31 December 2019 *(RMB million)*	**For the year ended 31 December 2020** *(RMB million)*
Net profit (before taxation)	2,646.06	3,494.66
Net profit (after taxation)	2,383.65	3,140.01

4. Information on the New Energy Companies

As at the Latest Practicable Date, the New Energy Companies are the subsidiaries of the Company incorporated in the PRC and principally engaged in wind power generation and solar power generation. The major financial data of the New Energy Companies prepared in accordance with the Chinese Accounting Standards for Business Enterprises are set out as below:

		As at 31 December 2020				For the year ended 31 December 2019		For the year ended 31 December 2020			
No.	New Energy Companies	Total assets value	Net assets value	Equity interests held by the Company as at the Latest Practicable Date	Net assets value corresponding to the equity interest held by the Company	Net profit (before taxation)	Net profit (after taxation)	Net profit (before taxation	Net profit (after taxation)	Installed capacity in operation	Installed capacity under construction
		(RMB million)	*(RMB million)*		*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(10 MW)*	*(10 MW)*
(1)	Huadian Huzhou New Energy Power Generation Company Limited	222.46	46.29	100.00%	46.29	4.06	4.06	4.63	3.96	3.00	1.00
(2)	Huadian Ningbo New Energy Power Generation Company Limited	62.28	27.33	100.00%	27.33	4.25	4.25	4.59	4.03	1.00	–
(3)	Huadian Henan New Energy Power Generation Company Limited	821.71	201.61	100.00%	201.61	0.07	0.13	4.85	4.89	4.00	19.30
(4)	Huadian Taiqian Photovoltaic Power Generation Company Limited	924.88	280.53	50.00%	140.27	67.40	66.76	59.61	52.07	10.00	–
(5)	Huadian Laizhou Wind Power Company Limited	195.32	169.79	55.00%	93.38	7.78	5.81	7.16	5.35	4.05	–
(6)	Huadian Laizhou Wind Power Generation Company Limited	956.95	303.80	55.00%	167.09	14.57	10.80	7.60	5.60	4.80	8.80
(7)	Huadian Laizhou Wind Energy Power Company Limited	932.28	491.93	55.00%	270.56	48.28	42.79	53.16	48.37	14.94	–
(8)	Huadian Longkou Wind Power Company Limited	592.48	260.76	65.00%	169.49	42.57	39.91	32.88	28.90	9.93	–
(9)	Longkou Dongyi Wind Power Company Limited	591.98	258.62	55.00%	142.24	14.73	12.89	52.80	50.53	8.00	–

No.	New Energy Companies	As at 31 December 2020 Total assets value *(RMB million)*	Net assets value *(RMB million)*	Equity interests held by the Company as at the Latest Practicable Date	Net assets value corresponding to the equity interest held by the Company *(RMB million)*	For the year ended 31 December 2019 Net profit (before taxation) *(RMB million)*	Net profit (after taxation) *(RMB million)*	For the year ended 31 December 2020 Net profit (before taxation *(RMB million)*	Net profit (after taxation) *(RMB million)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
(10)	Huadian Shandong New Energy Company Limited	5,254.72	1,681.97	100.00%	1,681.97	130.65	120.32	136.65	119.92	66.30	14.80
(11)	Huadian Xuwen Wind Power Company Limited	1,425.47	403.34	100.00%	403.34	40.58	38.05	42.78	37.41	9.90	10.00
(12)	Huadian Xiaxian Wind Power Company Limited	731.22	195.96	100.00%	195.96	19.81	19.77	7.04	6.06	10.00	–
(13)	Shanxi Huadian Pinglu New Energy Company Limited	754.82	186.37	100.00%	186.37	0.00	0.00	4.77	4.77	9.92	–
(14)	Shanxi Huadian Ying County New Energy Company Limited	399.19	99.00	100.00%	99.00	0.00	0.00	0.00	0.00	–	5.00
(15)	Zezhou County Huadian Wind Power Company Limited	1,403.47	303.26	100.00%	303.26	11.99	11.99	5.59	5.59	9.80	9.97
(16)	Shaanxi Huadian Xunyi Wind Power Company Limited	753.41	203.50	100.00%	203.50	0.00	0.00	1.11	1.11	5.00	5.10
(17)	Huadian Chongqing New Energy Power Generation Company Limited	21.51	21.13	100.00%	21.13	0.00	0.00	0.00	0.00	–	13.00
(18)	Hebei Huadian Guyuan Wind Power Company Limited	2,730.23	1,520.71	61.8709%	940.88	136.45	108.60	134.96	103.83	29.00	40.00
(19)	Hebei Huadian Kangbao Wind Power Company Limited	4,350.94	1,583.30	100.00%	1,583.30	179.62	161.49	191.71	164.87	37.95	35.00
(20)	Huadian Tangshan Wind Power Company Limited	40.90	20.00	100.00%	20.00	0.00	0.00	0.00	0.00	–	–

No.	New Energy Companies	Total assets value (As at 31 December 2020) *(RMB million)*	Net assets value (As at 31 December 2020) *(RMB million)*	Equity interests held by the Company as at the Latest Practicable Date	Net assets value corresponding to the equity interest held by the Company *(RMB million)*	Net profit (before taxation) (For the year ended 31 December 2019) *(RMB million)*	Net profit (after taxation) (For the year ended 31 December 2019) *(RMB million)*	Net profit (before taxation (For the year ended 31 December 2020) *(RMB million)*	Net profit (after taxation) (For the year ended 31 December 2020) *(RMB million)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
(21)	Huadian Zhangjiakou Saibei New Energy Generation Company Limited	51.86	19.56	100.00%	19.56	1.11	0.96	1.05	0.91	0.40	–
(22)	Huadian Power International Ningxia New Energy Power Company Limited	7,839.24	4,086.54	63.925%	2,612.32	187.32	167.47	264.07	240.45	154.16	–
(23)	Huadian Ningxia Ningdong Shangde Solar Power Generation Company Limited	130.79	44.04	60.00%	26.42	0.12	0.04	3.75	2.77	1.00	–
(24)	Huadian Kezuozhongqi Wind Power Company Limited	260.03	223.14	100.00%	223.14	22.42	19.05	25.99	22.01	4.95	–
(25)	Huadian Wengniuteqi Wind Power Company Limited	363.60	68.31	100.00%	68.31	0.81	0.49	0.50	0.12	4.95	–
(26)	Huadian Shangdu Wind Power Company Limited (which was renamed as Huadian Fengzhen City Fengdi Wind Power Generation Company Limited on 15 April 2021)	18.92	18.89	100.00%	18.89	0.00	0.00	0.00	0.00	0.00	3.00
(27)	Huadian (Zhengxiangbai Banner) New Energy Company Limited	446.82	94.79	100.00%	94.79	-0.05	-0.05	0.00	0.00	–	10.00
		Total:	**12,814.47**		**9,960.41**						

III. ASSETS AND EQUITY DISPOSAL AGREEMENTS

On 24 May 2021, certain subsidiaries and branches of the Company entered into the Assets and Equity Disposal Agreements with certain subsidiaries of Fuxin Development, pursuant to which the subsidiaries of Fuxin Development agreed to purchase and the subsidiaries and branches of the Company agreed to sell the New Energy Assets and Equity.

1. Major Terms

The major terms of each of the Assets and Equity Disposal Agreement are about the same, which are summarized as follows:

Date

24 May 2021

Subject Matter

(1) Assets Disposal

Pursuant to the Assets Disposal Agreements, certain subsidiaries of Fuxin Development agreed to purchase and certain subsidiaries and branches of the Company agreed to sell the New Energy Assets at the consideration as set out below, which was determined by the parties after arm's length negotiations with reference to the appraised value of the New Energy Assets as at the Valuation Benchmark Date as set out in the assets valuation report prepared by the valuer.

Details of each of the Assets Disposal Agreements are set out below:

Assets Disposal Agreement	Seller	Purchaser	New Energy Assets	Valuer	Valuation method	Valuation amount (consideration) *(RMB0'000)*	Excess or deficit[1] of consideration over/under the net book value of the New Energy Assets *(RMB0'000)*
Hangzhou Assets Disposal Agreement	Hangzhou Banshan Company	Changxing Company	assets group of distributed rooftop photovoltaic projects	CEA	Income approach	89.43	+13.92

(1) The "plus" sign represents the excess of consideration over the net book value and the "minus" sign represents the deficit of consideration under the net book value.

Assets Disposal Agreement	Seller	Purchaser	New Energy Assets	Valuer	Valuation method	Valuation amount (consideration) *(RMB0'000)*	Excess or deficit[1] of consideration over/under the net book value of the New Energy Assets *(RMB0'000)*
Longyou Assets Disposal Agreement	Longyou Company	Changxing Company	assets group of distributed rooftop photovoltaic projects	CEA	Income approach	2,767.41	-743.66
Weifang Assets Disposal Agreement	Weifang Company	Shandong Company	assets group of rooftop photovoltaic projects	CEA	Asset-based approach	1,201.79	-88.77
Laizhou Assets Disposal Agreement	Laizhou Company	Shandong Company	assets group of rooftop photovoltaic projects	CEA	Asset-based approach	419.49	-54.67
Wuhan Assets Disposal Agreement	Wuhan Branch	Jinquan Company	assets group of Wuhan Branch	Yinxin Appraisal	Income approach	1,620.00	-2,088.86
Huangshi Assets Disposal Agreement	Huangshi Branch	Jinquan Company	assets group of Huangshi Branch	Yinxin Appraisal	Income approach	1,950.00	-1,434.31
Zanhuang Assets Disposal Agreement	Zanhuang Branch	Kangbao Company	assets group of Zanhuang Branch	China Alliance	Income approach	20,951.88	-13,426.33
Lechang Assets Disposal Agreement	Lechang Branch	Guangdong Company	assets group of Lechang Branch	CEA	Income approach	14,936.57	+1,624.16
					Total:	**43,936.57**	

Despite that the valuation amount of certain assets group is lower than its net book value, having considered that (i) the impairment of valuation amount of the assets group using asset-based approach is mainly due to the significant decrease in the market price of relevant equipment of solar power and wind power generation as at the Valuation Benchmark Date as compared with the purchasing price or construction costs; and (ii) the impairment of valuation amount of the assets group using income approach is mainly due

(1) The "plus" sign represents the excess of consideration over the net book value and the "minus" sign represents the deficit of consideration under the net book value.

to that when evaluating the value of the sole assets group, the costs of such assets group are wholly borne by itself rather than shared by all assets groups of the target company, the Board is of the opinion that the consideration for disposal of such assets group is fair and reasonable.

(2) Equity Disposal

Pursuant to the Equity Disposal Agreements, Fuxin Development agreed to purchase and certain subsidiaries of the Company agreed sell the New Energy Equity at the consideration as set out below, which was determined by the parties after arm's length negotiations with reference to the appraised value of the New Energy Equity as at the Valuation Benchmark Date as set out in the assets valuation report prepared by the valuer.

Details of each of the Equity Disposal Agreements are set out below:

Equity Disposal Agreement	**Seller**	**Purchaser**	**New Energy Equity**	**Valuer**	**Valuation method**	**Valuation amount** *(RMB0'000)*	**Consideration** *(RMB0'000)*	**Excess or deficit[(1)] of consideration over/under the net book value of the New Energy Equity** *(RMB0'000)*
Hubei Equity Disposal Agreement	Hubei Company	Fuxin Development	100% equity interests in Hubei Suixian Company	Yinxin Appraisal	Income approach	30,110.00	30,110.00	+5,942.98
			100% equity interests in Hubei Wuxue Company	Yinxin Appraisal	Income approach	48,940.00	48,940.00	+2,477.07
			100% equity interests in Hubei Zaoyang Company	Yinxin Appraisal	Income approach	46,550.00	46,550.00	+13,200.86
Hebei Equity Disposal Agreement	Huarui Company	Fuxin Development	60.3803% equity interests in Hebei Yuzhou Company	China Alliance	Income approach	64,070.00	38,685.66	+903.68
						Total:	**164,285.66**	

(1) the "plus" sign represents the excess of consideration over the net book value and the "minus" sign represents the deficit of consideration under the net book value.

Upon completion of the disposal of New Energy Equity, Hubei Suixian Company, Hubei Wuxue Company, Hubei Zaoyang Company and Hebei Yuzhou Company will cease to be the subsidiaries of the Company, and their financial statements will be de-consolidated into the consolidated financial statements of the Company.

Payment

The consideration under the Assets and Equity Disposal Agreements shall be paid in cash in two instalments as follows:

(1) 70% of the consideration shall be paid by each of the purchasers under the Assets and Equity Disposal Agreements within five business days from the effective date of the Assets and Equity Disposal Agreements; and

(2) 30% of the consideration, together with the interest at the applicable one-year loan prime rate(1) announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by each of the purchasers under the Assets and Equity Disposal Agreements within 180 days from the effective date of the Assets and Equity Disposal Agreements. The second instalment amount shall be adjusted by the capital contribution to and dividend declaration by the target companies under the Equity Disposal Agreements during the Transition Period. If there is any capital contribution made by the sellers, such amount shall be added into the second instalment; if there is any dividend declaration to the sellers, such amount shall be deducted from the second instalment. The amount of capital contribution and dividend declaration will be determined in writing by the parties within 30 days from the effective date of the Equity Disposal Agreements.

Profit or Loss during the Transition Period

The profit or loss in the New Energy Assets and Equity during the Transition Period shall be enjoyed or borne by the purchasers.

Conditions Precedent

The Assets and Equity Disposal Agreements shall become effective upon fulfilment of the following conditions:

(1) Each of the Assets and Equity Disposal Agreements has been duly executed and sealed by each party;

(1) As announced by People's Bank of China on 20 May 2021, the effective one-year loan prime rate at current stage is 3.85%. However, such rate is subject to the adjustments (if any) announced by People's Bank of China from time to time and the effective one-year loan prime rate upon payment will be applied for the calculation of the interest.

(2) the valuation reports have been filed with the competent authority(ies) for administration of State-owned assets;

(3) the transactions under the Capital Increase Agreement and the Assets and Equity Disposal Agreements have been approved by the competent authority(ies) for administration of State-owned assets; and

(4) the resolution on the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the transactions thereunder has been approved by the Independent Shareholders of the Company at the AGM.

None of the conditions precedent above can be waived. As at the Latest Practicable Date, none of the other conditions precedent has been fulfilled other than conditions (1) and (2).

Completion

The completion will take place when both parties to the transactions enter into completion confirmation letter. Each of the sellers and purchasers shall provide necessary documents relating to the New Energy Assets and Equity within 60 business days after the first instalment of consideration is paid by the purchasers, and cooperate with each other to complete the relevant filing or registration procedures for the transfer of the New Energy Assets and Equity.

2. Profit Forecasts in relation to the Valuation Method

As the assets valuation reports of certain New Energy Assets and Equity were prepared by the valuers using the income approach, the calculations of the appraised value as set out in such assets valuation reports are deemed as profit forecasts under paragraph 29(2) of Appendix 1B of the Hong Kong Listing Rules. As such, the Company disclosed the following details of the valuation.

Details of the principal assumptions, including commercial assumptions on which the profit forecasts of Hangzhou Banshan Company, Longyou Company and Lechang Branch are made, are set out as below:

(1) General assumptions

1. It is assumed that the appraised entity will continue to operate as a going concern after the Valuation Benchmark Date;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the appraised entity is located after the Valuation Benchmark Date;

3. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

4. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

5. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the appraised entity will fully comply with all relevant laws and regulations; and

7. It is assumed that there will be no force majeure that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(2) Specific assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted when assets valuation report is prepared;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date. The major cash inflow item is electricity sales revenue and the major cash outflow item is operation expenses. The estimation period of major cash inflow and outflow items are mainly determined based on the production time and the life cycle of the power generation units of the enterprise. Based on the industry practice, photovoltaic generation units are calculated based on a 25-year life cycle;

4. It is assumed that the companies will maintain their existing operation models in the future, there will be no material change in their operation after the Valuation Benchmark Date and the connection to grid and power business license can be obtained as planned;

5. It is assumed that the appraised entity will continue to operate as a going concern till the end of the profits forecast period;

6. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows. For deferred years, it shall be confirmed in accordance with the deferred policy of the recovery of national

subsidies set out as follows: (i) the electricity charges receivable for the previous year of the projects entering the national subsidy list shall be fully recovered before 2024, and the electricity charges receivable after 2024 shall be received in the next year. The electricity charges for projects not included in the national subsidy list will be fully recovered before 2025, and the electricity charges receivable after 2025 shall be received in the next year; (ii) considering the particularity of high certainty but long payment cycle of the national subsidy electricity fee, and in combination with the assessment assumption of the recovery cycle of the national subsidy electricity fee, the period from the time when the national subsidy electricity fee income occurs to the expected time of recovery, the LPR of 4.65% for more than five years published by the National Interbank Offering Center authorized by the People's Bank of China is adopted into discount. The discount rate is adopted for the period from the time when the national subsidy electricity bill occurs to the valuation benchmark date;

7. It is assumed that the achievability of the wind and light power curtailment rate during the forecast period is consistent with the forecast. The wind curtailment rate and the light power curtailment rate are mainly based on the historical operating data of the enterprise and are confirmed on historical annual average after analyzing and excluding special circumstances; and

8. It is assumed the benchmark tariff and the subsidized tariff will remain unchanged during the forecast period. The benchmark tariff and subsidized tariff are determined based on the approval (permission) already obtained by the assessed assets group and the document notification from the local Development and Reform Commission or Energy Bureau on the benchmark tariff. As the valuer cannot predict possible changes in national and local government policies, it is assumed to remain unchanged during the forecast period.

(3) The basis of the underlying assumptions for discount rate

1. Determination of risk-free interest rate r_f

After inquiry, the treasury bond yields published on the website of the China Appraisal Society, which are provided by China Central Depository & Clearing Co. Ltd. (CCDC), are as follows:

Date	**Period**	**The current day (%)**
31 December 2020	3 months	2.28
	6 months	2.43
	1 year	2.47
	2 years	2.72
	3 years	2.82
	5 years	2.95

Date	Period	The current day (%)
	7 years	3.17
	10 years	3.14
	30 years	3.73

The revenue period of most entrusted valuation targets is 15-25 years and in accordance with the requirements of the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號－收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the risk-free interest rate is generally indicated as the yield rate of treasury bonds upon maturity. The matching of the remaining maturity of treasury bonds and the maturity of cash flows of the enterprise is supposed to consider in selecting treasury bonds. Thus, the 10-year treasury bond yield was selected as the risk-free interest rate in the valuation, namely r_f=3.14%.

2. *Market risk premium*

Market risk premium refers to the expected excess earnings of investors required on equity investments with the same average risk in the overall market, namely the risk compensation in excess of the risk-free interest rate. Market risk premium is generally calculated based on the historical risk premium on the market. The long-term average yield rate of the China A shares market index is adopted as the market expected return rate r_m in the valuation and the part of the market expected return rate in excess of the risk-free interest rate is adopted as the market risk premium.

As required by the Asset Valuation Expert Guidance No. 12 – Calculation of the Yield Rate in the Evaluation of Enterprise Value under the Income Approach (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號－收益法評估企業價值中折現率的測算》(中評協[2020]38號)), representative indexes, such as the CSI 300 Index, the SSE Composite Index, are generally selected in calculating the market risk premium with the Chinese securities market indexes. When calculating the excess yield rate for a historical period, the time span could be set over 10 years, the data frequency could choose weekly or monthly data and the calculation method could adopt arithmetic or geometric average.

Based on the tracking studies on the China A shares market of the Research Institute of China United Assets Appraisal Group and the provisions of the above guidance, the representative SSE Composite Index was adopted in the valuation, the arithmetic average was adopted with weekly or monthly data as the data frequency to calculate and annualize the annual yield rate and calculate their arithmetic, geometric and harmonic average to determine the market expected return rate after comprehensive analysis, namely r_m=10.64%.

Market risk premium=r_m–r_f=10.64%–3.14%=7.50%.

3. Recognition of capital structure

The enterprise operates in the new energy power generation industry. After years of development, the industry has entered into the mature period with a relatively stable capital structure. The average capital structure of comparable companies is adopted in calculating the discount rate in future years in the valuation. The value of equity and debts are estimated based on their market value in calculating the capital structure.

4. Determination of the β coefficient

Based on the stocks of companies listed on the Shanghai and Shenzhen Stock Exchanges in the industry of production and supply of electricity and heat under the classification of China Securities Regulatory Commission, the comparability of the appraised enterprises and comparable companies in terms of business type, corporate scale, profitability, growth, industrial competitiveness and enterprise development stage and the such are taken into consideration. With the choice of appropriate comparable companies, the SSE Composite Index as the target index, after referring to the financial terminal of WIND Information, the market price upon the Valuation Benchmark Date is taken into calculation with a calculation cycle of 5 years before the Valuation Benchmark Date and arrives the estimated expected financial leverage-free risk coefficient β_u, 0.6142 on the stocks of comparable companies and arrives the estimated market risk coefficient β_e, 1.0758 on the equity capital of the appraised enterprises.

5. Determination of particular risk coefficient

The differences between the appraised targets and listed companies in terms of corporate scale, enterprise development stage, core competitiveness, the reliance on large customers and key suppliers, financing capabilities and financing costs as well as the soundness of profit forecast are supposed to be taken into consideration when determining the particular risk coefficient to determine the discount rate. The valuer compared and analysed the enterprise and comparable listed companies to arrive the particular risk coefficient ε=0.50% during the valuation. The specific processes are shown in the following table:

Risk factor	**Influencing factor**	**Value of influencing factor**	**Weight**	**Adjustment coefficient**
Scale of enterprise	The scale of the enterprise is comparable to the average of comparable companies	0.00%	10	0.00%
Development stage of enterprise	Business of the enterprise is more mature than comparable companies and development is relatively stable	0.00%	10	0.00%

Risk factor	Influencing factor	Value of influencing factor	Weight	Adjustment coefficient
Core competitiveness of enterprise	The enterprise has independent intellectual property rights, relatively strong R&D capability, relatively strong and independent capability in business development and relatively strong core competitiveness	0.00%	20	0.00%
Dependence of enterprise on upstream and downstream companies	The enterprise has a relatively high concentration of customers, is relatively dependent on customers, and has a relatively weak bargaining power	0.00%	20	0.00%
Financing capacity and costs of the enterprise	The company's financing capacity is relatively poor, and it mainly relies on related parties to provide financial support. The financing cost is relatively high, but the need for capital in future years is relatively small	0.00%	10	0.50%
Robustness of earnings forecasts	Profit forecast is relatively robust, and the future annual growth rate is related to the industry level	0.00%	20	0.00%
Other factors	The supporting material of profit forecast is rather sufficient and the realizability is higher	5.00%	10	0.50%
Total		0.50%		

6. Determination of the expected return rate on debts r_d

The expected return rate on debts is the capital cost of debts financing of enterprises. The capital structure adopted in the valuation is the average capital structure of comparable companies. Following the principle of matching the debts cost and the capital structure, the expected return rate on debts is determined with the over 5-year LPR announced by the National Interbank Funding Center as authorized by the People's Bank of China, which is 4.65%. The income tax mode applicable to comparable listed companies, which is 25%, is adopted as the income tax rate.

7. *Calculation of the discount rate WACC*

The discount rates reached through substituting the above parameters into formula are as set out in the following table:

Equity Ratio W_e	49.95%
Debt Ratio W_d	50.05%
Expected return rate on debts r_d	4.65%
Risk-free interest r_f	3.14%
Expected return rate on market r_m	10.64%
Applicable tax rate	25.00%
Leverage-free β_u	116.91%
Equity β_e	111.16%
Particular risk coefficient	61.42%
Equity cost r_e	107.58%
Debt cost (after-tax) r_d	0.50%
Discount rate (thousands rounded)	7.60%

Details of the principal assumptions, including commercial assumptions on which the profit forecasts of Zanhuang Branch and Hubei Yuzhou Company are made, are set out as below:

(1) General assumptions

1. Transaction assumption: it is assumed that all assets to be valued are in the course of transaction and the valuer carries out the valuation with benchmark to simulated market based on the conditions for transaction of the assets to be valued.

2. Open market assumption: it is assumed that both parties to the transaction of the assets to be traded or proposed to be traded in the market are in equal positions, and have opportunities and time to acquire adequate market information so as to make rational judgments on the functions, purposes and considerations of the assets.

3. Going concern assumption: it is assumed that the appraised entity is in full compliance with all relevant laws and regulations, and will operate continually in the foreseeable future.

(2) Specific assumptions

1. The valuation takes the specific valuation purposes set out in the assets valuation report as its basic assumption premises;

2. There is no material change in the relevant existing laws and regulations of the country, or in the macroeconomic conditions of the country, and there is no unforeseeable and material change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, as well as policy-related levies;

3. The valuation assumes the appraised entity's operation and management team in the future will be accountable, and will maintain the existing operation and management mode. The scope and mode of operation will be consistent with the current direction;

4. The valuation assumes the appraised assets are in continuous use according to the current purposes and way of use, size, frequency and environment, without taking into account the respective optimal use of each asset;

5. It is assumed that there will be no material adverse impact on the enterprise arising from other force majeure and unforeseeable factors based on the current management methods and standards of the enterprise;

6. The relevant basic information and financial information provided by the appraised entity and the principal are true, accurate and complete;

7. The financial report and transaction data of the comparable company relied by the appraiser are true and reliable;

8. The scope of valuation is only based on the declaration form for valuation provided by the principal and the appraised entity, without taking into account the possible contingent assets and contingent liabilities out of the list provided by the principal and the appraised entity;

9. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows;

10. It is assumed that the construction in progress of Zanhuang Branch could be connected to the grid for power generation on 1 April 2021 based on the plan of the enterprise[(1)];

11. It is assumed that the capital expenditure of Zanhuang Branch could be implemented subject to the estimated amount on feasibility study;

12. The valuation assumes the enterprise has balanced net cash flows in the year.

(1) The construction in progress of Zanhuang Branch has been connected to the grid for power generation on 1 April 2021.

Details of the principal assumptions, including commercial assumptions on which the profit forecasts of Wuhan Branch, Huangshi Branch, Hubei Suixian Company, Hubei Wuxue Company and Hubei Zaoyang Company are made, are set out as below:

(1) General Assumptions

1. It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

2. There are no unforeseen major changes in the product price of the appraised entity;

3. It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the Valuation Benchmark Date, without taking account of the impact of the operating capability of its future owner on its future revenue;

4. There is no major change in the company's accounting policies and accounting methods;

5. The company's cash flow is balanced in each period of profit making;

6. The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

7. The contracts entered into by the company in previous and current years are valid and should be executed;

8. This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

9. There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

(2) Special Assumptions and Main Parameters

1. Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

2. All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

3. The various business plans formulated by the valuated company can be implemented orderly;

4. It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

5. According to the Supplementary Notice on Several Opinions of on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426) jointly issued by the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration, tariff subsidy should be calculated according to the reasonable utilization hours amid the lifetime of the power station project since it is put into operation. It is assumed that there will be no change in the subsidy policy in the following years under this valuation;

6. It is assumed that the benchmark tariff and tariff subsidy implemented by the local government of the place the appraised entity locates on the benchmark date will remain unchanged during the forecast period;

7. According to the Article 27 (2) of the Enterprise Income Tax Law of the State by the Order No. 63 of the President of the People's Republic of China, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax for the first three years from its commencement of operations and a 50% reduction for the three years thereafter;

   Hubei Suixian Company enjoys an enterprise income tax rated at 12.5% from 1 January 2019 to 31 December 2021. The valuation of Hubei Suixian Company is conducted on the basis of the above preferential tax in the period from the Valuation Benchmark Date to 2021. Subsequent after 2021, the valuation of Hubei Suixian Company is conducted on the basis of an enterprise income tax at the statutory rate 25%;

   The valuation of Huangshi Branch is conducted on the basis of the above preferential tax in the period from the Valuation Benchmark Date to 2023. Subsequent after 2023, the valuation of Huangshi Branch is conducted on the basis of an enterprise income tax at the statutory rate 25%;

The valuation of Hubei Zaoyang Company is conducted on the basis of the above preferential tax in the period from the Valuation Benchmark Date to 2030. Subsequent after 2030, the valuation of Hubei Zaoyang Company is conducted on the basis of an enterprise income tax at the statutory rate 25%;

8. The state subsidy tariffs receivable by Hubei Suixian Company and Hubei Wuxue Company in previous years will be fully recovered in 2024, and that such tariffs receivable after 2024 will be recovered in the following year. The state subsidy tariffs receivable by Huangshi Branch in previous years will be fully recovered in 2024, and that such tariffs receivable after 2024 will be recovered in the following year.

   For power generation projects which have been listed on the Catalogue of State Subsidies as at Valuation Benchmark Date, the state subsidy tariffs receivable by Hubei Zaoyang Company in previous years will be fully recovered in 2024, and that such tariffs receivable after 2024 will be recovered in the following year; for power generation projects which have not been listed on the Catalogue of State Subsidies as at Valuation Benchmark Date, the state subsidy tariffs receivable by Hubei Zaoyang Company in previous years will be fully recovered in 2025, and that such tariffs receivable after 2025 will be recovered in the following year.

   Regarding the assumption of the recovery period for national subsidies, most project companies currently have a national subsidy period of about 2 years, while project companies in a few regions have a longer period of 4-5 years. However, in recent years, with the continuous development of new energy power generation technology, the construction cost per watt has decreased year by year, and the amount of subsidies has also decreased year by year. In 2021, the new energy power generation industry will fully enter the grid parity, and new grid-connected projects will no longer have subsidy income. In the future, only stock subsidies need to be resolved. It is expected that the pressure of subsidy will be less and less. Therefore, the evaluation assumes that the period for national subsidies of the projects that enter the subsidy list will be shortened to one year after 2025, while the same for the projects that do not enter the subsidy list will be postponed to the next year.

BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions. The Board has confirmed that the profit forecasts, including assumptions, contained in the valuation report have been made with due care and careful enquiry. Letters from BDO Limited and the Board that have been disclosed in the Company's further announcement in relation to the Transactions dated 4 June 2021 are enclosed herein as Appendix XII and Appendix XIII, respectively, to this supplemental circular.

3. Information on the New Energy Assets and Equity

(1) Assets Disposal

Assets Disposal Agreement	New Energy Assets	Valuer	Book value as at the Valuation Benchmark Date *(RMB)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
Hangzhou Assets Disposal Agreement	assets group of distributed rooftop photovoltaic projects, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	CEA	755,139.52	0.07	–
Longyou Assets Disposal Agreement	assets group of distributed rooftop photovoltaic projects, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	CEA	35,110,809.79	2.20	1.00
Weifang Assets Disposal Agreement	assets group of rooftop photovoltaic projects, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	CEA	12,905,586.45	0.24	–
Laizhou Assets Disposal Agreement	assets group of rooftop photovoltaic projects, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	CEA	4,741,615.91	0.11	–

Assets Disposal Agreement	New Energy Assets	Valuer	Book value as at the Valuation Benchmark Date *(RMB)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
Wuhan Assets Disposal Agreement	assets group of Wuhan Branch, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	Yinxin Appraisal	37,088,581.30	0.80	–
Huangshi Assets Disposal Agreement	assets group of Huangshi Branch, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	Yinxin Appraisal	33,843,141.65	0.64	9.80
Zanhuang Assets Disposal Agreement	assets group of Zanhuang Branch, which is mainly comprised of relevant equipment of solar power generation and its auxiliary equipment	China Alliance	343,782,059.80	2.00	25.00
Lechang Assets Disposal Agreement	assets group of Lechang Branch, which is mainly comprised of relevant equipment of wind power generation and its auxiliary equipment	CEA	133,124,109.87	–	10.00

The New Energy Assets are subject to the list of assets and liabilities as set out in each of the assets valuation reports issued by the valuers.

Since no independent accounting was carried out in respect of the New Energy Assets, there is no corresponding net profit attributable to the New Energy Assets for the financial years ended 31 December 2019 and 31 December 2020 (before and after taxation).

(2) Equity Disposal

As at the Latest Practicable Date, each of the following companies is a subsidiary of the Company incorporated in the PRC and principally engaged in wind and solar power generation. The major financial data of the following companies prepared in accordance with the Chinese Accounting Standards for Business Enterprises are set out as below:

New Energy Equity	As at 31 December 2020		For the year ended 31 December 2019		For the year ended 31 December 2020			
	Total assets value *(RMB million)*	Net assets value *(RMB million)*	Net profit (before taxation) *(RMB million)*	Net profit (after taxation) *(RMB million)*	Net profit (before taxation) *(RMB million)*	Net profit (after taxation) *(RMB million)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
Hubei Suixian Company	648.25	241.67	27.14	23.75	24.87	21.38	10.00	–
Hubei Wuxue Company	1,186.78	464.63	42.52	39.27	52.01	44.93	4.00	–
Hubei Zaoyang Company	598.21	333.49	46.62	40.80	43.85	37.95	12.00	10.25
Hebei Yuzhou Company	701.75	625.74	43.22	32.26	36.41	27.38	9.90	30.20

IV. EQUITY ACQUISITION AGREEMENTS

On 24 May 2021, the Company entered into the Equity Acquisition Agreements with China Huadian, pursuant to which the Company agreed to acquire and China Huadian agreed to sell its equity interests in the Hunan Area Companies.

1. Major Terms

The major terms of each of the Equity Acquisition Agreements are about the same, which are summarized as follows:

Date

24 May 2021

Parties

(1) the Company; and

(2) China Huadian

Subject Matter

The Company agreed to purchase and China Huadian agreed to sell its (i) 70% equity interests in Changsha Company, (ii) 48.98% equity interests in Changde Company, and (iii) 100% equity interests in Pingjiang Company. Upon completion of the Equity Acquisitions, Changsha Company and Pingjiang Company will be owned as to 70% and 100% by the Company, respectively, and their financial statements will be consolidated into the consolidated financial statements of the Company.

Upon completion of the Equity Acquisition, Changde Company will be owned as to 48.98%, 48.98% and 2.04% by the Company, Shaanxi Changan Electricity Company Limited* (陝西長安電力有限公司) and Changde Economic Construction and Investment Group Limited* (常德市經濟建設投資集團有限公司), respectively. Before the completion of the Equity Acquisition, the Company and Changde Economic Construction and Investment Group Limited* (常德市經濟建設投資集團有限公司) will enter into Acting-in-Concert Agreement, pursuant to which both parties will agree to act in concert in the proposal making and vote taking at the board meeting and general meeting of Changde Company. Based on the above acting-in-concert arrangement and as confirmed by the auditor of the Company, the financial statements of Changde Company will be consolidated into the consolidated financial statements of the Company.

Consideration and Payment

The consideration of the transactions under each of the Equity Acquisition Agreements was determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interests in the Hunan Area Companies as at the Valuation Benchmark Date as set out in the assets valuation report prepared by CEA using the asset-based approach.

The consideration for the transactions under the Equity Acquisition Agreements shall be paid in cash by the Company to China Huadian in three instalments as follows:

(1) 51% of the consideration shall be paid by the Company within five business days from the effective date of the Equity Acquisition Agreements;

(2) 29% of the consideration, together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by the Company within five business days from the completion date of industrial and commercial change registration; and

(3) the third instalment, i.e. 20% of the consideration, is subject to adjustments, and will be determined by reference to the audit report of each of the Hunan Area Companies for Transition Period to be issued within 15 business days from the completion date of industrial and commercial change registration. The

third instalment together with the interest at the applicable one-year loan prime rate[1] announced by People's Bank of China accrued up to the payment date of the third instalment, shall be paid within five business days from the issuance date of abovementioned audit report. The adjustment amount shall be calculated based on the difference between the audited net asset value as at the Valuation Benchmark Date and that as at the completion date (in proportion to the percentage of equity interests held by China Huadian in each of the Hunan Area Companies). Such audited net asset value as at the completion date will be arrived at taking into account any capital increase, dividend distribution and/or profit or loss of each of the Hunan Area Companies during the Transition Period.

Details of the valuation amount and consideration are set out below:

			Consideration			
Hunan Area Companies	**Equity interests held by China Huadian as at the Latest Practicable Date**	**Valuation amount of 100% equity interests**	**First instalment**	**Second instalment excluding interest**	**Third instalment before adjustment**	**Total consideration**
	(RMB0'000)	*(RMB0'000)*	*(RMB0'000)*	*(RMB0'000)*	*(RMB0'000)*	*(RMB0'000)*
Changsha Company	70%	241,376.28	86,171.34	48,999.39	33,792.68	168,963.41
Changde Company	48.98%	211,923.31	52,938.02	30,102.01	20,760.02	103,800.05
Pingjiang Company	100%	41,819.98	21,328.19	12,127.80	8,364.00	41,819.99
					Total:	**314,583.45**

Profit or Loss during the Transition Period

The profit or loss in the Hunan Area Companies during the Transition Period shall be enjoyed or borne by China Huadian.

Conditions Precedent

The Equity Acquisition Agreements shall become effective upon fulfilment of the following conditions precedent:

(1) As announced by People's Bank of China on 20 May 2021, the effective one-year loan prime rate at current stage is 3.85%. However, such rate is subject to the adjustments (if any) announced by People's Bank of China from time to time and the effective one-year loan prime rate upon payment will be applied for the calculation of the interest.

(1) Each of the Equity Acquisition Agreements has been duly executed and sealed by each party;

(2) the assets valuation reports have been filed with the competent authority(ies) for the administration of State-owned assets;

(3) the transactions under the Equity Acquisition Agreements have been approved by the competent authority(ies) for the administration of State-owned assets; and

(4) the resolution on the Equity Acquisition Agreements and the transactions thereunder has been approved by the Independent Shareholders of the Company at the AGM.

None of the conditions precedent above can be waived. As at the Latest Practicable Date, none of the other conditions precedent has been fulfilled other than conditions (1) and (2).

Completion

The completion shall take place on the first day of the month following the effectiveness of the Equity Acquisition Agreement. The industrial and commercial change registration in relation to the equity transfer under the Equity Acquisition Agreements shall be completed within 60 business days from effective date of the Equity Acquisition Agreement.

2. Information on the Hunan Area Companies

As at the Latest Practicable Date, each of the Hunan Area Companies is a subsidiary of China Huadian incorporated in the PRC and principally engaged in thermal power generation. The major financial data of the Hunan Area Companies prepared in accordance with the International Financial Reporting Standards are set out as below:

	As at 31 December 2020		For the year ended 31 December 2019		For the year ended 31 December 2020			
Hunan Area Companies	Total assets value *(RMB million)*	Net assets value *(RMB million)*	Net profit (before taxation) *(RMB million)*	Net profit (after taxation) *(RMB million)*	Net profit (before taxation) *(RMB million)*	Net profit (after taxation) *(RMB million)*	Installed capacity in operation *(10 MW)*	Installed capacity under construction *(10 MW)*
Changsha Company	3,116.45	1,695.06	218.64	161.89	266.18	198.23	60×2	–
Changde Company	4,048.80	1,604.29	327.35	245.15	329.72	245.12	66×2	–
Pingjiang Company	1,186.65	351.44	0.00	0.00	0.00	0.00	–	100×2

V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Capital Increase and Disposals of New Energy Assets and Equity

The Company, through the integration of new energy assets with Fuxin Development, will become a substantial participating shareholder of China Huadian's only platform for new energy's development and integration and increase its attributable installed capacity of new energy.

The Company is the ultimate platform of China Huadian for the integration of its conventional energy-based power generation assets and is the core enterprise of China Huadian for developing conventional energy-based power generation business. In the future, China Huadian will support the Company in accelerating the integration of quality assets, structural optimization and strategic transformation, and the Company is committed to developing itself into a listed company for clean energy with a global layout, actively exploring new industries and new types of business. The Company will focus on controlling, self-building and mergers to expand conventional energy, improving the regional structure of assets, relying on hydropower, gas and electricity to substantially enhance the proportion of controlled clean energy installed capacity; rapidly promoting the development of new energy through becoming substantial participating shareholder of new energy professional platform; taking internationalization and clean energy as the main investment direction, paying attention to the development of international clean energy business; actively cultivating strategic emerging industries, such as electricity sales, smart energy, integrated energy services, auxiliary services, etc., to build new growth points and playing an important baseload function and diversified auxiliary role in the new power system.

As China Huadian's only platform for new energy's development and integration, Fuxin Development can realize large-scale development, intensive operation and professional management, and will further leverage the development and competitive advantages of new energy business to achieve economies of scale. In addition, Fuxin Development's management team has rich and professional experience in project selection, construction and operation management, which is also conducive to resource integration, policy striving and potential exploration, and can better improve the management efficiency and profitability of new energy business.

Upon completion of the transactions under the Capital Increase Agreement and the Assets and Equity Disposal Agreements, the Company will hold 37.19% equity interests in Fuxin Development and the remaining 62.81% equity interests will continued to be held by Huadian Fuxin. It will not only significantly increase the attributable installed capacity of the Company in new energy (i.e. the installed capacity calculated in proportion to the equity interests held by the Company), but also bring investment income to the Company and increase the Company's earnings per share. In the future, with the continuous development of Fuxin Development as a professional platform for new energy business and the continuous enhancement of profitability, the Company will continue to obtain financial returns. At the same time, as an important shareholder of Fuxin Development, the Company can deeply participate in its corporate governance to improve the efficiency of governance; and will also be able to better concentrate its resources to promote the construction and mergers and acquisitions of its own high-quality conventional energy projects in the future.

Equity Acquisitions

In 2014, China Huadian announced its commitment to inject conventional energy-based power generation assets into the Company to avoid competition in the capital market. So far, China Huadian is actively and steadily promoting relevant works on the injection of its subordinate unlisted conventional energy-based power generation assets into the Company to resolutely support the Company's sustainable and stable development.

The acquisition of conventional energy-based assets in Hunan is an important measure of China Huadian to perform its commitment. It shows the high importance and strong support of China Huadian to the strategic positioning of the Company as "the ultimate integration platform for its conventional energy-based power generation assets and its core enterprise for developing conventional energy-based power generation business".

In addition, the Company is continuing to expand its operation regions and speeding up in continuous development. The Company has been developing rapidly since its establishment. As at the end of 2020, its assets distribution has expanded from Shandong to 14 provinces and regions across China, including Hubei, Anhui, Zhejiang, Sichuan and Hebei. The acquisition of conventional energy-based assets in Hunan will further improve the strategic deployment of the Company's business, increase the size of the Company's assets and speed up the sustainable and healthy development of the Company.

The acquisition of conventional energy-based assets in Hunan will not only increase the Company's installed capacity by 2.52 million KW, and bring two coal-fired power generation units with an installed capacity under construction of 1 million KW, but also expand the operating area layout of the Company, which is beneficial to the future operation and development of the Company. Due to the rapid economic growth and the large potential power demand in Hunan areas, the acquisition of conventional energy-based assets in Hunan will improve the Company's profitability.

The Directors (including the independent non-executive Directors, who have provided their opinions in this supplemental circular after taking into account of the opinions of Gram Capital) are of the view that the terms of the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements are fair and reasonable and on normal commercial terms, and that the Capital Increase, the disposals of the New Energy Assets and Equity, and the acquisitions of Hunan Area Companies, although not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

VI. INFORMATION ON THE PARTIES

Information relating to the Group

The Group is one of the largest comprehensive energy companies in China, which is principally engaged in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

Longyou Company is a wholly-owned subsidiary of the Company incorporated in the PRC as at the Latest Practicable Date. It is principally engaged in gas-fired power generation.

Huarui Company is a wholly-owned subsidiary of the Company incorporated in the PRC as at the Latest Practicable Date. It is principally engaged in wind power generation.

Hangzhou Banshan Company is a non-wholly-owned subsidiary of the Company incorporated in the PRC, which is owned as to 64% by the Company and 36% by Zhejiang Zheneng Electric Power Co., Ltd (a company listed on the Shanghai Stock Exchange under the stock code of 600023 and principally engaged in thermal power generation) as at the Latest Practicable Date. Hangzhou Banshan Company is principally engaged in gas-fired power generation.

Weifang Company is a non-wholly-owned subsidiary of the Company incorporated in the PRC, which is owned as to 45% by the Company, 30% by Shandong Development & Investment Holding Group Co., Ltd (a wholly PRC State-owned enterprise which holds 7.68% issued share capital of the Company and is principally engaged in investment, capital operation, asset management, consulting, etc.) and 25% by Weifang Investment Group Co., Ltd (a wholly PRC State-owned enterprise principally engaged in investment, asset management, consulting, etc.) as at the Latest Practicable Date. Weifang Company is principally engaged in thermal power generation.

Laizhou Company is a non-wholly-owned subsidiary of the Company incorporated in the PRC, which is owned as to 75% by the Company and 25% by Shandong Development & Investment Holding Group Co., Ltd (a wholly PRC State-owned enterprise which holds 7.68% issued share capital of the Company and is principally engaged in investment, capital operation, asset management, consulting, etc.) as at the Latest Practicable Date. Laizhou Company is principally engaged in thermal power generation.

Hubei Company is a non-wholly-owned subsidiary of the Company incorporated in the PRC, which is owned as to 82.56% by the Company and 17.44% by a number of dispersed shareholders (including power companies, steel companies, cement companies and investment companies, and each of them holds less than 5% equity interests in Hubei Company) as at the Latest Practicable Date. Hubei Company is principally engaged in investment in coal-fired, gas-fired, wind power and photovoltaic power generation units.

Wuhan Branch is principally engaged in solar power generation.

Huangshi Branch is principally engaged in solar power generation.

Zanhuang Branch is principally engaged in pumping-storage hydropower generation.

Lechang Branch is principally engaged in wind power generation.

Information relating to China Huadian

China Huadian is the controlling Shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company as at the Latest Practicable Date. China Huadian is principally engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

Information relating to Huadian Fuxin

Huadian Fuxin is a wholly-owned subsidiary of China Huadian as at the Latest Practicable Date. It is principally engaged in the business of operations and management of power companies.

Information relating to Fuxin Development Group

Fuxin Development is a wholly-owned subsidiary of Huadian Fuxin as at the Latest Practicable Date. It is principally engaged in the generation and sale of wind power, solar power and other clean energy power in the PRC.

Each of Changxing Company, Shandong Company, Jinquan Company, Guangdong Company and Kangbao Company is a wholly-owned subsidiary of Fuxin Development as at the Latest Practicable Date and is principally engaged in wind power generation.

VII. HONG KONG LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Huadian is the controlling Shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company. Huadian Fuxin, Fuxin Development, Changxing Company, Kangbao Company, Shandong Company, Guangdong Company and Jinquan Company are the subsidiaries of China Huadian. Therefore, each of China Huadian, Huadian Fuxin, Fuxin Development, Changxing Company, Kangbao Company, Shandong Company, Guangdong Company and Jinquan Company is a connected person of the Company.

As the Transactions involve both the Acquisitions and the Disposals, pursuant to Rule 14.24 of the Hong Kong Listing Rules, it will be classified by reference to the larger of the Acquisitions or the Disposals, and subject to the reporting, announcement and/or Shareholders' approval requirements applicable to that classification.

Pursuant to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules, the Disposals would be aggregated with the Previous Transactions and be treated as if they were one transaction for the purpose of Chapters 14 and 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the Acquisitions exceed 25% but are less than 100% and one or more of the applicable percentage ratios of the Disposals (as aggregated with the Previous Transactions) exceed 25% but are less than 75%, the Transactions constitute major transactions of the Company under Chapter 14 of the Hong Kong Listing Rules and connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Hong Kong Listing Rules.

Given that Mr. Ding Huande, Mr. Peng Xingyu, Mr. Zhang Zhiqiang and Mr. Li Pengyun, the Directors of the Company, hold positions in China Huadian, they have abstained from voting on the resolutions regarding the Transactions at the 14th meeting of the ninth session of the Board. Save as mentioned above, no other Directors have any material interest in the Transactions and therefore no other Directors have abstained from voting on such Board resolutions.

VIII. FINANCIAL EFFECTS OF THE TRANSACTIONS

Upon completion of the Acquisitions, Fuxin Development will become an associated company of the Company and its financial results will be accounted for using the equity method in the consolidated financial statements of the Company. Hunan Area Companies will become the subsidiaries of the Company and their financial results will be consolidated into the consolidated financial statements of the Company.

Upon completion of the Disposals, the New Energy Companies, Hubei Suixian Company, Hubei Wuxue Company, Hubei Zaoyang Company and Hebei Yuzhou Company will cease to be the subsidiaries of the Company, and the financial statements of the New Energy Companies and the New Energy Assets and Equity will be de-consolidated from the consolidated financial statements of the Company.

The Company expects that the total gains derived from the Disposals (before deducting the taxation and other expenses payable by the Company) will be approximately RMB3,712 million. Wherein:

(1) the gain derived from the disposals of New Energy Companies is expected to be approximately RMB3,649 million, which represents the difference between the appraised value of approximately RMB13,609 million and the carrying amount of net assets of approximately RMB9,960 million of the equity interests in the New Energy Companies held by the Company as at 31 December 2020; and

(2) the gain derived from the disposals of New Energy Assets and Equity is expected to be approximately RMB63 million, which represents the difference between the consideration for the transaction of approximately RMB2,082 million and the carrying amount of net assets of approximately RMB2,019 million of the New Energy Assets and Equity as at 31 December 2020.

The Shareholders should be aware that the actual gains on the Disposals will be calculated based on the relevant figures on the completion date and is subject to audit, and therefore it may be different from the above amount. The proceeds from the Disposals are intended to be used for capital expenditure related payments in the power plants under construction and repayment of bank loans of the Group.

The unaudited pro forma financial information of the Enlarged Group is set out in Appendix VII to this supplemental circular. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group as at 31 December 2020 would decrease from approximately RMB236,690.9 million to approximately RMB232,535.3 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 31 December 2020 would decrease from approximately RMB142,297.8 million to approximately RMB135,726.6 million as a result of the Transactions.

IX. AGM

A notice concerning the AGM to be held at 2:00 p.m. on Wednesday, 30 June 2021 (the "**Notice of AGM**") has been despatched to the Shareholders on 28 May 2021. The supplemental notice of AGM dated 15 June 2021 (the "**Supplemental Notice of AGM**") is enclosed with this supplemental circular, for the purpose of informing the Shareholders of (i) the new resolutions to be submitted to the AGM for consideration and approval; (2) the change of venue of the AGM (i.e., due to the business reason of Huabin International Hotel, the venue of the AGM is changed to Oriental Garden Hotel, No. 6 Dongzhimen South Street, Dongcheng District, Beijing, the PRC). The resolutions, which are originally scheduled to be submitted to the AGM for approval as contained in the Notice of AGM, remain unchanged. A new proxy form for use at the AGM (the "**New Proxy Form**") which is enclosed with the Supplemental Notice of AGM has been despatched to the Shareholders on 15 June 2021.

IMPORTANT NOTICE: the New Proxy Form supersedes the proxy form for use at the AGM of the Company dated 28 May 2021 (the "Original Proxy Form"). Shareholders who have duly completed and returned the Original Proxy Form should note that the Original Proxy Form is no longer applicable to the AGM.

Shareholders who intend to appoint a proxy to attend the AGM and to vote on the resolutions set out in the Notice of AGM and the Supplemental Notice of AGM are requested to complete and return the New Proxy Form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the New Proxy Form will not prevent you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

For particulars of other resolutions proposed at the AGM, eligibility for attending the AGM, registration procedures for attending the AGM, closure of register of members and other matters regarding the AGM, please refer to the Notice of AGM.

China Huadian, which holds 4,534,199,224 issued A shares of the Company, representing approximately 45.97% of the total issued share capital of the Company, and China Huadian Hong Kong Company Limited, its wholly-owned subsidiary, which holds 85,862,000 issued H shares of the Company, representing approximately 0.87% of the total issued share capital of the Company, will abstain from voting for approving (i) the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the transactions thereunder; and (ii) the Equity Acquisition Agreements and the transactions thereunder.

Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the abovementioned transactions and therefore will be required to abstain from voting on the relevant resolutions at the AGM. In addition, to the best of the Directors' knowledge, information and belief, none of the Shareholders will be required to abstain from voting on the resolutions as set out in the Notice of AGM.

X. RECOMMENDATIONS

The Directors (including the independent non-executive Directors, who have provided their opinions in this supplemental circular after taking into account of the opinions of Gram Capital) are of the view that the terms of the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements are fair and reasonable and on normal commercial terms, and that the Capital Increase, the disposals of New Energy Assets and Equity and the acquisitions of Hunan Area Companies, although not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the other resolutions to be proposed at the AGM are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the relevant resolutions to be proposed at the AGM.

XI. FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from Gram Capital and the additional information set out in the appendices to this supplemental circular.

Yours faithfully,
For and on behalf of the Board
Huadian Power International Corporation Limited*
Ding Huande
Chairman

* *For identification purpose only*

華電國際電力股份有限公司
Huadian Power International Corporation Limited*
*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "**PRC**"))*
(Stock Code: 1071)

15 June 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

We have been appointed to form the Independent Board Committee to consider and advise whether the terms of the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements are fair and reasonable and on normal commercial terms, and whether the Capital Increase, the disposals of New Energy Assets and Equity and the acquisitions of Hunan Area Companies, although not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements. Terms used herein shall have the same meanings as those defined in this circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board, the letter from the Independent Board Committee and the letter of advice from Gram Capital, set out on pages 11 to 57, page 58 and pages 59 to 95 of this supplemental circular, respectively.

Having considered the information contained in the letter from the Board and taking into account the advice and recommendation given by Gram Capital, we are of the view that the terms of the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements are fair and reasonable and on normal commercial terms, and that the Capital Increase, the disposals of New Energy Assets and Equity and the acquisitions of Hunan Area Companies, although not conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the aforementioned agreements and the transactions contemplated thereunder at the AGM.

Yours faithfully,
Independent Board Committee of
Huadian Power International Corporation Limited*
Wang Dashu, Zong Wenlong, Feng Zhenping, Li Xingchun
Independent Non-executive Directors

* *For identification purpose only*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Transactions for the purpose of inclusion in this supplemental circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

15 June 2021

*To: The independent board committee and the independent shareholders of Huadian Power International Corporation Limited**

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS:
(1) CAPITAL INCREASE IN FUXIN DEVELOPMENT;
(2) DISPOSAL OF NEW ENERGY ASSETS AND EQUITY; AND
(3) ACQUISITION OF HUNAN AREA COMPANIES

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the supplemental circular dated 15 June 2021 issued by the Company to the Shareholders (the "**Supplemental Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Supplemental Circular unless the context requires otherwise.

A. CAPITAL INCREASE AGREEMENT

On 24 May 2021, the Company entered into the Capital Increase Agreement with Huadian Fuxin and Fuxin Development, pursuant to which the Company agreed to make a capital contribution of RMB21,237.4178 million in Fuxin Development by way of (i) a transfer of the equity interests held by the Company in the New Energy Companies to Fuxin Development, representing an amount of not more than RMB13,609.4178 million; and (ii) a cash payment of not lower than RMB7,628 million by the Company to Fuxin Development. Upon completion of the Capital Increase, the Company will hold 37.19% equity interests in Fuxin Development. Fuxin Development will not become a subsidiary of the Company and its financial statements will not be consolidated into the consolidated financial statements of the Company.

B. ASSETS AND EQUITY DISPOSAL AGREEMENTS

On 24 May 2021, certain subsidiaries and branches of the Company entered into the Assets and Equity Disposal Agreements with certain subsidiaries of Fuxin Development, pursuant to which the subsidiaries of Fuxin Development agreed to purchase and the subsidiaries and branches of the Company agreed to sell the New Energy Assets and Equity at a total consideration of approximately RMB2,082.2223 million. Upon completion of the disposal of New Energy Equity, Hubei Suixian Company, Hubei Wuxue Company, Hubei Zaoyang Company and Hebei Yuzhou Company will cease to be subsidiaries of the Company, and their financial statements will be de-consolidated into the consolidated financial statements of the Company.

C. EQUITY ACQUISITION AGREEMENTS

On 24 May 2021, the Company entered into the Equity Acquisition Agreements with China Huadian, pursuant to which the Company agreed to acquire and China Huadian agreed to sell its equity interests in the Hunan Area Companies at a total consideration of approximately RMB3,146 million. Upon completion of the Equity Acquisitions, Changsha Company, Changde Company and Pingjiang Company will be owned as to 70%, 48.98% and 100% by the Company, respectively, and their financial statements will be consolidated into the consolidated financial statements of the Company.

With reference to the Board Letter, the Transactions constitute major transactions and connected transactions of the Company, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Wang Dashu, Mr. Zong Wenlong, Mr. Feng Zhenping and Mr. Li Xingchun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in respect of (i) continuing connected transactions (details of which are set out in the Company's circular dated 29 November 2019; (ii) continuing connected transactions (details of which are set out in the Company's circular dated 9 October 2020); (iii) discloseable and continuing connected transactions (details of which are set out in the Company's circular dated 29 January 2021); and (iv) discloseable and connected transactions (details of which are set out in the Company's circular dated 31 March 2021).

Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagements and this engagement as the Independent Financial Adviser, there was no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Supplemental Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, Fuxin Development Group, New Energy Companies, New Energy Assets and Equity or Hunan Area Companies, and we have not been furnished with any such evaluation or appraisal, save as and except for (i) the valuation report on New Energy Companies (the "**New**

Energy Companies Valuation Report"), the summary of which is set out in Appendix VIII to the Supplemental Circular as prepared by China Appraisal and valuation reports on each of the New Energy Companies as prepared by CEA/Yinxin Appraisal/China Alliance; (ii) the valuation report on Fuxin Development Group (the "**Fuxin Development Valuation Report**"), the summary of which is set out in Appendix IX to the Supplemental Circular as prepared by China Appraisal; (iii) the valuation reports on New Energy Assets and Equity (the "**New Energy Assets and Equity Reports**"), the summaries of which are set out in Appendix X to the Supplemental Circular as prepared by CEA/Yinxin Appraisal/China Appraisal; and (iv) the valuation reports on Hunan Area Companies (the "**Hunan Area Companies Valuation Reports**"), the summaries of which are set out in Appendix XI to the Supplemental Circular as prepared by CEA. Since we are not experts in the valuation of assets or business, we have relied solely upon the aforesaid valuation reports for the appraised value of the New Energy Companies, Fuxin Development Group, New Energy Assets and Equity and Hunan Area Companies as at the Valuation Benchmark Date.

The Supplemental Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Supplemental Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Supplemental Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Fuxin Development Group, Huadian Fuxin, China Huadian, New Energy Companies, New Energy Assets and Equity, Hunan Area Companies and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is one of the largest comprehensive energy companies in China, which is principally engaged in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

Set out below is the audited financial information of the Group for the two years ended 31 December 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**"):

	For the year ended 31 December 2020 ("FY2020")	**For the year ended 31 December 2019 ("FY2019")**	**Change from FY2019 to FY2020**
	RMB'000	*RMB'000*	*%*
Turnover	89,382,243	91,752,980	(2.58)
Operating profit	8,790,151	8,215,730	6.99
Profit for the year attributable to equity holders of the Company	4,166,756	3,385,324	23.08

As depicted from the above table, the Group's turnover amounted to approximately RMB89,382 million for FY2020, representing a decrease of approximately 2.58% as compared to that for FY2019. With reference to the 2020 Annual Report, such decrease in turnover was mainly due to the decrease in power generation volume.

The Group's operating profit amounted to approximately RMB8,790 million for FY2020, representing an increase of approximately 6.99% as compared to that for FY2019. With reference to the 2020 Annual Report, such increase in operating profit was mainly due to the year-on-year decrease in coal prices.

The Group's profit for the year attributable to equity holders of the Company amounted to approximately RMB4,167 million for FY2020, representing an increase of approximately 23.08% as compared to that for FY2019. With reference to the 2020 Annual Report and as confirmed by the Directors, such increase in profit for the year attributable to equity holders of the Company was mainly due to increases in operating profit and a decrease in finance costs.

As at the date of the 2020 Annual Report, the Group had a total of 67 controlled power plants which have commenced operations involving a total of approximately 58,448MW controlled installed capacity, with a total of 43,160MW attributable to coal-fired generating units, approximately 7,340MW attributable to gas-fired generating units and approximately 7,948MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units. As advised by the Directors, thermal power generating units (in particular, coal-fired power generating units) are the major power generating units of the Group.

Reasons for and benefits of the Transactions

Reasons for and benefits of the Transactions are set out under the section headed "V. Reasons for and benefits of the Transactions" of the Board Letter.

Additional reasons for and benefits of the Transactions are set out as follows.

A. The Capital Increase and the Disposals

With reference to the 2020 Annual Report, in 2021, one of the major goals of economic development in the PRC is to increase its gross domestic product ("**GDP**") by more than 6% year-on-year, heading towards a high quality development stage from a rapidly growing stage. The supply and demand of energy power exhibit a new trait. With the proposal of peak carbon dioxide emissions and carbon neutrality targets, transformation of energy consumption is imminent. Interactive energy facilities, such as distributed energy, storage, are developing rapidly and various forms of new energy, such as multi-energy supply, integrated service and intelligent energy consumption, are emerging. The integrated development of energy revolution and digital revolution has become an important trend in the new round of energy revolution.

According to the forecast of the National Energy Administration, the installed capacity of generating units in the PRC will be approximately 3.0 billion KW by the end of 14th Five-Year Plan and power consumption of the entire society in 2025 will reach 9,100-9,500 billion KWh, representing an average year-on-year increase of 4.3%-5.2%. There is a huge room for the development of energy and power demand in the PRC and the power industry will embrace new development opportunities.

According to the forecast of the China Electricity Council (a non-profit and self-disciplinary national trade association in the PRC), the installed capacity of new generating units in national infrastructure in 2021 will be approximately 180 million KW, of which the installed capacity of approximately 140 million KW will be generated from non-fossil energy, and at the end of the year, the installed capacity of generating units in the PRC will be approximately 2.37 billion KW, representing a year-on-year increase of approximately 7.7%, and the proportion of installed capacity generated from non-fossil energy will continue to rise. Throughout the year, it is expected that there will be an overall balance between electricity supply and demand in the PRC, with a tight supply of electricity in certain regions during the rush hours. While the power supply structure accelerates the green low-carbon transformation, the basic role and the function of regulating power supply of coal-fired power are prominent.

Industry overview on power industry in PRC

Set out below are the proportion of different types of electricity generation in the PRC for the five years ended 31 December 2020, being the latest five full-year statistics published by the China Electricity Council:

	2020	**2019**	**2018**	**2017**	**2016**
Hydropower	17.8%	17.8%	17.6%	18.5%	19.5%
Thermal power	67.9%	68.9%	70.4%	71.1%	71.8%
Nuclear power	4.8%	4.8%	4.2%	3.8%	3.5%
Wind power	6.1%	5.5%	5.2%	4.7%	4.0%
Solar power	3.4%	3.1%	2.5%	1.8%	1.1%

As shown in the table above, the contribution from each of wind power and solar power to the total electricity generation in the PRC increased from 2016 to 2020.

However, the contribution of thermal power to the total electricity generation in the PRC decreased from approximately 71.8% in 2016 to approximately 67.9% in 2020.

As mentioned above, as at the date of the 2020 Annual Report, the Group had a total of 67 controlled power plants which have commenced operations involving a total of approximately 58,448MW controlled installed capacity, with a total of 43,160MW attributable to coal-fired generating units, approximately 7,340MW attributable to gas-fired generating units and approximately 7,948MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units. Thermal power generating units (in particular, coal-fired power generating units) are the major power generating units of the Group.

As advised by the Directors, upon completion of the Disposals, the Company may refocus most resources on the thermal and hydro power generating units and make the corporate profile and business position of the Company to be much clearer.

With reference to the Board Letter, upon completion of the Capital Increase, the Company will hold 37.19% equity interests in and become a shareholder of Fuxin Development. Upon our discussion with the Directors, we understood that being a shareholder of Fuxin Development, the Company is able to be beneficial from the economies of scale of wind power and photovoltaic projects as operated by Fuxin Development by way of sharing of results of associated companies.

B. The acquisitions of Hunan Area Companies

As advised by the Directors, the Company proposed to invest in, among other things, projects in other geographical areas which the Company believes will have more room for strategic development as well as brighter prospects for better profitability and cash flows. The Directors consider that the acquisitions of Hunan Area Companies are consistent with the aforesaid strategy.

For our due diligence purpose, we noted from accountants' report of Hunan Area Companies as set out in Appendix IV and Appendix V to the Supplemental Circular that Changsha Group's and Changde Company's gross profit margin (calculated by operating profit over turnover) were approximately 17.3% and 22.8% for FY2020, respectively. According to the 2020 Annual Report, the gross profit margin (calculated by operating profit over turnover) of the Group's coal-fired power generation segment amounted to approximately 17.1% for FY2020. The Changsha Group and Changde Company recorded higher gross profit margins as compared to the Group's coal-fired power generation segment for FY2020.

Despite that Pingjiang Company has not commence operation and its 2×1000MW ultra-supercritical units are under construction, the Directors expected that the ultra-supercritical units will have a better performance such as the domestic advanced level of energy consumption indicators and environmental protection emission indicators, etc., which may further improve the Group's profitability in coal-fired power generation segment. As also advised by the Directors, it was expected that there would be additional capital of approximately RMB2 billion to be injected by the Company within two to three years from the completion of the Equity Acquisitions. We noted that for the two years ended 31 December 2020, the Group invested approximately RMB11.9 billion and RMB15.6 billion respectively in the infrastructure of power supply projects. With reference to the 2020 Annual Report, in 2021, the Group plans to invest approximately RMB17 billion, which will be used for the infrastructure of power supply projects, environmental protection and energy-saving technical reformation projects, and other projects. The estimated amount of capital injection is also immaterial to the Group's total assets of approximately RMB236.7 billion as at 31 December 2020.

Overview of economy and power industry in Hunan Province

According to the National Bureau of Statistics in the PRC and People's Government of Hunan Province, the economy and power industry in Hunan Province in recent years continued to record considerable growth. The table below illustrates the GDP, electricity consumption and electricity generation of Hunan Province:

	2020	**2019**	**2018**	**2017**	**2016**
GDP *(approximately RMB billion)*	4,178	3,989	3,633	3,383	3,085
Electricity consumption *(million KWh)*	192,928	186,432	174,524	158,151	149,565
Electricity generation *(million KWh)*	155,443	155,942	153,273	143,467	138,509

As shown in the above table, the GDP of Hunan Province increased from approximately RMB3,085 billion in 2016 to approximately RMB4,178 billion in 2020, representing a compound annual growth rate of approximately 7.9%.

The electricity consumption in Hunan Province increased from approximately 149,565 million KWh in 2016 to approximately 192,928 million KWh in 2020, representing a compound annual growth rate of approximately 6.6%. According to the above table, from 2016 to 2020, electricity consumption in Hunan Province exceeded electricity generation in Hunan Province.

Having considered the above factors, we consider although the Transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interest of the Company and the Shareholders as a whole.

1. CAPITAL INCREASE AGREEMENT

Information on Huadian Fuxin

With reference to the Board Letter, Huadian Fuxin is a wholly-owned subsidiary of China Huadian as at the Latest Practicable Date and principally engaged in the business of operations and management of power companies.

Information on Fuxin Development

With reference to the Board Letter, Fuxin Development is a limited liability company incorporated in the PRC. It is a wholly-owned subsidiary of Huadian Fuxin and is principally engaged in the generation and sale of wind power, solar power and other clean energy power in the PRC.

According to the Board Letter, the consolidated financial information for the two years ended 31 December 2020 prepared by Fuxin Development based on the International Financial Reporting Standards is set out as below:

	FY2020	**FY2019**
	RMB million	*RMB million*
	(audited)	*(audited)*
Net profit (before taxation)	3,494.66	2,646.06
Net profit (after taxation)	3,140.01	2,383.65

The total assets value of Fuxin Development Group as at 31 December 2020 was RMB121,551.08 million and the net assets value of Fuxin Development Group as at 31 December 2020 was RMB21,088.71 million.

Information on New Energy Companies

The New Energy Companies are the companies to be transferred to Fuxin Development as part of the consideration pursuant to the Capital Increase Agreement. The New Energy Companies are 27 subsidiaries of the Company. The New Energy Companies are incorporated in the PRC and principally engaged in wind power generation and solar power generation.

Further information of the New Energy Companies is set out in the Board Letter.

Major terms of the Capital Increase Agreement

Set out below is the principal terms of the Capital Increase Agreement, details of which are set out under the section headed "II. CAPITAL INCREASE AGREEMENT" of the Board Letter.

Date: 24 May 2021

Parties:
(1) the Company;
(2) Huadian Fuxin; and
(3) Fuxin Development

Subject matter: The Company agreed to make a capital contribution of RMB21,237.4178 million to Fuxin Development, of which RMB5,897.4735 million will be included in the registered capital of Fuxin Development, and RMB15,339.9443 million will be included in the capital reserve of Fuxin Development. Huadian Fuxin agreed to waive its preferential subscription right for Fuxin Development in the Capital Increase. Upon completion of the Capital Increase, the Company will hold 37.19% equity interests in Fuxin Development. Fuxin Development will not become a subsidiary of the Company and its financial statements will not be consolidated into the consolidated financial statements of the Company.

Consideration: The amount contributed by the Company pursuant to the Capital Increase Agreement of RMB21,237.4178 million (the "**Fuxin Development Consideration**") was determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interests in Fuxin Development as at the Valuation Benchmark Date of RMB35,867 million (the "**Fuxin Development Appraised Value**") as set out in the assets valuation report prepared by China Appraisal using the income approach.

The final consideration is subject to adjustments of filed assets valuation reports, if any, which will be finally determined by the competent authority(ies) for administration of State-owned assets.

The capital contribution amount shall be settled by the following ways:

(1) a transfer of the equity interests in the New Energy Companies held by the Company to Fuxin Development.

The amount contributed by the Company by way of a transfer of the equity interests in the New Energy Companies of not more than RMB13,609.4178 million (the "**New Energy Companies Consideration**") represents the appraised value of the equity interests in the New Energy Companies held by the Company as at the Valuation Benchmark Date as set out in the assets valuation report summarized by China Appraisal.

Valuation of Fuxin Development Group

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of China Appraisal; (ii) China Appraisal's qualification in relation to the preparation of the Fuxin Development Valuation Report; and (iii) the steps and due diligence measures taken by China Appraisal for conducting the Fuxin Development Appraised Value. According to the mandate letter, China Appraisal was engaged by the Company and Fuxin Development jointly. From the mandate letter and other relevant information provided by China Appraisal and based on our interview with them, we were satisfied with the terms of engagement of China Appraisal as well as their qualification for preparation of the Fuxin Development Valuation Report (i.e. (i) China Appraisal is a registered valuer under the Ministry of Finance of the PRC and has experience in providing valuation services for listed companies in PRC (including Hong Kong); and (ii) China Appraisal's major staff members (who were involved in the preparation of Fuxin Development Valuation Report) have experience of over 5 years in performing valuation services covering various industries). China Appraisal also confirmed that they are independent to the Group, Huadian Fuxin and Fuxin Development Group.

The Fuxin Development Appraised Value was concluded by China Appraisal by way of income approach. As confirmed by China Appraisal, asset-based approach, income approach and market approach are the commonly adopted approaches for valuation of companies. Upon our further enquiry with China Appraisal, we understood that China Appraisal applied income approach to conclude the Fuxin Development Appraised Value after taking into account of following factors:

- market approach was not adopted because it is difficult to identify, based on publicly available information, the listed companies and market transaction cases comparable to Fuxin Development in terms of main business, assets scale and development stage of each power station and it is difficult to quantify each correction factor;

- the asset-based approach was not adopted because it only reflects the replacement value of Fuxin Development's assets on the valuation benchmark date;

- income approach can better reflect the market value of Fuxin Development in view of Fuxin Development Group's stable on-grid power generation and tariff, reasonably predicable future annual income and costs.

Therefore, the income approach was selected as the basis for valuation.

As the Fuxin Development Valuation Report was prepared by China Appraisal using the income approach, the calculations of the appraised value as set out in the Fuxin Development Valuation Report are deemed as profit forecasts under the Hong Kong Listing Rules. We noted that (i) BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions; and (ii) the Board has confirmed that the profit forecasts, including assumptions, contained in the valuation report have been made with due care and careful enquiry.

We understood that the Fuxin Development Appraised Value was arrived by first estimating the value of Fuxin Development's operating assets by adopting the income approach and then adding all the long-term equity investments of Fuxin Development and adjusting non-operating or surplus assets/liabilities and interest-bearing debt on the Valuation Reference Date.

We further reviewed and enquired into the China Appraisal on the methodology adopted and the basis and assumptions adopted in the Fuxin Development Valuation Report in order for us to understand the Fuxin Development Valuation Report. We also discussed the key assumptions and parameters under the Fuxin Development Valuation Report.

A. Determination of forecast period

With reference to the Fuxin Development Valuation Report, Fuxin Development is operating normally as at the Valuation Benchmark Date. China Appraisal based on the economic life span and grid connection date of the wind power generator set assets to determine the forecast period from Valuation Benchmark Date to the remaining years of the wind power generator assets. We also enquired into the Directors in respect of the economic life of wind power generator assets. As explained by the Directors, the economic life span of the main equipment of the wind power generator set is around 20 years. Therefore, we do not doubt the basis of the forecast period (i.e. from Valuation Benchmark Date to the remaining years of the power generator assets).

B. Major cash inflow and outflow items

With reference to the Fuxin Development Valuation Report, free cash flow was selected for the income approach.

Operating income

We noted that the operating income adopted in arriving the valuation was determined with reference to annual on-grid electricity, on-grid electricity price, assessed electricity fee, etc.

In addition, the annual on-grid electricity was determined based on existing installed capacity of Fuxin Development, average annual power generation hours of wind farms in 2019 and 2020, and comprehensive power loss rate (綜合電損率).

Operating expenses

Operating expenses include employee compensation, depreciation and amortization, repair cost and other costs, etc.

Employee compensation was determined based on the historical annual number of employees, salary and welfare levels, and the trend of the average labour cost of the society.

Depreciation was determined based on the original book value of various fixed assets as at the Valuation Benchmark Date, the proposed amount of capital expenditures in the future, and the amount of depreciation that should be accrued during the forecast period in accordance with the current accounting policy. Amortization was determined based on the original amount of land use rights and other intangible assets or leased land, and amortization period.

Repair cost was determined based on maintenance costs such as technical transformation of the fan and replacement of large parts and repair of other parts, etc. in the future.

C. Discount rate

With reference to the Fuxin Development Valuation Report, the weighted average cost of capital of 7.8% is selected as the discount rate for free cashflow.

We note that China Appraisal used the Capital Asset Pricing Model ("**CAPM**") to assess the cost of equity for Fuxin Development. In arriving at the cost of equity, China Appraisal took into account a number of factors including (i) risk free rate; (ii) market risk premium; (iii) β; (iv) specific corporate risk adjustment coefficient.

For our due diligence purposes, we performed the following analysis:

- We understood that the CAPM technique is widely accepted for the purpose of estimating required rate of return on equity.

- China Appraisal adopted 3.14% as risk free rate, which was determined with reference to 10-year yield of PRC sovereign debt. We noted from the website of China Foreign Exchange Trade System – National Interbank Funding Center" that 10-year yield of PRC sovereign debt was approximately 3.2174% as at 31 December 2020. Therefore, we consider the risk-free rate of 3.14% adopted by China Appraisal, to be justifiable.

- Furthermore, we noted that China Appraisal calculated re-levered beta based on comparable companies with certain criteria.

- According to the Fuxin Development Valuation Report, China Appraisal adopted 7.50% as market risk premium.

In arriving at the cost of debt, China Appraisal determined cost of debt based on the above-five-year loan prime rate published by the National Interbank Funding Center authorized by the People's Bank of China.

D. Long-term equity investments of Fuxin Development

Enterprises being controlled by or invested by Fuxin Development were classified as long-term equity investments of Fuxin Development in the valuation. The valuation of long-term equity investments of Fuxin Development was approximately RMB52.19 billion as at 31 December 2020 as appraised by China Appraisal, CEA, Yinxin Appraisal and China Alliance.

During our discussion with China Appraisal, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Fuxin Development Valuation Report.

Valuation of New Energy Companies

As aforementioned, the capital contribution amount shall be settled by (i) a transfer of the equity interests in the New Energy Companies held by the Company to Fuxin Development; and (ii) a cash payment by the Company to Fuxin Development.

To assess the fairness and reasonableness of the New Energy Companies Consideration, we noted from the New Energy Companies Valuation Report prepared by China Appraisal that the appraised value of the equity interests in the New Energy Companies as at the Valuation Benchmark Date was approximately RMB13,609 million (the "**New Energy Companies Appraised Value**"). We further noted that such appraised value was the sum of appraised value as at the Valuation Benchmark Date according to the valuation reports of each of New Energy Companies ("**Individual New Energy Company Valuation Reports**"), which were prepared by CEA/Yinxin Appraisal/China Alliance.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of China Appraisal/CEA/Yinxin Appraisal/China Alliance; (ii) China Appraisal/CEA/Yinxin Appraisal/China Alliance's qualification in relation to the preparation of the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports; and (iii) the steps and due diligence measures taken by China Appraisal/CEA/Yinxin Appraisal/China Alliance for conducting the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports. According to the mandate letters, each of China Appraisal/CEA/Yinxin Appraisal/China Alliance was engaged by the Company and Fuxin Development jointly. From the mandate letters and other relevant information provided by China Appraisal/CEA/Yinxin Appraisal/China Alliance and based on our interview with them, we were satisfied with the terms of engagement of China Appraisal/CEA/Yinxin Appraisal/China Alliance as well as their qualification for preparation of the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports (i.e. (i) each of China Appraisal/CEA/Yinxin Appraisal/China Alliance is a registered valuer under the Ministry of Finance of the PRC and has experience in providing valuation services for listed companies in PRC (including Hong Kong); and (ii) China Appraisal/CEA/Yinxin Appraisal/China Alliance's major staff members (who were involved in the preparation of New Energy Companies Valuation Report/Individual New Energy Company Valuation Reports) have experience of over 5 years in performing valuation services covering various industries). China Appraisal/CEA/Yinxin Appraisal/China Alliance also confirmed that they are independent to the Group, Huadian Fuxin and Fuxin Development Group.

A. Appraised value of New Energy Companies concluded by asset-based approach

New Energy Companies	**Our analysis**
1. Chongqing New Energy Power Generation Company Limited; 2. Huadian Tangshan Wind Power Company Limited; 3. Huadian Shangdu Wind Power Company Limited (which was renamed as Huadian Fengzhen City Fengdi Wind Power Generation Company Limited on 15 April 2021); and 4. Huadian (Zhengxiangbai Banner) New Energy Company Limited	The valuations in respect of 4 New Energy Companies were concluded by Yinxin Appraisal/China Alliance by asset-based approach (i.e. cost approach). We understood that Yinxin Appraisal/China Alliance adopted asset-based approach to conclude the valuations in respect of 4 New Energy Companies after considering following factors: • Market approach was not adopted because it is difficult to identify, based on publicly available information, the listed companies and market transaction cases comparable to the appraised entities in terms of main business, assets scale and development stage of each power station and it is difficult to quantify each correction factor. • Income approach was not adopted due to uncertainty in forecasted income. • Asset-based approach was adopted due to the availability of complete financial information.

New Energy Companies **Our analysis**

For our due diligence purpose, we also obtained valuation breakdowns for each of assets and liabilities of 4 New Energy Companies. We noted that:

1. Chongqing New Energy Power Generation Company Limited: appraised value of bank deposits (accounting for over 60% of its total assets) was approximately RMB13.8 million as at the Valuation Benchmark Date, equivalent to its net assets value as at 31 December 2020;

2. Huadian Tangshan Wind Power Company Limited: appraised value of construction in progress (accounting for over 90% of its total assets) was approximately RMB39.6 million as at the Valuation Benchmark Date, equivalent to its net assets value as at 31 December 2020;

3. Huadian Shangdu Wind Power Company Limited (which was renamed as Huadian Fengzhen City Fengdi Wind Power Generation Company Limited on 15 April 2021): appraised value of construction in progress (accounting for over 70% of its total assets) was approximately RMB14.5 million as at the Valuation Benchmark Date, equivalent to its net assets value as at 31 December 2020; and

4. Huadian (Zhengxiangbai Banner) New Energy Company Limited: appraised value of construction in progress (accounting for over 80% of its total assets) of approximately RMB381.7 million as at the Valuation Benchmark Date, representing a slight deficit of approximately RMB2.1 million to its net assets value as at 31 December 2020 due to the classification of the land use right as an intangible asset.

There was no material difference between valuations of the above 4 New Energy Companies and their respective net asset value as at 31 December 2020 (i.e. differences were less than 5%).

Having reviewed the valuation breakdowns and after considering the above factors, we consider that principal bases and assumptions adopted for the Individual New Energy Company Valuation Reports of 4 New Energy Companies to be fair and reasonable.

B. Appraised value of New Energy Companies concluded by income approach

New Energy Companies	Our analysis
1. Huadian Huzhou New Energy Power Generation Company Limited; 2. Huadian Ningbo New Energy Power Generation Company Limited; 3. Huadian Henan New Energy Power Generation Company Limited; 4. Huadian Taiqian Photovoltaic Power Generation Company Limited; 5. Huadian Laizhou Wind Power Company Limited; 6. Huadian Laizhou Wind Power Generation Company Limited; 7. Huadian Laizhou Wind Energy Power Company Limited; 8. Huadian Longkou Wind Power Company Limited; 9. Longkou Dongyi Wind Power Company Limited; 10. Huadian Shandong New Energy Generation Company Limited; 11. Huadian Xuwen Wind Power Company Limited; 12. Huadian Xiaxian Wind Power Company Limited;	The valuations in respect of 23 New Energy Companies were concluded by CEA/Yinxin Appraisal/China Alliance by income approach. We understood that CEA/Yinxin Appraisal/China Alliance adopted income approach to conclude the valuations in respect of 23 New Energy Companies after considering following factors: • Market approach was not adopted because it is difficult to identify, based on publicly available information, the listed companies and market transaction cases comparable to the appraised entities in terms of main business, assets scale and development stage of each power station and it is difficult to quantify each correction factor. • Asset-based approach was not adopted as it reflected the replacement value of the assets or it cannot fully reflect the value of appraised entities. • Income approach was considered to more reasonably reflect the market value of appraised entities. As the assets valuation reports of certain New Energy Companies were prepared by the valuers using the income approach, the calculations of the appraised value as set out in such assets valuation reports are deemed as profit forecasts under the Hong Kong Listing Rules. We noted that (i) BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions; and (ii) the Board has confirmed that the profit forecasts, including assumptions, contained in the valuation report have been made with due care and careful enquiry. We also discussed the key assumptions and parameters under the Individual New Energy Company Valuation Reports of 23 New Energy Companies.

New Energy Companies	Our analysis
13. Shanxi Huadian Pinglu New Energy Company Limited; 14. Shanxi Huadian Ying County New Energy Company Limited; 15. Zezhou County Huadian Wind Power Company Limited; 16. Shaanxi Huadian Xunyi Wind Power Company Limited; 17. Hebei Huadian Guyuan Wind Power Company Limited; 18. Hebei Huadian Kangbao Wind Power Company Limited; 19. Huadian Zhangjiakou Saibei New Energy Generation Company Limited; 20. Huadian Power International Ningxia New Energy Power Company Limited; 21. Huadian Ningxia Ningdong Shangde Solar Power Generation Company Limited; 22. Huadian Kezuozhongqi Wind Power Company Limited; and 23. Huadian Wengniuteqi Wind Power Company Limited	*A. Determination of forecast period* With reference to the Individual New Energy Company Valuation Reports of 23 New Energy Companies, as the projects of subjects commenced operation or in the construction period, the expected income is relatively stable predictable. CEA/Yinxin Appraisal/China Alliance determined forecast period based on factors such as the economic life span of the power generator set assets of 20 or 25 years, grid connection power generation date. *B. Major cash inflow and outflow items* With reference to the Individual New Energy Company Valuation Reports of 23 New Energy Companies, enterprise free cash flow is selected for the income approach. *Operating income* We noted that the operating income adopted in arriving the valuation was determined with reference to electricity sales, unit price, etc. In addition, the electricity sales were determined based on respective New Energy Companies' power station capacity, power utilization hours, etc. *Operating expenses* Operating expenses include employee compensation, depreciation and amortization, repair cost and other costs, etc. Operating expenses were determined based on, among others, the historical amounts of respective New Energy Companies.

New Energy Companies	Our analysis
	C. Discount rate The discount rates for free cashflow applied in valuations of 23 New Energy Companies were 7.6% and 7.8%. We noted that the basis of discount rate for free cashflow was similar to that as set out in the Fuxin Development Valuation Report. Please refer to section headed "Valuation of Fuxin Development" above for our work done.

Despite the similar nature of businesses of the New Energy Companies, we noted that:

(i) as Chongqing New Energy Power Generation Company Limited's power generation project did not commence the development and construction and obtain government approval documents as at the Valuation Benchmark Date, the grid connection electricity generation and thus operating income were difficult to predict;

(ii) as Huadian Tangshan Wind Power Company Limited's business was in early stage and had no project with feasibility study report, forecast period and operating income could not be predicted;

(iii) as Huadian Shangdu Wind Power Company Limited's (which was renamed as Huadian Fengzhen City Fengdi Wind Power Generation Company Limited on 15 April 2021) wind power station was under construction and subject to risk of project completion, forecasted income was uncertain; and

(iv) as Huadian (Zhengxiangbai Banner) New Energy Company Limited did not achieve grid connection at the end of 2020 and may not receive renewable energy subsidies during the forecast period, income approach result was uncertain.

Therefore, we do not doubt the reasonableness of concluding valuations in respect of aforesaid 4 New Energy Companies by asset-based approach.

We further reviewed the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports, and enquired into China Appraisal/CEA/Yinxin Appraisal/China Alliance on the methodology adopted and the basis and assumptions adopted in the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports in order for us to understand the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports. During our discussion with China Appraisal/CEA/Yinxin Appraisal/China Alliance, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions, and parameters adopted for the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports.

(2) a cash payment by the Company to Fuxin Development

The amount contributed by the Company by way of a cash payment of not lower than RMB7,628 million shall be paid by the Company to Fuxin Development in two instalments.

For Shareholders' easy reference, we summarised the Consideration and 37.19% equity interests in Fuxin Development after the completion of the Capital Increase as follows:

(I)	**The Fuxin Development Consideration**	**Amount contributed**
	A. Equity interests in the New Energy Companies as at the Valuation Benchmark Date	Not more than RMB13,609.4178 million
	B. Cash payment	Not lower than RMB7,628 million
	Total	**RMB21,237.4178 million**
(II)	**Fuxin Development after the completion of the Capital Increase**	**Value of the assets**
	A. 100% equity interests in Fuxin Development Group (i.e. Fuxin Development Appraised Value) as at the Valuation Benchmark Date	RMB35,867 million
	B. Equity interests in the New Energy Companies as at the Valuation Benchmark Date	Not more than RMB13,609.4178 million
	C. Cash payment	Not lower than RMB7,628 million
	Total	**RMB57,104.4178 million**
(III)	**% equity interests in Fuxin Development Group after the completion of the Capital Increase**	**Approximately 37.19% (Calculated by RMB21,237.4178 million/RMB57,104.4178 million)**

Based on the above table, the Fuxin Development Consideration represented approximately 37.19% equity interests of Fuxin Development after the completion of the Capital Increase (i.e. Fuxin Development as enlarged by the Capital Increase).

Despite that the Fuxin Development Consideration represented a significant premium to Fuxin Development Group's net assets value as at 31 December 2020, having considered (A) Fuxin Development Group's net asset value as at 31 December 2020 may not reflect the fair market value of Fuxin Development Group as at 31 December 2020; (B) Fuxin Development Consideration was calculated on, among other things, Fuxin Development Appraised Value as at 31 December 2020; (C) our independent work performed on (i) the New Energy Companies Valuation Report and the Individual New Energy Company Valuation Reports; and (ii) Fuxin Development Valuation Report; and (D) the Fuxin Development Consideration represented approximately 37.19% equity interests of Fuxin Development after the completion of the Capital Increase (i.e. Fuxin Development as enlarged by the Capital Increase), we are of the view that the Fuxin Development Consideration is fair and reasonable

Profit or Loss during the Transition Period

The profit or loss in Fuxin Development during the Transition Period shall be enjoyed or borne by the Company and Huadian Fuxin in proportion to their respective shareholdings after the completion of the Capital Increase. The increase in the net assets value of Fuxin Development arising from free transfer of assets from Huadian Fuxin during the Transition Period which will be determined by reference to the audit reports of such assets, shall be made up by the Company to Fuxin Development in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash. The cash capital contribution obtained by Fuxin Development from Huadian Fuxin during the Transition Period shall be made up by the Company to Fuxin Development in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash. The cash dividend declared by Fuxin Development to Huadian Fuxin during the Transition Period shall be made up by Fuxin Development to the Company in proportion to the Company's shareholding in Fuxin Development after the completion of the Capital Increase in cash.

The profit or loss in the New Energy Companies during the Transition Period shall be enjoyed or borne by Fuxin Development. The cash capital contribution obtained by the New Energy Companies from the Company during the Transition Period shall be made up by Fuxin Development to the Company in the equal amount in cash. The cash dividend declared by the New Energy Companies to the Company during the Transition Period shall be made up by the Company to Fuxin Development in the equal amount in cash.

The amount of the above matters will be determined in writing by the Company and Fuxin Development within 15 business days from the effective date of the Capital Increase Agreement, and be paid by the relevant party within 30 business days from that date.

As the transition period arrangement is the same for transferor (or vendor) and transferee (or buyer) (i.e. profit or loss will be enjoyed or borne by transferee (or buyer)) regardless of their identities and will be in proportion to their respective shareholders, we consider the transition period arrangement to be reasonable.

Completion

The completion of the Capital Increase will take place on the effective date of the Capital Increase Agreement.

For the avoidance of doubt, the completion of the transfer of New Energy Companies shall take place separately. If the completion of any equity transfer of the New Energy Companies cannot take place, the Company will pay an amount equal to the corresponding consideration of such company to Fuxin Development in cash. The Company, Huadian Fuxin and Fuxin Development shall cooperate with each other and complete the filing or registration procedures for the change in equity interests of Fuxin Development and the New Energy Companies with the competent authority for industrial and commerce change registration as soon as possible after the completion of the Capital Increase.

Having considered the above, we are of the view that terms of the transactions contemplated under Capital Increase Agreement to be fair and reasonable.

2. ASSETS AND EQUITY DISPOSAL AGREEMENTS

Information on Fuxin Development Group (as purchasers)

Purchasers under the Assets and Equity Disposal Agreements included Changxing Company, Shandong Company, Jinquan Company, Guangdong Company and Kangbao Company.

Each of Changxing Company, Shandong Company, Jinquan Company, Guangdong Company and Kangbao Company is a wholly-owned subsidiary of Fuxin Development.

Changxing Company, Jinquan Company, Guangdong Company and Kangbao Company are principally engaged in wind power generation.

Shandong Company is principally engaged in solar power generation.

Information on New Energy Assets and Equity (as targets)

(1) Assets Disposal

With reference to the Board Letter, the New Energy Assets are subject to the list of assets and liabilities as set out in each of the valuation reports issued by the valuers.

(2) Equity Disposal

As at the Latest Practicable Date, each of the New Energy Equity is a subsidiary of the Company incorporated in the PRC and principally engaged in wind and solar power generation.

Further information of the New Energy Assets and Equity is set out in the Board Letter.

Major terms

Set out below is the principal terms of the Assets and Equity Disposal Agreements, details of which are set out under the section headed "ASSETS AND EQUITY DISPOSAL AGREEMENTS" of the Board Letter.

Date: 24 May 2021

Subject matter: (1) Assets Disposal

Pursuant to the Assets Disposal Agreements, certain subsidiaries of Fuxin Development agreed to purchase and certain subsidiaries and branches of the Company agreed to sell the New Energy Assets at the consideration as set out in the section headed "(1) Assets Disposal" of the Board Letter, which was determined by the parties after arm's length negotiations with reference to the appraised value of the New Energy Assets as at the Valuation Benchmark Date as set out in the assets valuation report prepared by the valuer.

(2) Equity Disposal

Pursuant to the Equity Disposal Agreements, Fuxin Development agreed to purchase and certain subsidiaries of the Company agreed sell the New Energy Equity at the consideration as set out in the section headed "(2) Equity Disposal" of the Board Letter, which was determined by the parties after arm's length negotiations with reference to the appraised value of the New Energy Equity as at the Valuation Benchmark Date as set out in the assets valuation report prepared by the valuer.

Upon completion of the disposal of New Energy Equity, Hubei Suixian Company, Hubei Wuxue Company, Hubei Zaoyang Company and Hebei Yuzhou Company will cease to be the subsidiaries of the Company, and their financial statements will be de-consolidated into the consolidated financial statements of the Company.

Consideration:	Assets Disposal: approximately RMB439.3657 million
	Equity Disposal: approximately RMB1,642.8566 million
	(collectively, the "**Disposal Consideration**")
	The final consideration is subject to adjustments of filed assets valuation reports, if any, which will be finally determined by the competent authority(ies) for administration of State-owned assets.
	The consideration under the Assets and Equity Disposal Agreements shall be paid in cash in two instalments.
	The second instalment amount shall be adjusted by the capital contribution to and dividend declaration by the target companies under the Equity Disposal Agreements during the Transition Period. If there is any capital contribution made by the sellers, such amount shall be added into the second instalment; if there is any dividend declaration to the sellers, such amount shall be deducted from the second instalment. The amount of capital contribution and dividend declaration will be determined in writing by the parties within 30 days from the effective date of the Equity Disposal Agreements.
	Details of consideration for each of the Assets Disposal and Equity Disposal are set out under the section headed "ASSETS AND EQUITY DISPOSAL AGREEMENTS" of the Board Letter.

Valuation of New Energy Assets and Equity

To assess the fairness and reasonableness of the Disposal Consideration, we noted from the New Energy Assets and Equity Valuation Reports prepared by CEA/Yinxin Appraisal/China Alliance that the appraised value of the New Energy Assets and Equity as at the Valuation Benchmark Date was approximately RMB2,082.2223 million (the "**New Energy Assets and Equity Appraised Value**").

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of CEA/Yinxin Appraisal/China Alliance; (ii) CEA/Yinxin Appraisal/China Alliance's qualification in relation to the preparation of the New Energy Assets and Equity Valuation Reports; and (iii) the steps and due diligence measures taken by CEA/Yinxin Appraisal/China Alliance for conducting the New Energy Assets and Equity Valuation Reports. From the mandate letters and other relevant information provided by CEA/Yinxin Appraisal/China Alliance and based on our interview with them, we were satisfied with the terms of engagement of CEA/Yinxin Appraisal/China Alliance as well as their qualification for preparation of the New Energy Assets and Equity Valuation Reports (i.e. (i) each of CEA/Yinxin Appraisal/China Alliance is a registered valuer under the Ministry of Finance of the PRC and has experience in providing valuation services for listed companies in PRC (including Hong Kong); and (ii) CEA/Yinxin Appraisal/China Alliance's major staff members (who were involved in the preparation of New Energy Assets and Equity Valuation Reports) have experience of over 5 years in performing valuation services covering various industries). CEA/Yinxin Appraisal/China Alliance also confirmed that they are independent to the Group and Fuxin Development Group.

A. Appraised value of New Energy Assets concluded by asset-based approach

New Energy Assets	**Our analysis**
1. assets group of rooftop photovoltaic projects held by Weifang Company; and 2. assets group of rooftop photovoltaic projects held by Laizhou Company	The valuations in respect of 2 New Energy Assets were concluded by CEA/China Alliance by asset-based approach. We understood that CEA/China Alliance adopted asset-based approach to conclude the valuations in respect of 2 New Energy Assets after considering following factors: • Market approach was not adopted because it is difficult to obtain comparable listed companies or transaction cases with title owners. • Income approach was not adopted because the assets group are assets simulated to be peeled off by the company and due to the small scale, the estimated costs cannot be effectively shared. • Asset-based approach was adopted because all assets and liabilities of the title owners can be identified separately with the access to detailed information. For our due diligence purpose, we also obtained valuation breakdowns for each of assets and liabilities of 2 New Energy Assets. We noted that: 1. Assets group of rooftop photovoltaic projects held by Weifang Company: appraised value of fixed assets was approximately RMB10.1 million (accounting for over 80% of book value of all assets) as at the Valuation Benchmark Date, representing a deficit of approximately RMB0.9 million to its book value as at 31 December 2020 due to decrease in price of photovoltaic modules and other equipment; and

New Energy Assets	Our analysis
	2. Assets group of rooftop photovoltaic projects held by Laizhou Company: appraised value of fixed assets (being book value of all assets) was approximately RMB4.3 million, representing a deficit of approximately RMB0.5 million to its book value as at 31 December 2020 due to decrease in price of photovoltaic modules and other equipment. Having reviewed the valuation breakdowns and after considering the above factors, we consider that principal bases and assumptions adopted for New Energy Assets and Equity Valuation Reports of 2 New Energy Assets to be fair and reasonable.

B. Appraised value of New Energy Assets and Equity concluded by income approach

New Energy Assets and Equity	Our analysis
1. assets group of distributed rooftop photovoltaic projects held by Hangzhou Banshan Company; 2. assets group of distributed rooftop photovoltaic projects held by Longyou Company; 3. assets group of Wuhan Branch; 4. assets group of Huangshi Branch; 5. assets group of Zanhuang Branch; 6. assets group of Lechang Branch;	The valuations in respect of 10 New Energy Assets and Equity were concluded by CEA/Yinxin Appraisal/China Alliance by income approach. We understood that CEA/Yinxin Appraisal/China Alliance adopted income approach to conclude the valuations in respect of 10 New Energy Assets and Equity after considering following factors: • Market approach was not adopted because it is difficult to obtain comparable listed companies or transaction cases with appraised entities/title owners or there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. • Asset-based approach was not adopted because it cannot fully reflect the value of appraised entities/title owners. • Income approach was considered to better reflect the value of appraised entities/title owners.

New Energy Assets and Equity	Our analysis
7. 100% equity interests in Hubei Suixian Company; 8. 100% equity interests in Hubei Wuxue Company; 9. 100% equity interests in Hubei Zaoyang Company; and 10. 60.3803% equity interests in Hebei Yuzhou Company	As the assets valuation reports of certain New Energy Assets and Equity were prepared by the valuer using the income approach, the calculations of the appraised value as set out in such assets valuation reports are deemed as profit forecasts under the Hong Kong Listing Rules. We noted that (i) BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions; and (ii) the Board has confirmed that the profit forecasts, including assumptions, contained in the valuation report have been made with due care and careful enquiry. We also discussed the key assumptions and parameters under the New Energy Assets and Equity Valuation Reports of 10 New Energy Assets and Equity. *A. Determination of forecast period* With reference to the, as the projects of subjects commenced operation or in the construction period, the expected income is relatively stable predictable. CEA/Yinxin Appraisal/China Alliance determined forecast period based on factors such as the economic life span of the power generator set assets of 20 or 25 years, grid connection power generation date. *B. Major cash inflow and outflow items* With reference to the, enterprise free cash flow is selected for the income approach. *Operating income* We noted that the operating income adopted in arriving the valuation was determined with reference to electricity sales, unit price, etc. In addition, the electricity sales were determined based on respective New Energy Assets and Equity's power station capacity, power utilization hours, etc. *Operating expenses* Operating expenses include employee compensation, depreciation and amortization, repair cost and other costs, etc. Operating expenses were determined based on, among others, the historical amounts of respective New Energy Assets and Equity.

New Energy Assets and Equity	Our analysis
	C. Discount rate The discount rates for free cashflow applied in valuations of 10 New Energy Assets and Equity were 7.6% and 7.8%. We noted that the basis of discount rate for free cashflow was similar to that as set out in the Fuxin Development Valuation Report. Please refer to section headed "Valuation of Fuxin Development" above for our work done.

Despite the fact that certain New Energy Assets are assets in nature, we noted that:

(i) as assets group of distributed rooftop photovoltaic projects held by Hangzhou Banshan Company were in operation with stable cash flows, it was practical to forecast income;

(ii) as assets group of distributed rooftop photovoltaic projects held by Longyou Company were in operation with stable cash flows, it was practical to forecast income;

(iii) the income approach can better reflect the overall growth and profitability of assets group of Wuhan Branch;

(iv) the income approach can better reflect the overall growth and profitability of assets group of Huangshi Branch;

(v) as Zanhuang Branch operated for a period of time, the income approach can more comprehensively and reasonably reflect the value of Zanhuang Branch;

(vi) as construction progress of assets group of Lechang Branch was good, it was practical to forecast income;

(vii) as Hubei Suixian Company had certain advantages in power station operation and cost management, the income approach can better reflect the value of Hubei Suixian Company;

(viii) as Hubei Wuxue Company had certain advantages in power station operation and cost management, the income approach can better reflect the value of Hubei Wuxue Company;

(ix) as Hubei Zaoyang Company had certain advantages in power station operation and cost management, the income approach can better reflect the value of Hubei Zaoyang Company; and

(x) as Hebei Yuzhou Company operated for a period of time, the income approach can more comprehensively and reasonably reflect the value Hebei Yuzhou Company.

Therefore, we do not doubt the reasonableness of concluding valuations in respect of aforesaid 10 New Energy Assets and Equity by income approach.

We further reviewed the New Energy Assets and Equity Valuation Reports and enquired into CEA/Yinxin Appraisal/China Alliance on the methodology adopted and the basis and assumptions adopted in the New Energy Assets and Equity Valuation Reports in order for us to understand the New Energy Assets and Equity Valuation Reports. During our discussion with CEA/Yinxin Appraisal/China Alliance, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions, and parameters adopted for the New Energy Assets and Equity Valuation Reports.

The Disposal Consideration is the same as the New Energy Assets and Equity Appraised Value.

Having considered the above and our independent work performed on the New Energy Assets and Equity Valuation Reports, we are of the view that the Disposal Consideration is fair and reasonable.

Profit or Loss during the Transition Period

The profit or loss in the New Energy Assets and Equity during the Transition Period shall be enjoyed or borne by the purchasers.

The transition period arrangement is similar to the transition period arrangement of Capital Increase Agreement (which involves the Company's (as transferor (or vendor)) transfer of New Energy Companies to Fuxin Development (as transferee (or purchaser)).

Completion

The completion will take place when both parties to the transactions enter into completion confirmation letter. Each of the sellers and purchasers shall provide necessary documents relating to the New Energy Assets and Equity within 60 business days after the first instalment of consideration is paid by the purchasers, and cooperate with each other to complete the relevant filing or registration procedures for the transfer of the New Energy Assets and Equity.

Having considered the above, we are of the view that terms of the transactions contemplated under the Assets and Equity Disposal Agreements to be fair and reasonable.

3. EQUITY ACQUISITION AGREEMENTS

Information on China Huadian (as vendors)

With reference to the Board Letter, China Huadian is the controlling Shareholder of the Company. China Huadian is principally engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

Information on Hunan Area Companies (as targets)

As at the Latest Practicable Date, each of the Hunan Area Companies is a subsidiary of China Huadian, which is incorporated in the PRC and is principally engaged in thermal power generation.

Further information of the Hunan Area Companies is set out in the Board Letter.

Despite that each of the Hunan Area Companies recorded net current liabilities as at 31 December 2020, having considered following factors and after discussing with the Directors, we concur with the Directors that the Hunan Area Companies would not have material adverse effect to the liquidity and working capital requirement of the Group.

- We noted from the accountants reports as set out in the appendices to the Supplemental Circular that (i) Changsha Group's net cash from operating activities was approximately RMB588.1 million for FY2020; and (ii) Changde Company's net cash from operating activities was approximately RMB599.7 million for FY2020.

- As advised by the Directors, the Group will provide financial support to Changsha Group/Changde Company/Pingjiang Company when necessary after the completion of acquisition of such companies.

- As advised by the Directors, having considered that the Group recorded monetary fund of approximately RMB6.68 billion as at 31 December 2020, the Directors are confident that the Group has sufficient financial resources to support Changsha Group's, Changde Company's and Pingjiang Company's operations and therefore such companies will be able to continue as a going concern.

- As advised by the Directors, it is common for a coal-fired power generating company to record net current liabilities. We noted that various power generating listed companies with installed capacity of coal-fired power generating units (accounting for majority of their total installed capacity of power generating units) also recorded net current liabilities as at 31 December 2019 and 2020, namely the Company, Datang International Power Generation Co., Ltd. (stock code: 991 & SH601991), Huaneng Power International, Inc. (stock code: 902 & SH600011), GD Power Development Co., Ltd (stock code: SH600795).

Major terms

Set out below is the principal terms of the Equity Acquisition Agreements, details of which are set out under the section headed "EQUITY ACQUISITION AGREEMENTS" of the Board Letter.

Date:	24 May 2021
Parties:	(1) the Company; and (2) China Huadian
Subject matter:	The Company agreed to purchase and China Huadian agreed to sell its (i) 70% equity interests in Changsha Company, (ii) 48.98% equity interests in Changde Company and (iii) 100% equity interests in Pingjiang Company. Upon completion of the Equity Acquisitions, Changsha Company, Changde Company and Pingjiang Company will be owned as to 70%, 48.98% and 100% by the Company, respectively, and their financial statements will be consolidated into the consolidated financial statements of the Company.
Consideration:	The total consideration amounted to approximately RMB3,146 million (the "**Hunan Area Companies Consideration**"), comprised (i) consideration of approximately RMB1,690 million for the acquisition of 70% equity interests in Changsha Company, (ii) consideration of approximately RMB1,038 million for the acquisition of 48.98% equity interests in Changde Company; and (iii) consideration of approximately RMB418 million for the acquisition of 100% equity interests in Pingjiang Company.

The consideration of the transaction under each of the Equity Acquisition Agreements was determined by the parties after arm's length negotiations with reference to the appraised value of 100% equity interests in the Hunan Area Companies as at the Valuation Benchmark Date as set out in the assets valuation report prepared by CEA using the asset-based approach.

The final consideration is subject to adjustments of filed valuation reports, if any, which will be finally determined by the competent authority(ies) for administration of State-owned assets.

The consideration for the transactions under the Equity Acquisition Agreements shall be paid in cash by the Company to China Huadian in three instalments as follows:

(1) 51% of the consideration shall be paid by the Company within five business days from the effective date of each of the Equity Acquisition Agreements;

(2) 29% of the consideration, together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by the Company within five business days from the completion date of industrial and commercial change registration; and

(3) the third instalment, i.e. 20% of the consideration, is subject to adjustments, and will be determined by reference to the audit report of each of the Hunan Area Companies for Transition Period to be issued within 15 business days from the completion date of industrial and commercial change registration. The third instalment together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the third instalment, shall be paid within five business days from the issuance date of abovementioned audit report. The adjustment amount shall be calculated based on the difference between the audited net asset value as at the Valuation Benchmark Date and that as at the completion date (in proportion to the percentage of equity interests held by China Huadian in each of the Hunan Area Companies). Such audited net asset value as at the completion date will be arrived at taking into account any capital increase, dividend distribution and/or profit or loss of each of the Hunan Area Companies during the Transition Period.

Valuation of Hunan Area Companies

To assess the fairness and reasonableness of the Hunan Area Companies Consideration, we noted from the Hunan Area Companies Valuation Reports prepared by CEA that the appraised value of 100% equity interests in the Hunan Area Companies as at the Valuation Benchmark Date was approximately RMB4,951 million. The appraised value of Hunan Area Companies, based on the respective percentage of equity interests of the Hunan Area Companies to be acquired by the Company, as at the Valuation Benchmark Date was approximately RMB3,146 million (the "**Hunan Area Companies Appraised Value**").

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of CEA; (ii) CEA's qualification in relation to the preparation of the Hunan Area Companies Valuation Reports; and (iii) the steps and due diligence measures taken by CEA for conducting the Hunan Area Companies Valuation Reports. According to the mandate letters, CEA was engaged by the Company and China Huadian jointly. From the mandate letter and other relevant information provided by CEA and based on our interview with them, we were satisfied with the terms of engagement of CEA as well as their qualification for preparation of the Hunan Area Companies Valuation Reports (i.e. (i) CEA is a registered valuer under the Ministry of Finance of the PRC and has experience in providing valuation services for listed companies in PRC (including Hong Kong); and (ii) CEA's major staff members (who were involved in the preparation of Hunan Area Companies Valuation Reports) have experience of over 5 years in performing valuation services covering various industries). CEA also confirmed that they are independent to the Group, China Huadian and Hunan Area Companies.

The Hunan Area Companies Appraised Value was concluded by CEA by asset-based approach. We understood that CEA adopted asset-based approach to conclude the Hunan Area Companies Appraised Value after considering following factors:

- As it is difficult to find listed companies in the thermal power industry with same or similar business structure, business scale, operation stage and financial risks as Hunan Area Companies in the capital market and cannot obtained sufficient comparable transaction cases in the equity transaction market, the market approach was not adopted in the valuation.

- Income approach was not adopted due to uncertainties on profit forecast.

- Asset-based approach was adopted due to the availability of complete financial information.

For our due diligence purpose, we conducted the following analyses:

- review CEA's qualification and experience;

- upon our enquiry, the Directors advised us that Hunan Area Companies recorded large portion of (i) property, plant and equipment; and (ii) construction in progress (i.e. the sum of aforesaid two items of Changsha Company, Changde Company and Pingjiang Company accounted for approximately 73%, 83%, and 77% to their respective total assets as at 31 December 2020); and

- we noted that BSPI index (which indicated the average coal price) surged from April 2020 to the beginning of February 2021 and reached a high point. Subsequently, BSPI index dropped in March 2021 at a level similar to that (i.e. BSPI index level) at the end of 2020 and then moved on an increasing trend and exceeded the aforementioned high point. It was difficult to predict the coal price according to the aforesaid movement of BSPI in recent year as compared to the stable coal prices trend,

we do not doubt the reasonableness of the adoption of asset-based approach for the Hunan Area Companies Appraised Value by CEA.

We further reviewed the Hunan Area Companies Valuation Reports and enquired into CEA on the methodology adopted and the basis and assumptions adopted in the Hunan Area Companies Valuation Reports in order for us to understand the Hunan Area Companies Valuation Reports. During our discussion with CEA, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions, and parameters adopted for the Hunan Area Companies Valuation Reports.

For our due diligence purpose, we also obtained valuation breakdowns for each of assets and liabilities of Hunan Area Companies. Having reviewed the valuation breakdowns and after considering the above factors, we consider that principal bases and assumptions adopted for Hunan Area Companies Valuation Reports to be fair and reasonable.

The Hunan Area Companies Consideration is almost the same as the Hunan Area Companies Appraised Value.

In addition, having considered that the transition period arrangements and adjustment mechanisms under Equity Acquisition Agreements (i.e. the Company as the purchaser and China Huadian as the vendor pursuant to the Equity Acquisition Agreements) were similar to those under the agreements dated 26 February 2021 in respect of the Group's disposal of Ningxia Lingwu and Ningxia Heating (i.e. the Company as vendor and China Huadian as purchaser pursuant to the agreements), we are of the view that the transition period arrangement and adjustment mechanism to be reasonable.

Completion

The completion shall take place on the first day of the month following the effectiveness of the Equity Acquisition Agreement. The industrial and commercial change registration in relation to the equity transfer under the Equity Acquisition Agreements shall be completed within 60 business days from effective date of the Equity Acquisition Agreement.

Having considered the above and our independent work performed on the Hunan Area Companies Valuation Reports, we are of the view that the Hunan Area Companies Consideration is fair and reasonable.

4. FINANCIAL IMPACT OF THE TRANSACTIONS AND USE OF PROCEEDS

Upon completion of the Acquisitions, Fuxin Development will become an associated company of the Company and its financial results will be accounted for using the equity method in the consolidated financial statements of the Company. Hunan Area Companies will become the subsidiaries of the Company and their financial results will be consolidated into the consolidated financial statements of the Company.

Upon completion of the Disposals, the New Energy Companies, Hubei Suixian Company, Hubei Wuxue Company, Hubei Zaoyang Company and Hebei Yuzhou Company will cease to be subsidiaries of the Company, and the financial statements of the New Energy Companies and the New Energy Assets and Equity will be deconsolidated from the consolidated financial statements of the Company.

With reference to the Board Letter, the Company expects that the total gains derived from the Disposals (before deducting the taxation and other expenses payable by the Company) will be approximately RMB3,712 million. Wherein:

i. the gain derived from the disposals of New Energy Companies is expected to be approximately RMB3,649 million, which represents the difference between the appraised value of approximately RMB13,609 million and the carrying amount of net assets of approximately RMB9,960 million of the equity interests in the New Energy Companies held by the Company as at 31 December 2020; and

ii. the gain derived from the disposals of New Energy Assets and Equity is expected to be approximately RMB63 million, which represents the difference between the consideration for the transaction of approximately RMB2,082 million and the carrying amount of net assets of approximately RMB2,019 million of the New Energy Assets and Equity as at 31 December 2020.

The Shareholders should be aware that the actual gains on the Disposals will be calculated based on the relevant figures on the completion date and is subject to audit, and therefore it may be different from the above amount. The proceeds from the Disposals are intended to be used for capital expenditure related payments in the power plants under construction, etc.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to the Supplemental Circular, the unaudited pro forma consolidated total assets of the Enlarged Group as at 31 December 2020 would decrease from approximately RMB236,690.9 million to approximately RMB232,535.3 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 31 December 2020 would decrease from approximately RMB142,297.8 million to approximately RMB135,726.6 million as a result of the Transactions.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Transactions.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020, respectively. Together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.hdpi.com.cn):

- The 2018 Annual Report of the Company for the year ended 31 December 2018 published on 17 April 2019 (pages 56 to 164) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417335.pdf)

- The 2019 Annual Report of the Company for the year ended 31 December 2019 published on 23 April 2020 (pages 47 to 132) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300456.pdf)

- The 2020 Annual Report of the Company for the year ended 31 December 2020 published on 26 April 2021 (pages 51 to 132) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600788.pdf)

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had total outstanding debt of approximately RMB96,121 million, comprising the secured bank loans of approximately RMB270 million, which were guaranteed by China Huadian; and (i) the bank loans of approximately RMB66,025 million, (ii) the loans from shareholders of approximately RMB6,507 million, (iii) the state loans of approximately RMB53 million, (iv) the other loans of approximately RMB9,969 million, (v) the long-term debentures payable of approximately RMB12,495 million, and (vi) the lease liabilities of approximately HK$802 million, all of which were unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, the Enlarged Group did not have, at the close of business on 30 April 2021, any debt securities issued and outstanding or agreed to be issued, any outstanding bank overdrafts or loans, or other similar indebtedness, loan capital, debentures, liabilities under acceptances, acceptance credits, hire purchase or finance lease commitments, mortgages, charges, or guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Enlarged Group's internal resources, cash flow from operations, the present facilities available and also the effect of the transaction contemplated under the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements, the Enlarged Group will have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this supplemental circular in the absence of unforeseen circumstances.

4. RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Power generation by the Group in 2020 amounted to 207.32 million MWh, representing a decrease of 3.62% over 2019; the volume of on-grid power sold amounted to 194.55 million MWh, representing a decrease of 3.42% over 2019.

Turnover of the Group in 2020 amounted to approximately RMB89,382 million, representing a decrease of approximately 2.58% over 2019. Profit for the year attributable to equity holders of the Company in 2020 amounted to approximately RMB4,167 million, representing an increase of approximately 23.08% over 2019; profit for the year attributable to equity shareholders of the Company amounted to approximately RMB3,249 million; basic earnings per share in 2020 were approximately RMB0.329.

In future operation and development, the Group will stick to the determination that the long-term economy of China will be improved with strong development resilience. Based on the strategic decision to establish the domestic circulation and the domestic-and-international dual circulation, which can mutually promote a new development pattern, the Group will make every effort to expand the market and extensively investigate overseas resources. With the principle of optimizing power generation, we will actively coordinate various regions to optimize power generation resources and expand profit margins; carry out an in-depth study of the allocation principle of priority power generation plan, tap into dominant themes and actively participate in spot transactions. We will carry out thorough coal market analysis and coal procurement strategy research, optimize order structure, plan seasonal reserves in advance, actively respond to the impact on the efficiency brought by coal price fluctuations and continue to improve the ability to maintain, supply and control price. We will deepen financing innovation, actively explore and continuously expand financing channels and financing methods, and reduce financing costs through the reasonable use of various financial instruments.

Upon the completion of the Transactions, the asset structure of the Group will be optimized and its corporate positioning will become clearer. As a core conventional energy listed company of China Huadian, the Company will continue to optimize its regional and industrial structures, build and acquire high-quality conventional energy-based power generation assets, develop integrated energy service projects and promote international development as the main direction of the strategic development of the Company in the future.

I. MANAGEMENT DISCUSSION AND ANALYSIS ON FUXIN DEVELOPMENT GROUP

*Set out below is the management discussion and analysis on Fuxin Development Group for each of the three years ended 31 December 2018, 2019 and 2020 (the "**Reporting Period**"). The following financial information is based on the accountants' report of Fuxin Development Group as set out in Appendix III to this supplemental circular.*

A. Overview

Fuxin Development is a limited liability company incorporated in the PRC. Fuxin Development Group includes Fuxin Development and its subsidiaries and are mainly engaged in the generation and sale of wind power, solar power and other clean energy power in the PRC.

B. Operating Results of Fuxin Development Group

B.1 Revenue

Fuxin Development Group generates revenue from two main segments, namely (i) electricity sales of the wind power segment; and (ii) electricity sales of the solar power segment.

- Fuxin Development Group had a total of approximately 11,717 MW wind power installed capacity as at 31 December 2020. With respect to the electricity sales of the wind power segment, Fuxin Development Group recorded revenue of RMB8,107.8 million, RMB8,339.0 million and RMB9,372.5 million for the years ended 31 December 2018, 2019 and 2020, respectively, before deducting intersegments sales.

- Fuxin Development Group had a total of approximately 2,255 MW solar power installed capacity as at 31 December 2020. With respect to the electricity sales of the solar power segment, Fuxin Development Group recorded revenue of RMB2,329.8 million, RMB2,487.8 million and RMB2,502.3 million for the years ended 31 December 2018, 2019 and 2020, respectively, before deducting intersegments sales.

Fuxin Development Group recorded revenue of RMB10,485.9 million, RMB10,872.4 million and RMB11,922.2 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous increase in revenue of Fuxin Development Group during the Reporting Period was primarily due to the operation of new generating units during the Reporting Period.

B.2 Operating expenses

The operating expenses of Fuxin Development Group primarily comprised depreciation and amortisation, personnel costs, repairs and maintenance, administration expenses, taxes and surcharges and other operating expenses.

Fuxin Development Group recorded operating expenses of RMB5,409.6 million, RMB5,885.3 million and RMB6,187.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous increase in operating expenses of Fuxin Development Group during the Reporting Period was primarily due to the increase in the operating costs of power station in operation.

B.3 Other income and gains

The other income and gains of Fuxin Development Group primarily comprised governmental grants, profits or gains generated from disposal of property, plant and equipment by Fuxin Development Group, bargain purchase gain over business combination and others.

Fuxin Development Group recorded other income and gains of RMB170.2 million, RMB170.5 million and RMB256.9 million for the years ended 31 December 2018, 2019 and 2020, respectively. The other income and gains for the year ended 31 December 2019 remained relatively flat as compared with that for the year ended 31 December 2018. The increase in other income and gains of Fuxin Development Group for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019 was primarily due to the gain on acquisition of Wuwei Yineng Solar Power Co., Ltd. and the increase of government grants.

B.4 Net finance expenses

The net finance expenses of Fuxin Development Group is calculated by deducting finance income from finance expenses. The finance income of Fuxin Development Group primarily consisted of bank interest income and dividends from equity investments at fair value through other comprehensive income, and the finance costs of Fuxin Development Group primarily consisted of interest on bank loans and other borrowings and other financial costs, interests of obligations under finance leases or lease liabilities and bank charges and others.

Fuxin Development Group recorded net finance expenses of RMB2,720.1 million, RMB2,573.5 million and RMB2,667.5 million for the years ended 31 December 2018, 2019 and 2020, respectively. The net finance expenses of Fuxin Development Group decreased from approximately RMB2,720.1 million for the year ended 31 December 2018 to approximately RMB2,573.5 million for the year ended 31 December 2019, mainly due to the decrease in interest on bank loans and other borrowings generating from the decreased bank loans and other borrowings. The net finance expenses of Fuxin Development Group increased from approximately RMB2,573.5 million for the year ended 31 December 2019 to approximately RMB2,667.5 million for the year ended 31 December 2020, mainly due to the increase in interest on bank loans and other borrowings generating from the increased bank loans and other borrowings.

B.5 Profit for the year

Fuxin Development Group recorded profit for the year of RMB2,364.9 million, RMB2,383.7 million and RMB3,140.0 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous increase in profit for the year of the Fuxin Development Group during the Reporting Period was primarily due to the operation of new generating units and the increase in installed capacity and power generation.

C. Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, 2019 and 2020, Fuxin Development Group had total current assets of RMB14,715.7 million, RMB16,815.2 million and RMB21,378.3 million, respectively, which mainly comprised inventories, trade and bills receivables as well as prepayments and other current assets, tax recoverable, restricted deposits, and cash and cash equivalents.

As at 31 December 2018, 2019 and 2020, Fuxin Development Group had total current liabilities of RMB16,014.3 million, RMB15,822.9 million and RMB43,427.2 million, respectively, which mainly comprised borrowings, trade and bills payables as well as other payables and accruals, deferred income and tax payable.

As at 31 December 2018, 2019 and 2020, Fuxin Development Group had cash and cash equivalent of RMB2,812.3 million, RMB2,551.0 million and RMB3,260.6 million, respectively. Fuxin Development Group recorded relatively small amount of cash and cash equivalent as at 31 December 2019 primarily due to a relatively large increase in the net cash outflows in investment activities in 2019.

As at the end of the Reporting Period, the substantial part of the cash and bank balances of Fuxin Development Group were denominated in RMB.

Fuxin Development Group historically met its liquidity requirement through a combination of the cash flow generated from its daily operation and short-term and long-term borrowings. The primary liquidity requirements of Fuxin Development Group are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2018, 2019 and 2020, Fuxin Development Group had interest-bearing bank and other borrowings of RMB56,347.0 million, RMB56,767.7 million and RMB69,384.0 million, respectively.

The long-term and short-term borrowings of Fuxin Development Group were denominated in RMB, Euro and Hong Kong dollar.

As at 31 December 2018, 2019 and 2020, the gearing ratio of Fuxin Development Group (being total borrowings over the total assets) was approximately 63.4%, 60.4% and 57.1%, respectively.

The objective of the treasury policies of Fuxin Development Group is to minimise risks. Fuxin Development Group adopts a prudent treasury policy towards its overall business operation and manages as well as monitors its financial risk exposures to ensure that appropriate measures are implemented on a timely and effective manner.

D. Foreign Exchange Exposure

Fuxin Development Group is exposed to foreign currency risk primarily through the business which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily the Euro and Hong Kong dollar. The directors of Fuxin Development considered that Fuxin Development Group's exposure to foreign currency risk is insignificant.

For illustrative purpose only, if the foreign currency exchange rate increased or decreased by 5% during the Reporting Period, with all other variables held constant, the profit for the year of Fuxin Development Group for the year ended 31 December 2018, 2019 and 2020 would have decreased or increased by approximately RMB17.2 million, RMB15.8 million and RMB16.4 million, respectively.

Considering the fluctuation in foreign currency exchange rate only had limited impact on its results, Fuxin Development Group currently does not have foreign currency hedging policy and the management of Fuxin Development Group will continue to monitor the foreign exchange exposure and implement appropriate measures if necessary.

E. Capital Commitment

As at 31 December 2018, 2019 and 2020, Fuxin Development Group had capital commitments amounted to RMB2,802.9 million, RMB4,068.1 million and RMB1,487.3 million, which were mainly related to construction of new energy power plant.

F. Charge of Assets

Certain of the Fuxin Development Group's interest-bearing bank borrowings were secured by certain of the Fuxin Development Group's buildings and equipment as well as construction in progress, which had aggregate net book values amounted to RMB16,345.4 million, RMB15,136.8 million and RMB15,459.4 million as at 31 December 2018, 2019 and 2020, respectively. Certain of the Fuxin Development Group's interest-bearing borrowings with carrying amounts of RMB9,949.2 million, RMB10,457.5 million and RMB9,753.7 million for the years ended 31 December 2018, 2019 and 2020 were secured by certain rights of receipt of tariff of the Fuxin Development Group, respectively.

G. Contingent Liabilities

The contingencies of the Fuxin Development Group included the taxes on clean development mechanism revenue.

H. Material Investment, Acquisition and Disposals

In December 2020, Fuxin Development entered into (i) an equity transfer agreement with Huadian Fuxin, pursuant to which Fuxin Development acquired the equity held by Huadian Fuxin in the wind power business and solar power business with a consideration at RMB9,059,063,000 in cash; (ii) equity and assets transfer agreements with China Huadian and its subsidiaries, pursuant to which Fuxin Development acquired the equity and assets held by China Huadian and its subsidiaries in the wind power business and solar power business with a consideration at RMB9,055,732,000 in cash; and (iii) equity transfer agreements with Huadian Fuxin and its subsidiary, pursuant to which Fuxin Development acquired the equity and assets held by Huadian Fuxin and its subsidiary in the wind power business and solar power business with no consideration.

Save as disclosed above, for the year ended 31 December 2018, 2019 and 2020, Fuxin Development Group did not have any material acquisition, disposals or significant investment. Fuxin Development Group has no future plan of material investments or capital assets in the coming year after the Transactions.

I. Employee and Remuneration Policies

As at 31 December 2020, Fuxin Development Group had 2,770 employees.

Fuxin Development Group recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits provided by Fuxin Development Group include but not limited to social insurance and housing fund. Fuxin Development Group has implemented various programs for staff training and development as well. The personnel costs of Fuxin Development Group for the year ended 31 December 2018, 2019 and 2020 amounted to RMB509.1 million, RMB581.3 million and RMB602.3 million, which mainly included salaries, wages and other benefits and contributions to defined contribution retirement plans.

J. Prospects

Upon completion of the Transactions, Fuxin Development Group will continue to engage in generation and sale of wind power, solar power and other clean energy power in the PRC and consolidate the positioning of sole development and consolidation platform for new energy business of China Huadian. Fuxin Development Group has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants' report of Fuxin Development Group for the three years ended 31 December 2018, 2019 and 2020 set out in Appendix III to this supplemental circular for further details of the financial information of Fuxin Development Group.

II. MANAGEMENT DISCUSSION AND ANALYSIS ON CHANGSHA GROUP

Set out below is the management discussion and analysis on Changsha Group for the Reporting Period. The following financial information is based on the accountants' report of Changsha Group as set out in Appendix IV to this supplemental circular.

A. Overview

Changsha Company is a limited liability company incorporated in the PRC. Changsha Group includes Changsha Company and Hunan Huadian Changyuan Investment Co. Ltd, a wholly-owned subsidiary of Changsha Company. Changsha Group is mainly engaged in the generation and sale of electricity, heat and coal.

B. Operating Results of Changsha Group

B.1 Revenue

Changsha Group generates revenue from three main segments, namely (i) sale of electricity; (ii) sale of heat; and (iii) sale of coal and related products.

- With respect to the sale of electricity, the majority of electricity generated is supplied to the local power grid companies where the power plants of Changsha Group are located. Changsha Group generated most of its revenue from the sale of electricity in the years ended 31 December 2018, 2019 and 2020 with an amount of RMB1,938.5 million, RMB1,911.1 million and RMB1,714.2 million, respectively. Changsha Group expects that this business segment will continue to contribute the majority part of the revenue of Changsha Group in the future.

- With respect to the sale of heat, Changsha Group recorded revenue of RMB45.0 million, RMB50.0 million and RMB43.4 million for the years ended 31 December 2018, 2019 and 2020, respectively.

- With respect to the sale of coal and related products, Changsha Group recorded revenue of RMB31.9 million, RMB32.2 million and RMB33.8 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Changsha Group had a total of approximately 1,200 MW coal-fired installed capacity as at 31 December 2020. Changsha Group recorded revenue of RMB2,015.4 million, RMB1,993.3 million and RMB1,791.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous decrease in the revenue of Changsha Group during the Reporting Period was primarily due to the continue decrease in the power generation.

B.2 Operating expenses

The operating expenses of Changsha Group primarily comprised fuel costs, depreciation and amortisation, personnel costs, administration expenses, taxes and surcharges.

Changsha Group recorded operating expenses of RMB1,761.0 million, RMB1,697.1 million and RMB1,480.9 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous decrease in operating expenses of Changsha Group during the Reporting Period was primarily due to the continue decrease in the fuel costs.

B.3 Other revenue

The other revenue of Changsha Group primarily comprised government grants, compensation income and interest income.

Changsha Group recorded other revenue of RMB16.5 million, RMB14.4 million and RMB17.3 million for the years ended 31 December 2018, 2019 and 2020, respectively. The fluctuation in other revenue of Changsha Group during the Reporting Period was primarily due to the fluctuation in the government grant and compensation income.

B.4 Administrative expenses

The administrative expenses of Changsha Group primarily comprised general administration expenses, premium for property insurance, long-term depreciation of assets, fuel administration expenses in the power plant, specialized costs and other expenses.

Changsha Group recorded administrative expenses of RMB14.0 million, RMB10.9 million and RMB10.0 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous decrease in administrative expenses of Changsha Group during the Reporting Period was primarily due to the decrease in the general administration costs and coordination costs for neighbouring relationship.

B.5 Finance expenses

The finance expenses of Changsha Group primarily consisted of interest on loans.

Changsha Group recorded finance expenses of RMB92.4 million, RMB78.2 million and RMB57.6 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous decrease in finance expenses of Changsha Group during the Reporting Period was primarily due to the decrease in interest on loans generating from the decreased loans.

B.6 Profit for the year

Changsha Group recorded profit for the year of RMB130.4 million, RMB161.9 million and RMB198.2 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous increase of the profit for the year of the Changsha Group during the Reporting Period was primarily due to the decrease in the fuel costs in light of the decrease in the coal price and the decrease in the finance expenses.

C. Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, 2019 and 2020, Changsha Group had total current assets of RMB783.0 million, RMB618.2 million and RMB599.7 million, respectively, which mainly comprised inventories, trade debtors and bills receivable as well as deposits, other receivables and prepayments, accounts due from fellow subsidiaries, and cash and cash equivalents.

As at 31 December 2018, 2019 and 2020, Changsha Group had total current liabilities of RMB1,368.0 million, RMB951.4 million and RMB1,034.1 million, respectively, which mainly comprised bank loans, trade creditors and bills payable as well as other payables and receipts in advance, amounts due to fellow subsidiaries and income tax payable.

As at 31 December 2018, 2019 and 2020, Changsha Group had cash and cash equivalent of RMB230.2 million, RMB16.8 million and RMB168.4 million, respectively. Changsha Group recorded small amount of cash and cash equivalent as at 31 December 2019 primarily due to repayment of bank borrowings and payment of fuel costs in 2019.

As at the end of the Reporting Period, the substantial part of the cash and bank balances of Changsha Group were denominated in RMB.

Changsha Group historically met its liquidity requirement through a combination of the cash flow generated from its daily operation and short-term and long-term borrowings. The primary liquidity requirements of Changsha Group are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2018, 2019 and 2020, Changsha Group had bank loans of RMB2,013.9 million, RMB1,488.9 million and RMB1,077.1 million, respectively, with an annual effective interest rate of 4.42%, 4.37% and 3.99%, respectively.

As at 31 December 2018, 2019 and 2020, the bank loans and other borrowings of Changsha Group were all borrowings with fixed interest rates. The long-term and short-term borrowings of Changsha Group were all denominated in RMB.

As at 31 December 2018, 2019 and 2020, the gearing ratio of Changsha Group (being total borrowings over the total assets) was approximately 55.29%, 47.75% and 37.29%, respectively.

The objective of the treasury policies of Changsha Group is to minimise risks. Changsha Group adopts a prudent treasury policy towards its overall business operation and manages as well as monitors its financial risk exposures to ensure that appropriate measures are implemented on a timely and effective manner.

D. Foreign Exchange Exposure

As substantially all of Changsha Group's revenue, operating costs and expenses are denominated in RMB, Changsha Group's operation is not exposed to significant foreign currency risk.

E. Capital Commitment

As at 31 December 2018, 2019 and 2020, Changsha Group had capital commitment of RMB44.6 million, RMB38.8 million and nil, which were mainly related to technological transformation.

F. Charge of Assets

As at 31 December 2018, 2019 and 2020, Changsha Group did not have any charges over assets.

G. Contingent Liabilities

As at 31 December 2018, 2019 and 2020, Changsha Group did not have any contingent liabilities.

H. Material Investment, Acquisition and Disposals

For the year ended 31 December 2018, 2019 and 2020, Changsha Group did not have any material acquisition, disposals or significant investment. Changsha Group has no future plan of material investments or capital assets in the coming year after the Transactions.

I. Employee and Remuneration Policies

As at 31 December 2020, Changsha Group had 349 employees, respectively.

Changsha Group recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits provided by Changsha Group include but not limited to social insurance and housing fund. Changsha Group has implemented various programs for staff training and development as well. The personnel costs of Changsha Group for the year ended 31 December 2018, 2019 and 2020 amounted to RMB68.4 million, RMB73.7 million and RMB93.3 million, which mainly included wages, welfare and other benefits and retirement costs.

J. Prospects

Upon completion of the Transactions, Changsha Group will continue to engage in generation and sale of electricity, heat and coal and further improve its competitiveness. Changsha Group has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants' report of Changsha Group for the three years ended 31 December 2018, 2019 and 2020 set out in Appendix IV to this supplemental circular for further details of the financial information of Changsha Group.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON CHANGDE COMPANY

Set out below is the management discussion and analysis on Changde Company for the Reporting Period. The following financial information is based on the accountants' report of Changde Company as set out in Appendix V to this supplemental circular.

A. Overview

Changde Company is a limited liability company incorporated in the PRC and is mainly engaged in the development, operation and management of solar power plants.

B. Operating Results of Changde Company

B.1 Revenue

Changde Company generates revenue from three main segments, namely (i) sale of electricity; (ii) sale of heat; and (iii) sale of coal and related products.

- With respect to the sale of electricity, the majority of electricity generated is supplied to the local power grid companies where the power plants of Changde Company are located. Changde Company generated most of its revenue from the sale of electricity in the years ended 31 December 2018, 2019 and 2020 with an amount of RMB1,905.1 million, RMB2,020.9 million and RMB1,766.4 million, respectively. Changde Company expects that this business segment will continue to contribute the majority part of the revenue of Changde Company in the future.

- With respect to the sale of heat, Changde Company recorded revenue of RMB28.0 million, RMB40.1 million and RMB52.3 million for the years ended 31 December 2018, 2019 and 2020, respectively.

- With respect to the sale of coal and related products, Changde Company recorded revenue of RMB23.4 million, RMB24.0 million and RMB36.1 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Changde Company had a total of approximately 1,320 MW coal-fired installed capacity as at 31 December 2020. Changde Company recorded revenue of RMB1,956.5 million, RMB2,085.0 million and RMB1,854.8 million for the years ended 31 December 2018, 2019 and 2020, respectively. The fluctuation in the revenue of Changde Company during the Reporting Period was primarily due to the fluctuation in the power generation.

B.2 Operating expenses

The operating expenses of Changde Company primarily comprised fuel costs, depreciation and amortisation, personnel costs, administration expenses, taxes and surcharges.

Changde Company recorded operating expenses of RMB1,601.2 million, RMB1,629.1 million and RMB1,432.1 million for the years ended 31 December 2018, 2019 and 2020, respectively. The operating expenses for the year ended 31 December 2019 remained relatively flat as compared with that for the year ended 31 December 2018. The decrease in operating expenses of Changde Company for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019 was primarily due to the decrease in the fuel costs in light of the decrease of the coal price.

B.3 Other revenue

The other revenue of Changde Company primarily comprised government grants, compensation income and interest income.

Changde Company recorded other revenue of RMB7.2 million, RMB4.9 million and RMB8.4 million for the years ended 31 December 2018, 2019 and 2020, respectively. The fluctuation in other revenue of Changde Company during the Reporting Period was primarily due to the fluctuation in government grant and compensation income.

B.4 Administrative expenses

The administrative expenses of Changde Company primarily comprised general administration expenses, premium for property insurance, long-term depreciation of assets, fuel administration expenses in the power plant, specialized costs and other expenses.

Changde Company recorded administrative expenses of RMB6.2 million, RMB6.6 million and RMB5.9 million for the years ended 31 December 2018, 2019 and 2020, respectively. The fluctuation in administrative expenses of Changde Company during the Reporting Period was primarily due to the fluctuation of general management expenses.

B.5 Finance costs

The finance costs of Changde Company primarily consisted of interest on loans.

Changde Company recorded finance costs of RMB157.9 million, RMB134.7 million and RMB104.2 million for the years ended 31 December 2018, 2019 and 2020, respectively. The continuous decrease in finance costs of Changde Company during the Reporting Period was primarily due to the decrease in interest on loans generating from the decreased loans.

B.6 Profit for the year

Changde Company recorded profit for the year of RMB213.4 million, RMB245.1 million and RMB245.1 million for the years ended 31 December 2018, 2019 and 2020, respectively. The decrease in profit for the year of the Changde Company for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018 was primarily due to the decrease in the fuel costs in light of the decrease in the coal price and the decrease in the finance expenses. The profit for the year ended 31 December 2020 remained relatively flat as compared with that for the year ended 31 December 2019.

C. Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, 2019 and 2020, Changde Company had total current assets of RMB680.2 million, RMB571.5 million and RMB525.3 million, respectively, which mainly comprised inventories, trade debtors and bills receivable as well as deposits, other receivables and prepayments, accounts due from an associate and fellow subsidiaries, and cash and cash equivalents.

As at 31 December 2018, 2019 and 2020, Changde Company had total current liabilities of RMB752.5 million, RMB874.7 million and RMB1,391.9 million, respectively, which mainly comprised bank loans and other borrowings, trade creditors as well as other payables and receipts in advance, amounts due to ultimate holding company and fellow subsidiaries, and income tax payable.

As at 31 December 2018, 2019 and 2020, Changde Company had cash and cash equivalent of RMB107.2 million, RMB47.0 million and RMB76.8 million, respectively. Changde Company recorded small amount of cash and cash equivalent as at 31 December 2019 and 2020 primarily due to the repayment of bank borrowings and payment of fuel costs in 2019.

As at the end of the Reporting Period, the substantial part of the cash and bank balances of Changde Company were denominated in RMB.

Changde Company historically met its liquidity requirement through a combination of the cash flow generated from its daily operation and short-term and long-term borrowings. The primary liquidity requirements of Changde Company are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2018, 2019 and 2020, Changde Company had bank loans of RMB3,159.1 million, RMB2,510.8 million and RMB1,683.9 million, respectively, with an annual effective interest rate of 4.63%, 4.58% and 4.17%, respectively.

As at 31 December 2018, 2019 and 2020, the bank loans and other borrowings of Changde Company were all borrowings with fixed interest rates. The long-term and short-term borrowings of Changde Company were all denominated in RMB.

As at 31 December 2018, 2019 and 2020, the gearing ratio of Changde Company (being total borrowings over the total assets) was approximately 71.06%, 59.53% and 53.17%, respectively.

The objective of the treasury policies of Changde Company is to minimise risks. Changde Company adopts a prudent treasury policy towards its overall business operation and manages as well as monitors its financial risk exposures to ensure that appropriate measures are implemented on a timely and effective manner.

D. Foreign Exchange Exposure

As substantially all of Changde Company's revenue, operating costs and expenses are denominated in RMB, Changsha Group's operation is not exposed to significant foreign currency risk.

E. Capital Commitment

As at 31 December 2018, 2019 and 2020, Changde Company had capital commitment of RMB221.8 million, RMB107.8 million and RMB39.4 million, which were mainly related to technological transformation.

F. Charge of Assets

As at 31 December 2018, 2019 and 2020, Changde Company did not have any charges over assets.

G. Contingent Liabilities

As at 31 December 2018, 2019 and 2020, Changde Company did not have any contingent liabilities.

H. Material Investment, Acquisition and Disposals

For the year ended 31 December 2018, 2019 and 2020, Changde Company did not have any material acquisition, disposals or significant investment. Changde Company has no future plan of material investments or capital assets in the coming year after the Transactions.

I. Employee and Remuneration Policies

As at 31 December 2020, Changde Company had 327 employees, respectively.

Changde Company recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits provided by Changde Company include but not limited to social insurance and housing fund. Changde Company has implemented various programs for staff training and development as well. The personnel costs of Changde Company for the year ended 31 December 2018, 2019 and 2020 amounted to approximately RMB71.5 million, RMB76.8 million and RMB92.1 million, which mainly included wages, welfare and other benefits and retirement costs.

J. Prospects

Upon completion of the Transactions, Changde Company will continue to engaged in the development, operation and management of solar power plants and further improve its competitiveness. Changde Company has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants' report of Changde Company for the three years ended 31 December 2018, 2019 and 2020 set out in Appendix V to this circular for further details of the financial information of Changde Company.

IV. MANAGEMENT DISCUSSION AND ANALYSIS ON PINGJIANG COMPANY

Set out below is the management discussion and analysis on Pingjiang Company for the Reporting Period. The following financial information is based on the accountants' report of Pingjiang Company as set out in Appendix VI to this supplemental circular.

A. Overview

Pingjiang Company is a limited liability company incorporated in the PRC and is mainly engaged in the development, operation and management of solar power plants.

B. Operating Results of Pingjiang Company

B.1 Revenue

Pingjiang Company did not record any revenue for the years ended 31 December 2018, 2019 and 2020 due to the fact that the generating units of Pingjiang Company are still under construction and have not been put into operation.

B.2 Operating expenses

Pingjiang Company did not record any operating expenses for the years ended 31 December 2018, 2019 and 2020 due to the fact that the generating units of Pingjiang Company are still under construction and have not been put into operation.

B.6 Profit for the year

Pingjiang Company did not record any profit for the years ended 31 December 2018, 2019 and 2020 due to no revenue and operating expenses were recorded during the Reporting Period.

C. Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, 2019 and 2020, Pingjiang Company had total current assets of RMB69.5 million, RMB57.6 million and RMB66.8 million, respectively, which mainly comprised deposits, other receivables and prepayments, restricted cash, and cash and cash equivalents.

As at 31 December 2018, 2019 and 2020, Pingjiang Company had total current liabilities of RMB131.1 million, RMB131.4 million and RMB330.4 million, respectively, which mainly comprised bank loans and other borrowings, trade creditors and bills payable, and other payables.

As at 31 December 2018, 2019 and 2020, Pingjiang Company had cash and cash equivalent of RMB69.2 million, RMB57.6 million and RMB66.8 million, respectively. Pingjiang Company recorded relatively small amount of cash and cash equivalent as at 31 December 2019 primarily due to the timely payment of engineering expenses in 2019.

As at the end of the Reporting Period, the substantial part of the cash and bank balances of Fuxin Development Group were denominated in RMB.

Pingjiang Company historically met its liquidity requirement through funds generated from operations and obtaining bank loans. The primary liquidity requirements of Pingjiang Company are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2018, 2019 and 2020, Pingjiang Company had bank loans of RMB170.0 million, RMB250.0 million and RMB420.0 million, respectively, with an annual effective interest rate of 4.41%, 4.41% and 4.00%, respectively.

As at 31 December 2018, 2019 and 2020, the bank loans and other borrowings of Pingjiang Company were all borrowings with fixed interest rates. The long-term and short-term borrowings of Pingjiang Company were all denominated in RMB.

As at 31 December 2018, 2019 and 2020, the gearing ratio of Pingjiang Company (being total borrowings over the total assets) was approximately 77.53%, 72.30% and 35.59%, respectively.

The objective of the treasury policies of Pingjiang Company is to minimise risks. Pingjiang Company adopts a prudent treasury policy towards its overall business operation and manages as well as monitors its financial risk exposures to ensure that appropriate measures are implemented on a timely and effective manner.

D. Foreign Exchange Exposure

As it substantially operates in the PRC, Pingjiang Company is not exposed to significant foreign currency risk.

E. Capital Commitment

As at 31 December 2018, 2019 and 2020, Pingjiang Company had capital commitment of RMB79.7 million, RMB1,804.5 million and RMB2,754.3 million, which were mainly related to construction of power plant.

F. Charge of Assets

As at 31 December 2018, 2019 and 2020, Pingjiang Company did not have any charges over assets.

G. Contingent Liabilities

As at 31 December 2018, 2019 and 2020, Pingjiang Company did not have any contingent liabilities.

H. Material Investment, Acquisition and Disposals

For the year ended 31 December 2018, 2019 and 2020, Pingjiang Company did not have any material acquisition, disposals or significant investment. Pingjiang Company has no future plan of material investments or capital assets in the coming year after the Transactions.

I. Employee and Remuneration Policies

As at 31 December 2020, Pingjiang Company had 79 employees, respectively.

Pingjiang Company recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits provided by Pingjiang Company include but not limited to social insurance and housing fund. Pingjiang Company has implemented various programs for staff training and development as well. The personnel costs of Pingjiang Company for the year ended 31 December 2018, 2019 and 2020, amounted to RMB5.8 million, RMB10.5 million and RMB14.7 million, which mainly included wages, welfare and other benefits and retirement costs.

J. Prospects

Upon completion of the Transactions, Pingjiang Company will engage in thermal power generation after the operation of two generating units with a total installed capacity of 2,000 MW in 2022. Pingjiang Company has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants' report of Pingjiang Company for the three years ended 31 December 2018, 2019 and 2020 set out in Appendix VI to this circular for further details of the financial information of Pingjiang Company.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HUADIAN FUXIN ENERGY DEVELOPMENT COMPANY LIMITED TO THE DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Introduction

We report on the historical financial information of Huadian Fuxin Energy Development Company Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages 117 to 213, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 117 to 213 forms an integral part of this report, which has been prepared for inclusion in the circular of Huadian Power International Corporation Limited dated 15 June 2021 (the "Circular") in connection with proposed transaction in relation to the capital increase in the Target Company as defined in the Circular.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2018, 2019 and 2020 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 117 have been made.

Dividends

We refer to note 31(b) to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
15 June 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2018	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	10,485,940	10,872,368	11,922,234
Operating expenses				
Depreciation and amortisation	*8(b)*	(4,043,131)	(4,218,702)	(4,413,755)
Personnel costs	*8(a)*	(509,051)	(581,298)	(602,320)
Repairs and maintenance		(207,053)	(282,686)	(367,624)
Administration expenses		(126,843)	(131,149)	(133,490)
Taxes and surcharges		(96,810)	(99,416)	(132,284)
Other operating expenses		(426,669)	(572,009)	(537,847)
		(5,409,557)	(5,885,260)	(6,187,320)
Operating profit		5,076,383	4,987,108	5,734,914
Other income and gains	*6*	170,206	170,471	256,860
Finance income	*7*	32,962	28,735	40,479
Finance expenses	*7*	(2,753,093)	(2,602,282)	(2,707,938)
Share of profits less losses of associates and joint ventures		32,494	62,025	170,341
Profit before taxation	*8*	2,558,952	2,646,057	3,494,656
Income tax expense	*9*	(194,037)	(262,405)	(354,644)
Profit for the year		2,364,915	2,383,652	3,140,012
Attributable to:				
Equity holders of the Target Company		2,275,661	2,296,668	3,005,916
Non-controlling interests		89,254	86,984	134,096
		2,364,915	2,383,652	3,140,012

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	2,364,915	2,383,652	3,140,012
Other comprehensive income			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange difference on translation of foreign operations	18,100	676	(44,516)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Changes in fair value of equity investments designated at fair value through other comprehensive loss, net of tax	(93,626)	(14,463)	(46,421)
Other comprehensive loss for the year, net of tax	(75,526)	(13,787)	(90,937)
Total comprehensive income for the year	2,289,389	2,369,865	3,049,075
Attributable to:			
Equity holders of the Target Company	2,200,135	2,282,881	2,914,979
Non-controlling interests	89,254	86,984	134,096
	2,289,389	2,369,865	3,049,075

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	68,804,824	70,153,934	82,562,440
Right-of-use assets	*14(b)*	–	2,691,339	2,706,832
Lease prepayments	*14(a)*	824,968	–	–
Intangible assets	*15*	820,173	1,099,689	1,462,673
Goodwill	*15*	268,946	268,946	268,946
Interests in associates and joint ventures	*17*	483,971	541,654	10,057,837
Other non-current assets	*18*	2,535,204	2,112,148	2,775,906
Deferred tax assets	*28(b)*	352,552	343,706	338,121
Total non-current assets		74,090,638	77,211,416	100,172,755
Current assets				
Inventories	*19*	62,907	57,010	55,402
Trade and bills receivables	*20*	7,435,208	12,567,668	16,289,727
Prepayments and other current assets	*21*	4,392,778	1,622,255	1,718,540
Tax recoverable	*28(a)*	9,980	1,176	7,650
Restricted deposits	*22*	2,449	16,131	46,428
Cash and cash equivalents	*23*	2,812,347	2,550,975	3,260,581
Total current assets		14,715,669	16,815,215	21,378,328
Current liabilities				
Borrowings	*24(b)*	6,484,484	6,258,293	14,847,693
Obligations under finance leases	*25*	59,972	–	–
Trade and bills payables	*26*	606,350	778,736	1,207,273
Other payables and accruals	*27*	8,813,528	8,717,746	27,267,131
Deferred income	*29*	9,223	9,625	6,887
Tax payable	*28(a)*	40,733	58,538	98,179
Total current liabilities		16,014,290	15,822,938	43,427,163
Net current liabilities/(assets)		1,298,621	(992,277)	22,048,835
Total assets less current liabilities		72,792,017	78,203,693	78,123,920

		As at 31 December		
		2018	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	*24(a)*	49,862,554	50,509,367	54,536,337
Obligations under finance leases	*25*	1,153,461	–	–
Lease liabilities	*14(c)*	–	1,694,098	1,646,748
Deferred income	*29*	308,933	284,424	269,864
Deferred tax liabilities	*28(b)*	50,352	47,588	42,161
Other non-current liabilities	*30*	–	–	540,097
Total non-current liabilities		51,375,300	52,535,477	57,035,207
NET ASSETS		21,416,717	25,668,216	21,088,713
Equity				
Paid-in capital	*31*	181,900	271,900	397,000
Reserves		20,348,215	24,303,143	19,366,157
Total equity attributable to equity holders of the Target Company		20,530,115	24,575,043	19,763,157
Non-controlling interests		886,602	1,093,173	1,325,556
TOTAL EQUITY		21,416,717	25,668,216	21,088,713

Year ended 31 December 2018

	Attributable to the equity holders of the Target Company								
	Paid-in capital	Capital reserve	Reserve fund	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31(c)	*Note 31(d)(i)*	*Note 31(d)(ii)*	*Note 31(d)(iii)*	*Note 31(d)(iv)*	*Note 31(d)(v)*			
At 1 January 2018	160,000	16,458,764	28,844	19,965	(30,807)	2,153,160	18,789,926	827,828	19,617,754
Profit for the year	–	–	–	–	–	2,275,661	2,275,661	89,254	2,364,915
Other comprehensive income/(loss)	–	–	–	18,100	(93,626)	–	(75,526)	–	(75,526)
Total comprehensive income	–	–	–	18,100	(93,626)	2,275,661	2,200,135	89,254	2,289,389
Capital injections	21,900	–	–	–	–	–	21,900	30,949	52,849
Dividends paid by subsidiaries to non-controlling equity holders	–	–	–	–	–	–	–	(61,429)	(61,429)
Final dividend of 2017 *(note 31 (b))*	–	–	–	–	–	(48,000)	(48,000)	–	(48,000)
Effect of acquisitions from entities under common control *(note 31)*	–	893,737	–	–	–	(1,316,860)	(423,123)	–	(423,123)
Share of changes in equity of associates	–	(10,723)	–	–	–	–	(10,723)	–	(10,723)
Transfer to reserve fund	–	–	3,731	–	–	(3,731)	–	–	–
At 31 December 2018	181,900	17,341,778*	32,575*	38,065*	(124,433)*	3,060,230*	20,530,115	886,602	21,416,717

Year ended 31 December 2019

	Attributable to the equity holders of the Target Company								
	Paid-in capital	**Capital reserve**	**Reserve fund**	**Exchange reserve**	**Fair value reserve**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31(c)	*Note 31(d)(i)*	*Note 31(d)(ii)*	*Note 31(d)(iii)*	*Note 31(d)(iv)*	*Note 31(d)(v)*			
At 1 January 2019	181,900	17,341,778	32,575	38,065	(124,433)	3,060,230	20,530,115	886,602	21,416,717
Profit for the year	–	–	–	–	–	2,296,668	2,296,668	86,984	2,383,652
Other comprehensive income/(loss)	–	–	–	676	(14,463)	–	(13,787)	–	(13,787)
Total comprehensive income	–	–	–	676	(14,463)	2,296,668	2,282,881	86,984	2,369,865
Capital injections	90,000	–	–	–	–	–	90,000	164,202	254,202
Dividends paid by subsidiaries to non-controlling equity holders	–	–	–	–	–	–	–	(44,615)	(44,615)
Effect of acquisitions from entities under common control *(note 31)*	–	2,785,856	–	–	–	(1,113,809)	1,672,047	–	1,672,047
Transfer to reserve fund	–	–	5,893	–	–	(5,893)	–	–	–
At 31 December 2019	271,900	20,127,634*	38,468*	38,741*	(138,896)*	4,237,196*	24,575,043	1,093,173	25,668,216

Year ended 31 December 2020

	Attributable to the equity holders of the Target Company								
	Paid-in capital	Capital reserve	Reserve fund	Exchange reserve	Fair value reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31(c)	*Note 31(d)(i)*	*Note 31(d)(ii)*	*Note 31(d)(iii)*	*Note 31(d)(iv)*	*Note 31(d)(v)*			
At 1 January 2020	271,900	20,127,634	38,468	38,741	(138,896)	4,237,196	24,575,043	1,093,173	25,668,216
Profit for the year	–	–	–	–	–	3,005,916	3,005,916	134,096	3,140,012
Other comprehensive loss	–	–	–	(44,516)	(46,421)	–	(90,937)	–	(90,937)
Total comprehensive income	–	–	–	(44,516)	(46,421)	3,005,916	2,914,979	134,096	3,049,075
Capital injections	125,100	9,595,684	–	–	–	–	9,720,784	298,407	10,019,191
Dividends paid by subsidiaries to non-controlling equity holders	–	–	–	–	–	–	–	(157,171)	(157,171)
Final dividend of 2019 *(note 31(b))*	–	–	–	–	–	(87,000)	(87,000)	–	(87,000)
Effect of acquisitions from entities under common control *(note 31)*	–	(13,657,864)	–	–	–	(3,706,714)	(17,364,578)	–	(17,364,578)
Transfer to reserve fund	–	–	36,024	–	–	(36,024)	–	–	–
Acquisition of non-controlling interests	–	3,569	–	–	–	–	3,569	(42,949)	(39,380)
Others	–	360	–	–	–	–	360	–	360
At 31 December 2020	397,000	16,069,383*	74,492*	(5,775)*	(185,317)*	3,413,374*	19,763,157	1,325,556	21,088,713

* These reserve accounts comprise the consolidated reserves amounting to RMB20,348,215,000, RMB24,303,143,000 and RMB19,366,157,000 as at 31 December 2018, 2019 and 2020 in the consolidated statements of financial position, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Profit before taxation		2,558,952	2,646,057	3,494,656
Adjustments for:				
Depreciation and amortisation	*8(b)*	4,043,131	4,218,702	4,413,755
Impairment losses of property, plant and equipment	*8(b)*	312	187,885	66,209
Amortisation of deferred income	*29*	(13,722)	(30,661)	(21,576)
Gain/(loss) on disposal of property, plant and equipment	*6*	(666)	(2,886)	4,706
Gain on business combination	*6*	–	–	(38,981)
Interest income on financial assets	*7*	(25,839)	(21,725)	(33,628)
Interest expenses on financial liabilities	*7*	2,731,890	2,585,692	2,688,196
Foreign exchange differences, net	*7*	7,135	(112)	(479)
Dividend income	*7*	(7,123)	(6,898)	(6,372)
Share of profits less losses of associates and joint ventures		(32,494)	(62,025)	(170,341)
Changes in working capital:				
Increase in restricted deposits		(2,449)	(13,682)	(30,297)
(Increase)/decrease in inventories		(4,381)	5,897	1,608
Decrease/(increase) in trade and bills receivables		286,127	(5,132,460)	(3,534,349)
Decrease/(increase) in prepayments and other current assets		39,439	2,258,618	(41,492)
(Decrease)/increase in trade and bills payables and other payables and accruals		(1,468,467)	756,587	642,226
Cash generated from operations		8,111,845	7,388,989	7,433,841
Income tax paid	*28(a)*	(207,590)	(229,192)	(297,456)
Net cash generated from operating activities		7,904,255	7,159,797	7,136,385
Investing activities				
Payment for the purchase of property, plant and equipment, lease prepayments/right-of-use assets, and intangible assets		(5,688,224)	(6,955,649)	(13,974,766)
Acquisition of a subsidiary	*39(c)*	–	–	(43,591)
Proceeds from disposal of property, plant and equipment		18,460	90,760	63,730
Payment for the purchase of equity investments designated at fair value through other comprehensive income		–	–	(33,454)
Dividends received		62,747	22,368	26,401
Interest received		25,839	21,725	33,628
Net cash used in investing activities		(5,581,178)	(6,820,796)	(13,928,052)
Financing activities				
Capital injections		915,637	2,874,448	4,586,425
Capital injections from the non-controlling shareholders		30,949	164,202	298,407
Proceeds from borrowings	*23(c)*	12,064,076	12,829,397	26,409,700
Repayment of borrowings	*23(c)*	(11,444,275)	(12,408,819)	(14,239,244)
Dividends paid	*23(c)*	(742,295)	(1,026,857)	(400,262)
Interest paid	*23(c)*	(2,606,126)	(2,697,671)	(3,025,385)
Principal portion of lease payments/payments of finance lease obligations	*23(c)*	(178,093)	(334,491)	(653,967)
Acquisition of non-controlling interests		–	–	(39,380)
Payments of business combination		–	–	(5,434,438)
Net cash (used)/generated in financing activities		(1,960,127)	(599,791)	7,501,856
Net increase/(decrease) in cash and cash equivalents		362,950	(260,790)	710,189
Cash and cash equivalents at 1 January	*23(a)*	2,447,788	2,812,347	2,550,975
Effect of foreign exchanges rates changes, net		1,609	(582)	(583)
Cash and cash equivalents at 31 December	*23(a)*	2,812,347	2,550,975	3,260,581

STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	924,089	982,354	1,089,481
Right-of-use assets	–	40,508	38,474
Intangible assets	762,338	1,041,315	1,395,947
Investments in subsidiaries	–	–	27,513,496
Interests in associates and joint ventures	–	–	9,496,854
Other non-current assets	45,145	27,334	–
Deferred tax assets	10,464	12,193	12,115
Total non-current assets	1,742,036	2,103,704	39,546,367
Current assets			
Inventories	3,403	2,735	2,333
Trade and bills receivables	105,376	213,913	339,017
Prepayments and other current assets	104,465	78,862	487,921
Cash and cash equivalents	47,036	20,093	337,427
Total current assets	260,280	315,603	1,166,698
Total assets	2,002,316	2,419,307	40,713,065
Current liabilities			
Borrowings	73,053	76,900	5,919,770
Trade and bills payables	184,238	136,810	188,016
Other payables and accruals	549,970	447,217	12,936,945
Tax payable	3,697	7,441	10,966
Total current liabilities	810,958	668,368	19,055,697
Net current liabilities	550,678	352,765	17,888,999
Total assets less current liabilities	1,191,358	1,750,939	21,657,368
Non-current liabilities			
Borrowings	942,019	1,352,674	1,639,043
Total non-current liabilities	942,019	1,352,674	1,639,043
Total liabilities	1,752,977	2,021,042	20,694,740
NET ASSETS	249,339	398,265	20,018,325
Equity			
Share capital	181,900	271,900	397,000
Reserves	67,439	126,365	19,621,325
TOTAL EQUITY	249,339	398,265	20,018,325

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was established in the PRC with limited liability. The registered office of the Target Company is located at 21st Floor, Qiantian Mansion, No. 231 Hudong Road, Gulou District, Fuzhou, Fujian Province, the PRC.

During the Relevant Periods, the Target Company and its subsidiaries are mainly engaged in the generation and sale of wind power, solar power and other clean energy power in the PRC.

At 31 December 2018, 2019 and 2020, the directors of the Target Company consider that the immediate parent of the Target Group was Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin"), a limited liability company established in the PRC, and the ultimate controlling party of the Target Group was China Huadian Corporation Ltd. ("Huadian"), which is a state-owned enterprise established in the PRC.

2.1 BASIS OF PRESENTATION

The consolidated financial statements include the financial statements of the Target Group for the years ended 31 December 2018, 2019 and 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

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

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

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

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain trade and bills receivables and equity investments are stated at their fair value.

Going concern

The consolidated financial statements have been prepared assuming that the Target Group will continue as a going concern notwithstanding the net current liabilities of the Target Group at 31 December 2020 amounting to RMB22,048,835,000. The directors of the Target Company are of the opinion that, based on a review of the forecasted cash flows and the availability of unutilised banking facilities of RMB11,321,207,000 as at 31 December 2020, the Target Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements (note 34(b)).

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB.

For the purpose of the Circular, the Historical Financial Information have been prepared using accounting policies which are materially consistent with those of Huadian Power International Corporation Limited. The significant accounting policies are listed in note 4 to the Historical Financial Information.

The statutory financial statements of the Target Company were prepared in accordance with accounting principles generally accepted in the PRC and were audited by WUYIGE Certified Public Accountants LLP, a certified public accountant registered in the PRC, for each of the years ended 31 December 2018, 2019 and 2020.

The Historical Financial Information has been prepared under the historical cost convention.

3 APPLICATION OF NEW AND AMENDMENTS TO IFRSS

The impact of the new and amendments to IFRSs during the Relevant Periods are described below.

IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC15 *Operating Leases – Incentives* and SIC27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Target Group is the lessor.

The Target Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Target Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Target Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Target Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Target Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Target Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Target Group. Under IFRS 16, the Target Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Target Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

The Target Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) short-term leases. Instead, the Target Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables and accruals (current portion). The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Target Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB1,203,469,000 that were reclassified from property, plant and equipment.

The Target Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application.

As a lessee – Leases previously classified as finance leases

The Target Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., obligations under finance lease) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/(decrease)
	RMB'000
Assets	
Increase in right-of-use assets	2,279,963
Decrease in property, plant and equipment	(1,203,469)
Decrease in lease prepayments	(824,968)
Decrease in other non-current assets	(6,597)
Increase in total assets	244,929
Liabilities	
Increase in the non-current portion of lease liabilities	1,355,918
Increase in the current portion of lease liabilities (recorded in other payables and accruals)	102,444
Decrease in obligations under finance leases	(1,213,433)
Increase in total liabilities	244,929

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	172,852
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	907
Add:	
Commitments relating to leases previously classified as finance leases as at 31 December 2018	1,509,120
Lease commitments as at 1 January 2019 under IFRS 16	1,681,065
Weighted average incremental borrowing rate as at 1 January 2019	4.70%
Lease liabilities as at 1 January 2019	1,458,362

International Financial Reporting Interpretations Committee ("IFRIC") 23

Uncertainty over Income Tax Treatments

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Target Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Target Group's tax compliance and transfer pricing study, the Target Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Target Group.

Issued but not yet effective International Financial Reporting Standards

The Target Company has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1. Effective for annual periods beginning on or after 1 January 2021.

2. Effective for annual periods beginning on or after 1 January 2022.

3. Effective for annual periods beginning on or after 1 January 2023.

4. No mandatory effective date yet determined but available for adoption.

The directors of the Target Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the Target Company's financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Functional and presentation currency

The financial statements are presented in RMB, which is the presentation currency and the functional currency of the Target Company and its major subsidiaries.

(b) Associates and joint ventures

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

A joint venture is an arrangement whereby the Target Group or the Target Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Adjustments are made to bring into line any dissimilar accounting policy that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (note 4(j)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated other comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Target Group and its associates and joint ventures are eliminated to the extent of the Target Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Target Group's investments in associates or joint ventures.

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

In all other cases, when the Target Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 4(k)).

In the Target Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (note 4(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (note 4(j)).

On disposal of a cash-generating unit during the reporting periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

For a business combination between entities under common control with no substance from the perspective of the reporting entity, the pooling of interests method is applied. When evaluating whether the transaction has substance, the following factors are considered:

(a) the purpose of the transaction,

(b) the involvement of outside parties in the transaction, such as non-controlling interests or other third parties,

(c) whether or not the transaction is conducted at fair values,

(d) the existing activities of the entities involved in the transactions,

(e) whether or not it is bringing entities together into a "reporting entity" that did not exist before, and

(f) where a new company is established, whether it is undertaken as an integral part of an IPO or spin-off or other change in control and significant change in ownership.

Under the pooling of interests method, the transaction is accounted for as if the acquisition had occurred at the beginning of the years or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Target Company's controlling shareholder's consolidated financial statements. Upon transfer of interest in an entity to another entity that are under the control of the shareholder who controls the Target Group, any difference between the Target Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in process, are stated at cost less accumulated depreciation and impairment losses (note 4(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (note 4(w)).

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

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

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

Buildings and structures	5 to 30 years
Generators and related equipment	5 to 30 years
Motor vehicles	6 to 10 years
Furniture, fixtures and others	5 to 18 years

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

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

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

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

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

(f) Intangible assets (other than goodwill)

The Target Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and impairment losses (note 4(j)).

Other intangible assets that are acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 4(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

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

Concession assets	22 to 23 years
Software and others	5 to 10 years

Both the period and method of amortisation are reviewed annually.

(h) Leases

(i) Applicable from 1 January 2019

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

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Target Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(1) Right-of-use assets

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

Leased land	6 to 70 years
Leased sea area	27 to 28 years
Buildings and structures	2 to 20 years
Generators and related equipment	6 to 20 years
Motor vehicles	5 to 10 years

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

(2) Lease liabilities

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

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

The Target Group's lease liabilities are included in lease liabilities and other payables and accruals (current portion).

(3) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(ii) Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(1) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(2) Assets acquired under finance leases

Where the Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Target Group will obtain ownership of the asset, the life of the asset, as set out in note 4(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(3) Sale and leaseback arrangements resulting in finance leases

A sale and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset is deferred and amortised as an adjustment to the depreciation of the asset. If the sales proceeds are less than the carrying amount of the asset which indicates that the asset may be impaired, an impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount (note 4(j)). Any deficit of sales proceeds lower than the carrying amount, in the absence of impairment, is also deferred and amortised as an adjustment to the depreciation of the asset.

(4) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Fair value measurement

The Target Group measures its certain trade and bills receivable, and equity investments at fair value at the end of the current reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(j) Impairment of non-financial assets

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

- property, plant and equipment;
- right-of-use assets (2018: prepaid interests in leasehold land classified as being held under an operating lease);
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(k) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for section 4(u) "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as finance income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as finance income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(l) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

(m) Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Target Group applies the low credit risk simplification. At each reporting date, the Target Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Target Group reassesses the external credit ratings of the debt investments. In addition, the Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(n) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include borrowings, obligations under finance leases, lease liabilities, trade and bills payable, and financial liabilities included in other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(o) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are not restricted as to use.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Target Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

– in the case of current tax assets and liabilities, the Target Company or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 4(t)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 4(t)(ii).

(ii) Other provisions and contingent liabilities

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

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

(u) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sale of electricity and goods

Revenue from the sale of electricity and goods is recognised at the point in time when control of the asset is transferred to the customer, generally when electricity is supplied to the provincial grid companies or on delivery of the goods. Revenue excludes value-added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

Revenue from rendering of services is recognised over time by reference to the stage of completion of the transaction based on the progress of work performed.

Revenue from other sources

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Service concession construction revenue from the provision of construction services under a service concession construction contract is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Target Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. When the Target Group provides more than one type of service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered. Revenue from the operation under a service concession construction contract is recognised at a point in time as described in note 4(u)(i) Sales of electricity and goods above.

Interest income is recognised as it accrues using the effective interest method.

Dividend income from unlisted investments is recognised when the shareholders' right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

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

(v) Translation of foreign currencies

Foreign currency transactions during the reporting periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

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

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

(x) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(y) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

(z) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(aa) Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

(ab) Related parties

(1) A person, or a close member of that person's family, is related to the Target Group if that person:

(a) has control or joint control over the Target Group;

(b) has significant influence over the Target Group; or

(c) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(2) An entity is related to the Target Group if any of the following conditions applies:

(a) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(f) The entity is controlled or jointly controlled by a person identified in (1).

(g) A person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

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

(ac) Segment reporting

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

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

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sale of electricity	10,437,592	10,826,811	11,874,786
Sale of steam	516	315	301
Others	38,769	21,269	21,113
	10,476,877	10,848,395	11,896,200
Revenue from other sources			
Rental income from operating leases, fixed lease payments	9,063	23,973	26,034
Total	10,485,940	10,872,368	11,922,234

(i) Disaggregated revenue information

Revenue from contracts with customers for the year ended 31 December 2018

	Wind power	Solar power	Total
	RMB'000	*RMB'000*	*RMB'000*
Types of goods and services			
Sale of electricity	8,107,765	2,329,827	10,437,592
Sale of steam	516	–	516
Others	19,309	19,460	38,769
Total	8,127,590	2,349,287	10,476,877
Geographical markets			
Mainland China	8,076,064	2,349,287	10,425,351
Spain	51,526	–	51,526
Total	8,127,590	2,349,287	10,476,877
Timing of revenue recognition			
Goods transferred at a point in time	8,092,098	2,339,149	10,431,247
Services transferred over time	35,492	10,138	45,630
Total	8,127,590	2,349,287	10,476,877

Revenue from contracts with customers for the year ended 31 December 2019

	Wind power	Solar power	Total
	RMB'000	*RMB'000*	*RMB'000*
Types of goods and services			
Sale of electricity	8,338,970	2,487,841	10,826,811
Sale of steam	315	–	315
Others	4,466	16,803	21,269
Total	8,343,751	2,504,644	10,848,395
Geographical markets			
Mainland China	8,294,012	2,504,644	10,798,656
Spain	49,739	–	49,739
Total	8,343,751	2,504,644	10,848,395
Timing of revenue recognition			
Goods transferred at a point in time	8,341,218	2,487,841	10,829,059
Services transferred over time	2,533	16,803	19,336
Total	8,343,751	2,504,644	10,848,395

Revenue from contracts with customers for the year ended 31 December 2020

	Wind power	**Solar power**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Types of goods and services			
Sale of electricity	9,372,458	2,502,328	11,874,786
Sale of steam	301	–	301
Others	11,693	9,420	21,113
Total	9,384,452	2,511,748	11,896,200
Geographical markets			
Mainland China	9,307,235	2,511,748	11,818,983
Spain	77,217	–	77,217
Total	9,384,452	2,511,748	11,896,200
Timing of revenue recognition			
Goods transferred at a point in time	9,380,409	2,502,718	11,883,127
Services transferred over time	4,043	9,030	13,073
Total	9,384,452	2,511,748	11,896,200

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2018

	Wind power	**Solar power**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
External customers	8,127,590	2,349,287	10,476,877
Intersegment sales	3,681	–	3,681
Intersegment adjustments and eliminations	(3,681)	–	(3,681)
Total revenue from contracts with customers	8,127,590	2,349,287	10,476,877

For the year ended 31 December 2019

	Wind power	**Solar power**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
External customers	8,343,751	2,504,644	10,848,395
Intersegment sales	5,796	–	5,796
Intersegment adjustments and eliminations	(5,796)	–	(5,796)
Total revenue from contracts with customers	8,343,751	2,504,644	10,848,395

For the year ended 31 December 2020

	Wind power	Solar power	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
External customers	9,384,452	2,511,748	11,896,200
Intersegment sales	12,184	–	12,184
Intersegment adjustments and eliminations	(12,184)	–	(12,184)
Total revenue from contracts with customers	9,384,452	2,511,748	11,896,200

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the years in the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of each of the years in the Relevant Period:			
Types of goods and services – others	–	4,346	1,697

* Contract liabilities amounted to nil, RMB4,346,000 and RMB1,697,000 as at 1 January 2018, 2019 and 2020, respectively.

(ii) Performance obligations

Information about the Target Group's performance obligations is summarised below:

Sale of electricity and goods

The Target Group's contracts with customers for the power generation and sale generally include one performance obligation. The Target Group has concluded that the performance obligation is satisfied at a point in time and revenue continues to be recognised upon transmission to the customers or delivery of the goods to the customers.

Rendering of services

Revenue from the rendering of services is recognised over time by reference to the stage of completion of the transaction based on the progress of work performed.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	As at ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	8,142	8,142	8,142
	8,142	8,142	8,142

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(note (i))*	167,900	163,812	192,417
Gain/(loss) on disposal of property, plant and equipment	666	2,886	(4,706)
Service concession construction revenue *(note (ii))*	–	–	–
Bargain purchase gain	–	–	38,981
Others	1,640	3,773	30,168
	170,206	170,471	256,860

Notes:

(i) For the years ended 31 December 2018, 2019 and 2020, government grants amounting to RMB167,900,000, RMB163,812,000 and RMB192,417,000 were recognised as income for the years necessary to compensate the costs and facilitate the Target Group's development, respectively. There are no unfulfilled conditions or contingencies attached to the grants.

(ii) For the service concession arrangement of the Target Group, substantially all construction activities are sub-contracted. Therefore, when the Target Group recognises construction revenue, the same amount of cost is recorded in other income. As a result, construction revenue generated from construction services under service concession arrangements amounted to RMB80,345,000, RMB317,841,000 and RMB396,771,000 for the years ended 31 December 2018, 2019 and 2020, respectively.

7. FINANCE INCOME AND EXPENSES

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Interest income	25,839	21,725	33,628
Dividend income from equity investments at fair value through other comprehensive income	7,123	6,898	6,372
Net foreign exchange gains	–	112	479
Finance income	32,962	28,735	40,479
Interest on bank loans and other borrowings	2,857,224	2,635,742	2,985,555
Finance charges on obligations under finance leases	15,885	–	–
Interest on lease liabilities *(note 14)*	–	62,387	43,941
Less: Interest capitalised	(141,219)	(112,437)	(341,300)
	2,731,890	2,585,692	2,688,196
Bank charges and others	14,068	16,590	19,742
Net foreign exchange losses	7,135	–	–
Finance expenses	2,753,093	2,602,282	2,707,938
Net finance expenses	(2,720,131)	(2,573,547)	(2,667,459)

The borrowing costs have been capitalised at rates of 3.80% to 5.15%, 3.92% to 5.88%, 4.10% to 5.90% per annum for the years ended 31 December 2018, 2019 and 2020, respectively.

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	463,107	512,176	584,769
Contributions to defined contribution retirement plans	45,944	69,122	17,551
	509,051	581,298	602,320

(b) Other items

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation			
– lease prepayments *(note (i))*	24,725	–	–
– intangible assets	38,715	46,737	50,053
Depreciation			
– property, plant and equipment *(note (i))*	3,979,691	4,073,673	4,251,600
– right-of-use assets	–	98,292	112,102
Impairment loss/(reversal) of provisions			
– property, plant and equipment *(note 13)*	312	187,885	66,209
– prepayments and other current assets *(note 21)*	(748)	21,664	(2,299)
– trade receivables *(note 20)*	(16)	(325)	–
Write-down/(reverse of write-down) of inventories to net realisable value			
– inventories	–	6,479	(27)
Auditors' remuneration			
– audit services	6,406	7,812	7,977
– other services	3,953	2,147	2,000
Operating lease charges			
– machinery	1,694	4,927	3,187
– properties	12,426	2,867	7,807
Cost of inventory	70,908	71,400	103,775

Note:

(i) Upon the adoption of IFRS 16, depreciation of finance lease assets was reclassified from "depreciation – property, plant and equipment" to "depreciation – right-of-use assets", and amortisation of lease prepayments was reclassified from "amortisation – lease prepayments" to "depreciation – right-of-use assets".

9. INCOME TAX

(a) Taxation in profit or loss represents:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	188,946	260,392	338,751
Underprovision/(Overprovision) in respect of prior years	14,032	(4,591)	(8,128)
	202,978	255,801	330,623
Deferred tax			
Origination and reversal of temporary differences *(note 28(b))*	(8,941)	6,604	24,021
Total income tax expense	194,037	262,405	354,644

The current tax provision mainly included the PRC Corporate Income Tax which was made by the Target Company and its subsidiaries located in the PRC. It is calculated based on a statutory rate of 25% of the assessable profit, except for certain subsidiaries of the Target Company which were tax-exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2018, 2019 and 2020.

The Target Company's subsidiary in Hong Kong is subject to income tax at a rate of 16.5%. The Target Company's subsidiary in Spain is subject to income tax at a rate of 25%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Target Group operates.

(b) A reconciliation between tax expense applicable to accounting profit before taxation at the applicable tax rate for the jurisdiction in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	2,558,952	2,646,057	3,494,656
Applicable tax rate	25%	25%	25%
Notional tax on profit before taxation	639,738	661,514	873,664
Tax effect of non-deductible expenses	789	1,358	1,641
Tax effect of non-taxable income	(9,904)	(17,231)	(44,178)
Tax effect of PRC tax concessions *(note (i))*	(472,997)	(402,672)	(500,769)
Tax effect of unused tax losses not recognised	35,393	35,984	38,951
Tax losses utilised from previous periods	(13,014)	(11,957)	(6,537)
Underprovision/(Overprovision) in respect of prior years	14,032	(4,591)	(8,128)
Actual tax expenses	194,037	262,405	354,644

Note:

(i) Pursuant to CaiShui [2011] No. 58, certain subsidiaries of the Target Company established in the Western Region of the PRC were entitled to the preferential income tax rate of 15% from 2011 to 2020. Pursuant to CaiShui [2020] No. 23, certain subsidiaries of the Target Company established in the Western Region of the PRC are entitled to the preferential income tax rate of 15% from 2021 to 2030.

Under the relevant tax regulations, certain subsidiaries of the Target Company, being enterprises engaged in public infrastructure projects, are entitled to tax holidays of a 3-year full exemption followed by a 3-year 50% exemption commencing from the respective years in which their first operating income was derived.

10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The remuneration of each of the Target Company's directors and supervisors is set out below:

Year ended 31 December 2018

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive director				
Mr. Chen Rongshui	135	300	90	525
Supervisor				
Mr. Chen Liku	143	317	93	553
	278	617	183	1,078

Year ended 31 December 2019

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive director				
Mr. Chen Rongshui	162	361	91	614
Supervisor				
Mr. Chen Liku	143	257	95	495
	305	618	186	1,109

Year ended 31 December 2020

	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Huang Shaoxiong* (Chairman) *(note (i))*	–	–	–	–
Mr. Wu Jianchun* *(note (i))*	–	–	–	–
Mr. Du Jiangwu* *(note (i))*	–	–	–	–
Mr. Chen Rongshui *(note (i))*	100	223	91	414
Non-executive director				
Mr. Yang Ming* *(note (ii))*	–	–	–	–
Supervisors				
Mr. Chen Liku *(note (iii))*	59	132	40	231
Mr. Lin Huijian *(note (iii)) (note (iv))*	83	186	55	324
Mr. Shao Fusheng* *(note (iv))*	–	–	–	–
	242	541	186	969

* Certain of the directors and supervisor received remuneration from Huadian Fuxin

Notes:

(i) Mr. Chen Rongshui has resigned as an executive director of the Target Company with effect from 27 November 2020. Mr. Huang Shaoxiong, Mr. Wu Jianchun and Mr. Du Jiangwu have been appointed as executive directors of the Target Company with effect from 27 November 2020.

(ii) Mr. Yang Ming has been appointed as a non-executive director of the Target Company with effect from 27 November 2020.

(iii) Mr. Chen Liku has resigned as a supervisor of the Target Company with effect from 18 June 2020. Mr. Lin Huijian has been appointed as a supervisor of the Target Company with effect from 18 June 2020.

(iv) Mr. Lin Huijian has resigned as a supervisor of the Target Company with effect from 27 November 2020. Mr. Shao Fusheng has been appointed as a supervisor of the Target Company with effect from 27 November 2020.

11. INDIVIDUALS WITH HIGHEST EMOLUMENT

The five individuals with the highest emoluments included 1 director and 1 supervisor as of 31 December 2018 and 2019 and 1 director and 2 supervisors as of 31 December 2020. Their emoluments are disclosed in note 10.

12. SEGMENT REPORTING

The Target Group manages its businesses by divisions, which are based on their products and services. In a manner consistent with the way in which information is reported internally to the Target Group's most senior executive management for the purposes of resource allocation and performance assessment, the Target Group has presented the following reportable operating segments:

– Wind power: this segment constructs, manages and operates wind power plants and generates electric power for the sale to power grid companies.

– Solar power: this segment constructs, manages and operates solar power plants and generates electric power for the sale to power grid companies.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Target Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets do not include interests in associates and joint ventures, equity investments at fair value through other comprehensive income, tax recoverable, deferred tax assets or unallocated head office and corporate assets. Segment liabilities do not include tax payable, deferred tax liabilities or unallocated head office and corporate liabilities.

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include unallocated head office and corporate revenue and expenses, share of profits less losses of associates and joint ventures, and net finance expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Target Group's reportable segments as provided to the Target Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018, 2019 and 2020 is set out below:

For the year ended 31 December 2018

	Wind power	**Solar power**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
– Sale of electricity	8,107,765	2,329,827	10,437,592
– Sale of steam	516	–	516
– Others	23,398	24,434	47,832
Inter-segment revenue	3,681	–	3,681
Reconciliation	8,135,360	2,354,261	10,489,621
Inter-segment revenue	(3,681)	–	(3,681)
Reportable segment revenue	8,131,679	2,354,261	10,485,940
Reportable segment profit (operating profit)	3,906,696	1,339,893	5,246,589
Depreciation and amortisation	(3,194,672)	(848,459)	(4,043,131)
Interest income	18,599	7,240	25,839
Interest expenses	(2,182,195)	(549,695)	(2,731,890)
Impairment losses of property, plant and equipment	–	(312)	(312)
Impairment losses of trade receivables, other receivables and prepayments	1,042	(278)	764
Addition to non-current segment assets during the year	8,857,517	536,282	9,393,799
As at 31 December 2018			
Reportable segment assets	69,132,440	18,720,371	87,852,811
Reportable segment liabilities	53,791,584	13,710,711	67,502,295

For the year ended 31 December 2019

	Wind power	**Solar power**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers			
– Sale of electricity	8,338,970	2,487,841	10,826,811
– Sale of steam	315	–	315
– Others	16,979	28,263	45,242
Inter-segment revenue	5,796	–	5,796
Reconciliation	8,362,060	2,516,104	10,878,164
Inter-segment revenue	(5,796)	–	(5,796)
Reportable segment revenue	8,356,264	2,516,104	10,872,368
Reportable segment profit (operating profit)	3,767,231	1,390,424	5,157,655

	Wind power *RMB'000*	Solar power *RMB'000*	Total *RMB'000*
Depreciation and amortisation	(3,361,595)	(857,107)	(4,218,702)
Interest income	17,164	4,561	21,725
Interest expenses	(2,063,467)	(522,225)	(2,585,692)
Impairment losses of property, plant and equipment	(179,173)	(8,712)	(187,885)
Impairment losses of trade receivables, other receivables and prepayments	(20,928)	(411)	(21,339)
Write-down of inventories	(6,479)	–	(6,479)
Addition to non-current segment assets during the year	9,847,398	524,085	10,371,483
As at 31 December 2019			
Reportable segment assets	75,033,249	17,976,201	93,009,450
Reportable segment liabilities	56,039,978	12,387,896	68,427,874

For the year ended 31 December 2020

	Wind power *RMB'000*	Solar power *RMB'000*	Total *RMB'000*
Revenue from external customers			
– Sale of electricity	9,372,458	2,502,328	11,874,786
– Sale of steam	301	–	301
– Others	29,434	17,713	47,147
Inter-segment revenue	12,184	–	12,184
Reconciliation	9,414,377	2,520,041	11,934,418
Inter-segment revenue	(12,184)	–	(12,184)
Reportable segment revenue	9,402,193	2,520,041	11,922,234
Reportable segment profit (operating profit)	4,679,895	1,329,891	6,009,786
Depreciation and amortisation	(3,585,861)	(827,894)	(4,413,755)
Interest income	28,802	4,826	33,628
Interest expenses	(2,144,303)	(543,893)	(2,688,196)
Impairment losses of property, plant and equipment	(66,209)	–	(66,209)
Impairment losses of trade receivables, other receivables and prepayments	4,324	(2,025)	2,299
Reverse of write-down of inventories	27	–	27
Addition to non-current segment assets during the year	416,788,519	3,584,323	420,372,842
As at 31 December 2020			
Reportable segment assets	90,339,700	20,197,298	110,536,998
Reportable segment liabilities	68,289,997	14,671,860	82,961,857

(b) Reconciliations of reportable segment revenue, profit, assets and liabilities

	Year ended 31 December 2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Reportable segment revenue	10,485,940	10,872,368	11,922,234
Consolidated revenue	10,485,940	10,872,368	11,922,234
Profit			
Reportable segment profit	5,246,589	5,157,655	6,009,786
Unallocated head office and corporate expenses	–	(76)	(18,012)
Share of profits less losses of associates and joint ventures	32,494	62,025	170,341
Net finance expenses	(2,720,131)	(2,573,547)	(2,667,459)
Consolidated profit before taxation	2,558,952	2,646,057	3,494,656

	As of 31 December 2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Reportable segment assets	87,852,811	93,009,450	110,536,998
Inter-segment receivables	(203,790)	(175,585)	(232,352)
	87,649,021	92,833,865	110,304,646
Interests in associates and joint ventures	483,971	541,654	10,057,837
Other non-current assets – equity investments at fair value through other comprehensive income	310,783	306,230	235,227
Deferred tax assets	352,552	343,706	338,121
Tax recoverable	9,980	1,176	7,650
Unallocated head office and corporate assets	–	–	607,602
Consolidated total assets	88,806,307	94,026,631	121,551,083
Liabilities			
Reportable segment liabilities	67,502,295	68,427,874	82,961,857
Inter-segment payables	(203,790)	(175,585)	(232,352)
	67,298,505	68,252,289	82,729,505
Tax payable	40,733	58,538	98,179
Deferred tax liabilities	50,352	47,588	42,161
Unallocated head office and corporate liabilities	–	–	17,592,525
Consolidated total liabilities	67,389,590	68,358,415	100,462,370

(c) Geographical information

As the Target Group does not have material operations outside the PRC, no geographic segment reporting is presented.

(d) Major customers

Revenue from the sale of electricity to the PRC government-controlled power grid companies amounted to RMB10,435,384,000, RMB10,824,791,000 and RMB11,873,060,000 for the years ended 31 December 2018, 2019 and 2020, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2018	3,915,769	73,547,359	117,900	188,712	5,949,091	83,718,831
Additions	10,902	162,456	1,929	4,043	3,104,396	3,283,726
Transfer	153,359	3,837,500	3,791	7,550	(4,002,200)	–
Disposals	–	–	(5,077)	(338)	(6,439)	(11,854)
Reclassification to lease prepayments	–	–	–	–	(31,178)	(31,178)
Transfer to intangible assets	–	–	–	–	(3,066)	(3,066)
Others	235,372	(221,496)	837	6,171	–	20,884
Exchange difference	–	1,581	–	–	–	1,581
Balance at 31 December 2018	4,315,402	77,327,400	119,380	206,138	5,010,604	86,978,924
Effect of adoption of IFRS 16	–	(1,379,173)	–	–	–	(1,379,173)
Balance at 1 January 2019	4,315,402	75,948,227	119,380	206,138	5,010,604	85,599,751
Additions	13,080	3,539	6,117	4,218	7,489,599	7,516,553
Transfer	105,988	3,161,686	5,557	10,606	(3,283,837)	–
Disposals	(20)	(26,344)	(4,525)	(55)	(69,125)	(100,069)
Transfer to right-of-use assets	(40,678)	–	–	–	(446,148)	(486,826)
Transfer to intangible assets	–	–	–	–	(7,442)	(7,442)
Others	(50,388)	(69,089)	(1,267)	2,012	–	(118,732)
Exchange difference	–	(1,118)	–	–	–	(1,118)
Balance at 31 December 2019	4,343,384	79,016,901	125,262	222,919	8,693,651	92,402,117
Additions	(5,584)	63,371	6,961	7,752	16,351,995	16,424,495
Transfer	514,873	5,088,136	4,688	12,420	(5,620,117)	–
Disposals	–	(24,320)	(4,587)	(595)	(40,530)	(70,032)
Acquisition from third parties	24,352	478,423	–	–	–	502,775
Transfer from/(to) right-of-use assets	–	509,211	–	–	(569,979)	(60,768)
Transfer to intangible assets	–	–	–	–	(12,157)	(12,157)
Others	32,989	(61,800)	(627)	(6,186)	–	(35,624)
Exchange difference	–	7,362	–	–	–	7,362
At 31 December 2020	4,910,014	85,077,284	131,697	236,310	18,802,863	109,158,168

	Buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment losses						
At 1 January 2018	566,656	13,397,242	79,365	116,389	41,617	14,201,269
Depreciation charge for the year	163,138	3,796,617	8,804	15,082	–	3,983,641
Write-back on disposals	–	–	(3,923)	(207)	–	(4,130)
Impairment losses *(note (iv))*	–	–	–	–	312	312
Others	3,050	(11,023)	760	(296)	–	(7,509)
Exchange difference	–	517	–	–	–	517
Balance at 31 December 2018	732,844	17,183,353	85,006	130,968	41,929	18,174,100
Effect of adoption of IFRS 16	–	(175,704)	–	–	–	(175,704)
Balance at 1 January 2019	732,844	17,007,649	85,006	130,968	41,929	17,998,396
Depreciation charge for the year	178,726	3,878,062	9,814	11,838	–	4,078,440
Write-back on disposals	(2)	(7,797)	(4,299)	(49)	(3,963)	(16,110)
Impairment losses *(notes (iii) (iv))*	–	54,988	–	–	132,897	187,885
Others	(13,206)	14,716	(607)	(903)	–	–
Exchange difference	–	(428)	–	–	–	(428)
Balance at 31 December 2019	898,362	20,947,190	89,914	141,854	170,863	22,248,183
Depreciation charge for the year	192,550	4,078,976	11,816	13,783	–	4,297,125
Write-back on disposals	–	(13,519)	(4,371)	(517)	(613)	(19,020)
Impairment losses *(notes (iii) (iv))*	–	553	–	–	65,656	66,209
Others	(4,469)	5,923	(821)	(633)	–	–
Exchange difference	–	3,231	–	–	–	3,231
At 31 December 2020	1,086,443	25,022,354	96,538	154,487	235,906	26,595,728
Net book value:						
At 31 December 2018	3,582,558	60,144,047	34,374	75,170	4,968,675	68,804,824
At 1 January 2019	3,582,558	58,940,578	34,374	75,170	4,968,675	67,601,355
At 31 December 2019	3,445,022	58,069,711	35,348	81,065	8,522,788	70,153,934
At 31 December 2020	3,823,571	60,054,930	35,159	81,823	18,566,957	82,562,440

Notes:

(i) The Target Group's property, plant and equipment are mainly located in the PRC.

(ii) Certain of the Target Group's interest-bearing bank borrowings were secured by certain of the Target Group's buildings and equipment as well as construction in progress, which had aggregate net book values amounted to RMB16,345,416,000, RMB15,136,833,000 and RMB15,459,438,000 as at 31 December 2018, 2019 and 2020, respectively.

(iii) For the year ended 31 December 2019, the recoverable amount of certain a subsidiary's property, plant and equipment of the Target Group's wind power segment was lower than its carrying amount due to its continuous loss-making performance. The recoverable amounts of the projects have been estimated based on their value in use. As a result, the carrying amount of the property, plant and equipment of a subsidiary in the wind power segment was written down to its recoverable amount of RMB380,634,000, and the impairment losses of RMB49,249,000 has been included in other operating expenses as at 31 December 2019. Factors leading to the impairment include the average annual utilisation hours of power generation equipment lower than expected operating results of a subsidiary in 2019. When determining the recoverable amounts based on value-in-use calculations, management prepared the calculations with cash flow projections covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using a discount rate of 5.9%. The discount rate used is pre-tax and reflects specific risks relating to the relevant segments. Key assumption used for the value-in-use calculations is the revenue from electricity sales. Management determined the revenue from electricity sales based on its expectation of electricity volume and the on-grid tariff approved by the related government authorities.

(iv) Full impairment provision, amounting to RMB312,000, RMB132,897,000 and RMB65,656,000 as at 31 December 2018, 2019 and 2020, was made for certain construction in progress projects, respectively, where the construction was in hold-up progress and management considered that the probability of further processing of these projects is remote.

14. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of leased land, buildings and structures, and generators and related equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 6 to 70 years, and ongoing payments will be made under the terms of these land leases. Leases of buildings and structures generally have lease terms between 2 and 20 years, while generators and related equipment generally have lease terms between 6 and 20 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	808,048
Additions	41,645
Recognised in profit or loss during the year	(24,725)
Carrying amount at 31 December 2018	824,968

(b) Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Sea use right	Land use rights	Buildings and structures	Generators and related equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	–	1,064,514	17,537	1,197,912	–	2,279,963
Additions	–	22,770	3,309	–	–	26,079
Transfer from property, plant and equipment	–	62,716	–	424,110	–	486,826
Depreciation charge	–	(38,857)	(2,582)	(60,090)	–	(101,529)
As at 31 December 2019	–	1,111,143	18,264	1,561,932	–	2,691,339
As at 1 January 2020	–	1,111,143	18,264	1,561,932	–	2,691,339
Additions	–	27,194	53,835	–	145	81,174
Transfer from property, plant and equipment	36,785	35,009	–	498,185	–	569,979
Transfer to property, plant and equipment	–	–	–	(509,211)	–	(509,211)
Depreciation charge	–	(44,926)	(6,497)	(64,094)	(27)	(115,544)
Disposal	–	–	(10,905)	–	–	(10,905)
As at 31 December 2020	36,785	1,128,420	54,697	1,486,812	118	2,706,832

(c) Lease liabilities

	2019 Lease liabilities	2020 Lease liabilities
	RMB'000	*RMB'000*
Carrying amount at 1 January	1,458,362	1,802,157
New leases	678,286	641,406
Accretion of interest recognised during the year *(note 7)*	62,387	43,941
Payments	(396,878)	(697,908)
Carrying amount at 31 December	1,802,157	1,789,596
Analysed into:		
Current portion *(note 27)*	108,059	142,848
Non-current portion	1,694,098	1,646,748

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 34 to the financial statements.

Part of the lease liabilities amounting to RMB795,988,000 and RMB631,177,000 as at 31 December 2019 and 2020, and part of obligation under finance leases amounting to RMB726,993,000 as at 31 December 2018, were derived from leases from a fellow subsidiary, respectively.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Interest on lease liabilities	62,056	43,610
Depreciation charge of right-of-use assets *(note 8)*	98,292	112,102
Expense relating to short-term leases and other leases with remaining lease terms	7,794	10,994
Total amount recognised in profit or loss	168,142	166,706

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 23(d) and 34, respectively, to the financial statements.

15. INTANGIBLE ASSETS AND GOODWILL

	Concession assets	**Software and others**	**Goodwill**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2018	865,945	98,907	268,946	1,233,798
Additions	80,345	28,533	–	108,878
Transfer from construction in progress	–	3,066	–	3,066
Balance at 31 December 2018 and at 1 January 2019	946,290	130,506	268,946	1,345,742
Additions	317,841	1,346	–	319,187
Transfer from construction in progress	–	7,442	–	7,442
Balance at 31 December 2019 and at 1 January 2020	1,264,131	139,294	268,946	1,672,371
Additions	396,771	7,097	–	403,868
Transfer from construction in progress	–	12,157	–	12,157
Disposals	(4,411)	–	–	(4,411)
At 31 December 2020	1,656,491	158,548	268,946	2,083,985

	Concession assets	Software and others	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated amortisation and impairment losses:				
At 1 January 2018	150,243	67,317	–	217,560
Charge for the year	33,832	5,231	–	39,063
Balance at 31 December 2018 and at 1 January 2019	184,075	72,548	–	256,623
Charge for the year	38,943	8,170	–	47,113
Balance at 31 December 2019 and at 1 January 2020	223,018	80,718	–	303,736
Charge for the year	41,242	9,323	–	50,565
Disposals	(1,935)	–	–	(1,935)
Balance at 31 December 2020	262,325	90,041	–	352,366
Net book value:				
At 31 December 2018	762,215	57,958	268,946	1,089,119
At 31 December 2019	1,041,113	58,576	268,946	1,368,635
At 31 December 2020	1,394,166	68,507	268,946	1,731,619

The amortisation charge for the year is included in "depreciation and amortisation" in profit or loss.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Target Group's cash-generating units ("CGU") identified according to operating segments as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wind power	268,946	268,946	268,946

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using discount rates of 5.6% to 6.6%, 5.5% to 6.7% and 5.9% to 6.7%, as at 31 December 2018, 2019 and 2020, respectively. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The key assumption used for the value-in-use calculations is the revenue from electricity sales. Management has determined the revenue from electricity sales based on its expectation of electricity volume and the on-grid tariff approved by the related government authorities.

16. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2020 which principally affected the results, assets or liabilities of the Target Group. All of these subsidiaries are limited liability companies.

Name of company	Place of incorporation/ registration and business	Registered capital *(RMB'000)*	Proportion of ownership interest Held by the Target Company	Held by subsidiaries	Principal activities
Inner Mongolia Huadian Huitengxile Wind Power Company Limited 內蒙古華電輝騰錫勒風力發電有限公司	the PRC	842,000	100%	–	Wind power generation
Inner Mongolia Huadian Bayin Wind Power Company Limited 內蒙古華電巴音風力發電有限公司	the PRC	339,000	100%	–	Wind power generation
Gansu Huadian Yumen Wind Power Company Limited 甘肅華電玉門風力發電有限公司	the PRC	595,000	100%	–	Wind power generation
Huadian Jilin Da'an Wind Power Company Limited 華電吉林大安風力發電有限公司	the PRC	219,020	100%	–	Wind power generation
Inner Mongolia Huadian Wutaohai Wind Power Company Limited 內蒙古華電烏套海風電有限公司	the PRC	480,000	100%	–	Wind power generation
Huadian Tieling Wind Power Company Limited 華電鐵嶺風力發電有限公司	the PRC	183,500	100%	–	Wind power generation
Hebei Huadian Shangyi Wind Power Company Limited 河北華電尚義風力發電有限公司	the PRC	292,320	70%	–	Wind power generation
Inner Mongolia Huadian Meiguiying Wind Power Company Limited 內蒙古華電玫瑰營風力發電有限公司	the PRC	405,250	100%	–	Wind power generation
Shanxi Huadian Guangling Wind Power Company Limited 山西華電廣靈風力發電有限公司 *(note (ii))*	the PRC	250,000	65%	–	Wind power generation
Qitaihe Honghao Wind Power Company Limited 七台河宏浩風力發電有限公司	the PRC	75,000	60%	–	Wind power generation
Shanxi Huadian Yanggao Wind Power Company Limited 山西華電陽高風力發電有限公司 *(note (ii))*	the PRC	80,000	65%	–	Wind power generation
Gansu Huadian Huanxian Wind Power Company Limited 甘肅華電環縣風力發電有限公司	the PRC	722,000	100%	–	Wind power generation
Xinjiang Huadian Xuehu Wind Power Company Limited 新疆華電雪湖風力發電有限公司	the PRC	207,000	100%	–	Wind power generation
Damaoqi Xiehe Wind Power Company Limited 達茂旗協合風力發電有限公司	the PRC	291,000	100%	–	Wind power generation

Name of company	Place of incorporation/ registration and business	Registered capital *(RMB'000)*	Proportion of ownership interest Held by the Target Company	Held by subsidiaries	Principal activities
Gansu Jingyuan Hangtian Wind Power Company Limited 甘肅靖遠航天風力發電有限公司	the PRC	215,000	98%	–	Wind power generation
Yunnan Huadian Daheishan Wind Power Company Limited 雲南華電大黑山風力發電有限公司	the PRC	354,400	85%	–	Wind power generation
Huadian Xinghua Solar Power Company Limited 華電興化太陽能發電有限公司	the PRC	284,000	100%	–	Solar power generation
Huadian Fuxin Xinjiang Power Company Limited the PRC 華電福新新疆能源有限公司	the PRC	348,000	100%	–	Solar power generation
Huadian Fuxin International Investment Company Limited 華電福新國際投資有限公司	Hong Kong	(HK$'000) 390,000	100%	–	Investment holding
Elecdey Barchin, S.A.–Sociedad Unipersonal	Spain	(EUR'000) 200	100%	–	Wind power generation
Hunan Huadian Yongzhou Wind Power Co., Ltd. 湖南華電永州風電有限公司	the PRC	20,000	56%	–	Wind power generation
Sichuan Yanyuan Huadian New Energy Co., Ltd. 四川鹽源華電新能源有限公司	the PRC	496,600	100%	–	Wind power generation

Notes:

(i) For the subsidiaries incorporated inside the PRC, the English translation of the names is for reference only, the official names of these entities are in Chinese.

(ii) The Target Company's voting power in these entities attached to the equity interests does not allow the Target Company to have the rights to variable returns from its involvement with these entities and to have the ability to affect those returns through its power over these entities according to the articles of association of these entities. However, the Target Company or its subsidiaries are the largest shareholders of these entities and no other shareholders individually or in aggregate have the power to control these entities according to the articles of association. Historically, the Target Company controlled these entities by appointing senior management, approving the annual budget, determining the remuneration of employees, etc. The Target Company or its subsidiaries had signed the concert party agreements with certain equity holders of these companies, whereby such equity holders have agreed to vote the same as the Target Company or its subsidiaries. Such equity holders have also confirmed that the voting in unison with the Target Company or its subsidiaries has existed since the establishment of these companies. The PRC lawyer of the Target Company confirmed that the concert party agreements are valid under the relevant PRC laws. Considering the above-mentioned factors, the directors are of the opinion that the Target Company controlled these entities during the years presented. Therefore, the financial information of these companies is consolidated by the Target Company for the years presented.

The above table lists the subsidiaries of the Target Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Target Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets:			
– Unlisted investments *(note (i))*	–	–	9,496,854
– Listed shares in Hong Kong *(note (ii))*	483,971	541,654	560,983
	483,971	541,654	10,057,837
Market value of listed shares	238,988	299,556	348,086

Notes:

(i) On 30 November 2020, the Target Company completed acquisition of 39% interest in Fujian Fuqing Nuclear Power Company Limited, 10% interest in Sanmen Nuclear Power Company Limited and 49% interest in Inner Mongolia Jiahua Wind Power Company Limited from its immediate parent, Huadian Fuxin with no consideration. The carrying value of interest acquired amounted to RMB9,400,284,000 on acquisition date of share transfer. The investment income recognised in 2020 amounted to RMB96,570,000.

(ii) The Target Company held 10.49% interest in Concord New Energy Group Limited.

All of the associates and the joint ventures are limited liability companies. The following list contains only the particulars of material associates, which principally affected the results or assets of the Target Group. Except for Concord New Energy Group Limited, all associates and the joint ventures are unlisted corporate entities whose quoted market prices are not available:

Name of associate	**Place of incorporation/ registration and business**	**Registered/ issued capital** *RMB'000*	**Proportion of ownership interest Held by the Target Company**	**Held by a subsidiary**	**Principal activities**
Fujian Fuqing Nuclear Power Company Limited (福建福清核電有限公司)	the PRC	17,361,530	39%	–	Nuclear power generation
Sanmen Nuclear Power Company Limited (三門核電有限公司)	the PRC	12,161,970	10%	–	Nuclear power generation
Concord New Energy Group Limited (協合新能源集團有限公司)	Bermuda/ the PRC	(HK$'000) 125,000	–	10.49%	Construction of power plants

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

The Target Group considers that it has significant influence over Sanmen Nuclear Power Company Limited ("Sanmen Power") even though it owns 10% of equity interest in it. Since the single largest shareholder of Sanmen Power who holds 51% of shares cannot control Sanmen Power, given the fact that the resolutions of the investee's financial and operating decisions require over two-thirds of votes in the shareholders' meetings. Besides, pursuant to the articles of association of Sanmen Power, the Target Group has the right to participate in the policy-making process and assign a director representative on the board of directors of Sanmen Power. The Target Group actively monitors the operations of Sanmen Power, through the director in the supervisory committee of Sanmen Power.

Summarised financial information of the material associates, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Fujian Fuqing Nuclear Power Company Limited	Sanmen Nuclear Power Company Limited	Concord New Energy Group Limited		
	2020	**2020**	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of the associates					
Current assets	6,731,834	3,645,469	3,566,432	3,451,499	5,663,445
Non-current assets	73,878,873	61,438,676	13,846,317	15,386,908	12,864,776
Current liabilities	10,076,509	9,233,048	9,402,140	3,293,916	4,329,308
Non-current liabilities	48,961,916	39,837,055	3,463,929	10,591,086	8,704,471
Equity	21,572,282	16,014,042	4,546,680	4,953,405	5,494,442
Revenue	9,528,874	6,466,016	1,414,070	1,824,429	2,000,754
Profit	1,876,069	1,295,684	513,849	632,713	684,208
Other comprehensive income	(58)	(7,112)	(9,861)	(2,034)	24,891
Total comprehensive income	1,876,011	1,288,572	503,988	630,679	709,099
Dividend receivable/ received from the associates	1,845,000	–	7,458	15,469	20,030
Reconciled to the Target Group's interests in the associates					
Gross amounts of net assets of the associates	21,572,282	16,014,042	4,546,680	4,953,405	5,494,442
Target group's effective interest rates	39%	10%	10.29%	10.35%	10.49%
Target group's share of net assets of the associates	8,413,190	1,601,404	467,853	512,677	576,367
Goodwill on acquisition	–	–	16,118	16,118	16,118
Target group's share of issuance of renewable corporate bonds	(585,000)	–	–	–	–
Carrying amount included in the consolidated financial statements of the Target Group	7,828,155	1,599,201	483,971	541,654	560,983

Aggregate information of associates and joint ventures that are not individually material:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	–	–	69,498
Aggregate amounts of the Target Group's share of profit and other comprehensive income of those associates and joint ventures	–	–	4,543

18. OTHER NON-CURRENT ASSETS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deductible Value-added tax ("VAT") *(note (i))*	1,993,042	1,632,747	2,345,165
Unquoted equity investments in non-listed companies, at fair value *(note (ii))*	99,369	96,283	81,383
Other non-current financial assets at fair value through profit or loss *(note (iii))*	–	–	32,000
Equity investment in a Hong Kong listed company, at fair value *(note (iv))*	211,414	209,947	153,844
Others	231,379	173,171	163,514
	2,535,204	2,112,148	2,775,906

Notes:

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and inventories, which is deductible from the output VAT. The input VAT expected to be deducted within one year is recorded in prepayments and other current assets (note 21).

(ii) The unquoted equity investments in non-listed companies are limited liability companies established in the PRC. The Target Group's management has assessed and classified these equity investments into equity investments through other comprehensive income and measured at fair value (without recycling).

(iii) Guangdong Huadian Fuxin Yangjiang Offshore Wind Power Co., Ltd. ("Yangjiang Offshore"), a subsidiary of the Target Company, has entered into Yangjiang Offshore Wind Power Industry Development Fund Partnership (Limited Partnership) ("the Partnership") as a limited partnership in July 2020, and signed a repurchase agreement with another limited partner, Yangjiang Hengcai City Investment Holdings Co., Ltd., at the same time. Pursuant to the agreement, Yangjiang Offshore should contribute capital amounted to RMB100 million to the fund as stipulated in the agreement, which should be paid in three instalments, and the first capital contribution of RMB32 million has been completed on 7 July 2020.

The partnership can be liquidated with the unanimous consent of all partners when the 5-year expiry criteria is satisfied (including 3-year investing period and 2-year exit period), otherwise it will be renewed by at most twice, the first renewal should be no more than 5 years, the second renewal should be no more than 2 years. The Investing Decision Committee is comprised of 7 members, which is empowered to make decisions over projects establishments, investments and exits of projects. However, Yangjiang Offshore has no seats in the Committee, therefore, Yangjiang Offshore is determined having no control or significant influence over the partnership. Since the project investment is an investment in a partnership enterprise with the longest term (12 years), according to the partnership agreement, the investment is classified as a debt investment. In terms of the order of return on investment, the principal will be recovered first and followed by uncertain proceeds of the investment. According to IFRS 9 *Financial Instruments*, this investment was classified as a financial asset at fair value through profit or loss.

(iv) Pursuant to the investment agreement with China Energy Engineering Corporation Limited ("China Energy Engineering") (HK.03996), the Target Group recognised this investment as an equity investment at fair value through other comprehensive income (without recycling).

19. INVENTORIES

Inventories in the statement of financial position comprise the following:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Spare parts and others	62,907	57,010	55,402

20. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from third parties	7,438,607	12,572,412	16,295,563
Amount due from a joint venture	–	729	729
Amounts due from fellow subsidiaries	3,521	1,122	30
Less: Allowance for doubtful accounts	(6,920)	(6,595)	(6,595)
	7,435,208	12,567,668	16,289,727
Analysed into:			
Trade receivables			
– at amortised cost	674,291	693,773	780,208
– at fair value through other comprehensive income	6,520,750	11,631,870	15,316,987
Bills receivable, at fair value through other comprehensive income	240,167	242,025	192,532
	7,435,208	12,567,668	16,289,727

(a) Ageing analysis

The ageing analysis of trade and bills receivables (net of loss allowance) of the Target Group, based on the invoice date, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	7,412,662	12,547,580	16,260,103
Between 1 and 2 years	19,329	6,308	16,082
Between 2 and 3 years	3,217	11,105	200
Over 3 years	–	2,675	13,342
	7,435,208	12,567,668	16,289,727

The Target Group's trade receivables are mainly electricity sales receivable from local grid companies for which there was no recent history of default. Generally, the debtors are due within 15 to 30 days from the date of invoice, except for the tariff premium of renewable energy relating to certain renewable energy projects, such as wind power projects and solar power projects. The collection of such tariff premium is subject to the allocation of funds by the relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

(b) Loss allowance for impairment of trade and bills receivables

The movements in the loss allowance for impairment of doubtful debts during the Relevant Periods are as follows:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	6,936	6,920	6,595
Impairment losses, net	(16)	(325)	–
At 31 December	6,920	6,595	6,595

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Target Group is satisfied that recovery of the amount is remote.

Pursuant to Caijian [2020] No. *4 Notice on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation* (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 *Notice on the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy* (可再生能源電價附加補助資金管理辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in January 2020, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium have come into force since 2020 and approvals on a project by project basis are required before the allocation of funds to local grid companies. Caijian [2012] No. 102 *Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy* (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance in March 2012 was repealed at the same time. As at 31 December 2020, most of the Target Group's related projects have been approved for the tariff premium of renewable energy and certain projects were in the process of applying for the approval. The tariff premium receivables are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement. The directors are of the opinion that the approvals will be obtained in due course and these trade receivables from tariff premium are fully recoverable considering there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government.

The Target Group has applied the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit losses of trade receivables excluding tariff premium receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables using a provision matrix:

As at 31 December 2018

	Tariff premium of renewable energy	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	–	–	–	9.2%	100.0%	
Gross carrying amount *(RMB'000)*	6,520,750	651,745	19,329	3,542	6,595	7,201,961
Expected credit losses *(RMB'000)*	–	–	–	(325)	(6,595)	(6,920)

As at 31 December 2019

	Tariff premium of renewable energy	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	–	–	–	–	71.1%	
Gross carrying amount *(RMB'000)*	11,631,870	673,685	6,308	11,105	9,270	12,332,238
Expected credit losses *(RMB'000)*	–	–	–	–	(6,595)	(6,595)

As at 31 December 2020

	Tariff premium of renewable energy	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	–	–	–	–	33.1%	
Gross carrying amount *(RMB'000)*	15,316,987	750,584	16,082	200	19,937	16,103,790
Expected credit losses *(RMB'000)*	–	–	–	–	(6,595)	(6,595)

Bills receivable as at 31 December 2018, 2019 and 2020 were all bank acceptance bills with a maturity of one to six months, and management considers the probability of default as minimal.

21. PREPAYMENTS AND OTHER CURRENT ASSETS

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Certified Emission Reductions ("CERs") receivables	92,333	92,333	92,333
Staff advance and other deposits	17,597	15,039	12,255
Amounts due from related parties			
– due from Huadian Fuxin	2,850,252	361,429	195,734
– due from fellow subsidiaries	96,994	38,888	154,809
Deductible VAT *(note 18 (i))*	1,233,846	1,040,826	1,142,907
Prepayments for the electricity and spare parts supply	68,636	63,155	66,740
Other prepayments and debtors	127,500	126,491	167,369
Less: Allowance for doubtful debts	(94,380)	(115,906)	(113,607)
	4,392,778	1,622,255	1,718,540

The movements in the allowance for doubtful debts are as follows:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	95,128	94,380	115,906
Impairment losses recognised	328	21,664	4,603
Reversal of impairment losses	(1,076)	–	(6,902)
Write-off	–	(138)	–
At 31 December	94,380	115,906	113,607

For the financial assets above, an impairment analysis is performed at each reporting date by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Target Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. For staff advance and other deposits, certain amounts included in other prepayments and debtors, they have specific due dates or settlement schedules. Management considers the probability of default as minimal. The expected credit loss rates applied for the rest part of prepayments and other current assets ranged from 0.0% to 90.8%, 0.2% to 96.6%, 1.3% to 95.9% as of 31 December 2018, 2019 and 2020, respectively.

22. RESTRICTED DEPOSITS

Restricted deposits mainly represent land reclamation fund and cash pledged as housing maintenance funds designated for specific purposes pursuant to the relevant PRC regulations.

23. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	7	–	–
Cash at bank	566,924	212,725	199,650
Deposits with a fellow subsidiary *(note (i))*	2,247,865	2,354,381	3,107,359
Less: Restricted deposits	2,449	16,131	46,428
	2,812,347	2,550,975	3,260,581

Note:

(i) Deposits with a fellow subsidiary represent the deposits in Huadian Finance, a registered financial institution in the PRC.

(b) Major non-cash transactions

The Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB678,286,000 and RMB678,286,000, RMB641,406,000 and RMB641,406,000, as at 31 December 2019 and 2020 in respect of lease arrangements for plant and equipment respectively.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	**Obligations under finance leases**	**Dividends payable included in other payables and accruals**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24)	*(note 25)*		
At 1 January 2018	54,088,902	3,011,779	226,726	57,327,407
Changes from financing cash flows:				
Proceeds from borrowings	12,064,076	–	–	12,064,076
Repayment of borrowings	(11,444,275)	–	–	(11,444,275)
Payments of finance lease obligations	–	(178,093)	–	(178,093)
Dividends paid	–	–	(742,295)	(742,295)
Interest paid	(2,606,126)	–	–	(2,606,126)
Total changes from financing cash flows	(1,986,325)	(178,093)	(742,295)	(2,906,713)
Exchange adjustments	2,198	–	–	2,198
Other changes:				
Finance charges on obligations under finance leases *(note 7)*	–	15,885	–	15,885

	Borrowings	Obligations under finance leases	Dividends payable included in other payables and accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24)	*(note 25)*		
Interest expenses *(note 7)*	2,716,005	–	–	2,716,005
Interest expense capitalised into property, plant and equipment	141,219	–	–	141,219
Decrease in interest payable	(251,099)	–	–	(251,099)
Reclassification	1,636,138	(1,636,138)	–	–
Dividends paid by subsidiaries to non-controlling equity owners	–	–	61,429	61,429
Final dividend of 2017 *(note 31(d))*	–	–	48,000	48,000
Effect of acquisitions from entities under common control *(note 31(d))*	–	–	1,316,860	1,316,860
Total other changes	4,242,263	(1,620,253)	1,426,289	4,048,299
At 31 December 2018	56,347,038	1,213,433	910,720	58,471,191

	Borrowings	Obligations under finance leases/Lease liabilities	Dividends payable included in other payables and accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24)	*(notes 14, 25, 30)*		
At 31 December 2018	56,347,038	1,213,433	910,720	58,471,191
Effect of adoption of IFRS 16	–	244,929	–	244,929
At 1 January 2019	56,347,038	1,458,362	910,720	58,716,120
Changes from financing cash flows:				
Proceeds from borrowings	12,829,397	–	–	12,829,397
Repayment of borrowings	(12,408,819)	–	–	(12,408,819)
Principal portion of lease payments	–	(334,491)	–	(334,491)
Dividends paid	–	–	(1,026,857)	(1,026,857)
Interest paid	(2,635,284)	(62,387)	–	(2,697,671)
Total changes from financing cash flows	(2,214,706)	(396,878)	(1,026,857)	(3,638,441)
Exchange adjustments	46	–	–	46
Other changes:				
Interest expenses *(note 7)*	2,534,301	51,391	–	2,585,692
Interest expense capitalised into property, plant and equipment	101,441	10,996	–	112,437
Decrease in interest payable	(460)	–	–	(460)

	Borrowings *RMB'000* *(note 24)*	Obligations under finance leases/Lease liabilities *RMB'000* *(notes 14, 25, 30)*	Dividends payable included in other payables and accruals *RMB'000*	Total *RMB'000*
New leases	–	678,286	–	678,286
Dividends paid by subsidiaries to non-controlling equity owners	–	–	44,615	44,615
Effect of acquisitions from entities under common control *(note 31(d))*	–	–	1,113,809	1,113,809
Total other changes	2,635,282	740,673	1,158,424	4,534,379
At 31 December 2019	56,767,660	1,802,157	1,042,287	59,612,104

	Borrowings *RMB'000* *(note 24)*	Lease liabilities/ Other liabilities *RMB'000* *(notes 14, 30)*	Dividends payable included in other payables and accruals *RMB'000*	Total *RMB'000*
At 1 January 2020	56,767,660	1,802,157	1,042,287	59,612,104
Changes from financing cash flows:				
Proceeds from borrowings	26,409,700	–	–	26,409,700
Repayment of borrowings	(14,239,244)	–	–	(14,239,244)
Principal portion of lease payments	–	(653,967)	–	(653,967)
Dividends paid	–	–	(400,262)	(400,262)
Interest paid	(2,981,444)	(43,941)	–	(3,025,385)
Total changes from financing cash flows	9,189,012	(697,908)	(400,262)	8,090,842
Exchange adjustments	(479)	–	–	(479)
Other changes:				
Interest expenses *(note 7)*	2,649,068	39,128	–	2,688,196
Interest expense capitalised into property, plant and equipment	336,487	4,813	–	341,300
Decrease in interest payable	(4,111)	–	–	(4,111)
New leases	–	641,406	–	641,406
Dividends payable by subsidiaries to non-controlling equity holders	–	–	157,171	157,171
Final dividend of 2019 *(note 31(d))*	–	–	87,000	87,000
Effect of acquisitions from entities under common control	–	–	3,588,421	3,588,421
Acquisition of a subsidiary	446,393	–	–	446,393
Total other changes	3,427,837	685,347	3,832,592	7,945,776
At 31 December 2020	69,384,030	1,789,596	4,474,617	75,648,243

(d) Total cash outflow for leases:

	Year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Within operating activities	7,794	10,994
Within financing activities	396,878	697,908
	404,672	708,902

24. BORROWINGS

(a) The long-term interest-bearing borrowings comprise the following:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans and loans from financial institutions			
– Secured *(note (ii))*	27,507,150	27,019,774	26,561,573
– Unsecured *(note (i))*	23,101,930	22,911,750	25,924,543
Loans from Huadian			
– Unsecured	–	100,000	410,000
Loans from fellow subsidiaries			
– Secured	618,614	705,135	682,228
– Unsecured	–	1,412,057	3,120,679
Loans from Huadian Fuxin			
– Secured	–	148,000	313,000
– Unsecured	2,702,000	2,568,400	4,155,890
Other borrowings			
– Secured	844,943	796,332	683,059
	54,774,637	55,661,448	61,850,972
Less: Current portion of long-term borrowings			
– Bank loans and loans from financial institutions	(4,416,244)	(4,634,694)	(5,889,145)
– Loans from fellow subsidiaries	(69,839)	(219,049)	(446,577)
– Loans from Huadian Fuxin	(426,000)	(193,000)	(838,992)
– Loans from Huadian	–	–	(29,250)
– Other borrowings	–	(105,338)	(110,671)
	49,862,554	50,509,367	54,536,337

Notes:

All of the long-term interest-bearing borrowings are carried at amortised cost.

(i) Certain unsecured borrowings were guaranteed by the following entity:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Guarantor			
– Huadian	365,928	173,300	219,400

(ii) Certain of the Target Group's interest-bearing bank borrowings were secured by certain of the Target Group's buildings and equipment as well as construction in progress, which had aggregate net book values amounted to RMB16,345,416,000, RMB15,136,833,000 and RMB15,459,438,000 as at 31 December 2018, 2019 and 2020, respectively. Certain of the Target Group's interest-bearing borrowings with carrying amounts of RMB9,949,153,000, RMB10,457,538,000 and RMB9,753,697,000 for the years ended 31 December 2018, 2019 and 2020 were secured by certain rights of receipt of tariff of the Target Group, respectively.

(b) The short-term interest-bearing borrowings comprise the following:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans and loans from financial institutions			
– Secured	–	7,700	27,350
– Unsecured	572,687	864,512	1,236,708
Loans from fellow subsidiaries			
– Unsecured	–	–	249,000
Loans from Huadian Fuxin			
– Unsecured	999,714	234,000	6,020,000
	1,572,401	1,106,212	7,533,058
Add: Current portion of long-term borrowings			
– Bank loans and loans from financial institutions	4,416,244	4,634,694	5,889,145
– Loans from fellow subsidiaries	69,839	219,049	446,577
– Loans from Huadian Fuxin	426,000	193,000	838,992
– Loans from Huadian	–	–	29,250
– Other borrowings	–	105,338	110,671
	6,484,484	6,258,293	14,847,693

(c) The interest rates on borrowings are as follows:

	As at 31 December		
	2018	**2019**	**2020**
Long-term			
Bank loans and loans from financial institutions	3.90%-6.20%	3.92%-6.20%	3.80%-6.20%
Loans from Huadian	–	5.00%	4.51%-5.00%
Loans from fellow subsidiaries	2.97%-5.50%	4.41%-4.90%	2.85%-5.30%
Other borrowings	5.10%	5.10%	5.10%
Short-term			
Bank loans and loans from financial institutions	0.47%-4.57%	0.47%-5.15%	0.47%-7.70%
Loans from a fellow subsidiary	2.97%-4.68%	3.50%-4.57%	3.15%-4.90%
Other borrowings	4.90%	4.90%-5.10%	4.90%-5.10%

(d) The borrowings are repayable as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	6,484,484	6,258,293	14,847,693
After 1 year but within 2 years	9,045,096	11,707,684	14,189,975
After 2 years but within 5 years	19,329,964	22,679,994	17,928,632
After 5 years	21,487,494	16,121,689	22,417,730
	56,347,038	56,767,660	69,384,030

(e) Significant terms of other borrowings

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Long-term			
Asset-backed securities	844,943	690,994	572,388
Short-term			
Asset-backed securities	–	105,338	110,671

25. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2018, the Target Group had following obligations under finance leases repayable. These leases were classified as finance leases prior to IFRS 16 becoming effective on 1 January 2019 and had remaining lease terms ranging from 8 to 15 years.

	As at 31 December 2018	
	Present value of the minimum lease payments	**Total minimum lease payments**
	RMB'000	*RMB'000*
Within 1 year	59,972	109,746
After 1 year but within 2 years	126,236	183,704
After 2 years but within 5 years	460,633	577,684
After 5 years	566,592	637,986
	1,153,461	1,399,374
	1,213,433	1,509,120
Less: Total future interest expenses		(295,687)
Present value of finance lease obligations		1,213,433

26. TRADE AND BILLS PAYABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables to third parties	434,561	486,243	548,974
Bills payable to third parties	–	179,930	513,367
Trade payables to related parties	109,289	112,563	132,247
Bills payable to related parties	62,500	–	12,685
	606,350	778,736	1,207,273

The ageing analysis for the trade and bills payables, based on invoice dates, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	516,861	484,423	774,790
Between 1 and 2 years	70,035	257,178	351,529
Between 2 and 3 years	10,187	19,009	52,074
Over 3 years	9,267	18,126	28,880
	606,350	778,736	1,207,273

All of the trade and bills payables are expected to be settled within one year or are repayable on demand and are non-interest-bearing.

27. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipment and intangible assets	4,021,689	3,876,238	5,252,718
Retention payable *(note (i))*	648,220	663,072	679,844
Dividends payable	50,941	79,872	135,754
Payable for acquisition of a subsidiary	–	–	182,400
Payable for acquisition of a non-controlling interest	–	–	29,535
Payables for staff-related costs	26,611	25,048	22,953
Payables for other taxes	83,864	114,277	140,615
Interest payable	87,129	92,650	95,628
Amounts due to fellow subsidiaries *(note (ii))*	2,600,820	2,537,583	10,863,872
Amounts due to associates *(note (ii))*	311,765	354,655	254,643
Amounts due to an associate of a subsidiary of Huadian *(note (ii))*	1,835	1,835	1,835
Amounts due to Huadian *(note (ii))*	–	28	448,605
Amounts due to Huadian Fuxin *(note (ii))*	886,703	737,466	8,877,302
Contract liabilities	4,346	1,697	11,364
Lease liabilities *(note 14)*	–	108,059	142,848
Other accruals and payables	89,605	125,266	127,215
	8,813,528	8,717,746	27,267,131

Notes:

(i) Retention payable represents amounts due to equipment suppliers and construction contractors which will be settled upon the expiry of the warranty period.

(ii) These amounts are all unsecured, interest-free and have no fixed terms of payment.

All other payables and accruals are expected to be settled within one year or are repayable on demand.

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax recoverable/payable in the consolidated statement of financial position represents:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Net tax payable at 1 January	35,365	30,753	57,362
Provision for the year *(note 9(a))*	188,946	260,392	338,751
Underprovision/(Overprovision) in respect of prior years *(note 9(a))*	14,032	(4,591)	(8,128)
Income tax paid	(207,590)	(229,192)	(297,456)
Net tax payable at 31 December	30,753	57,362	90,529
Representing:			
Tax payable	40,733	58,538	98,179
Tax recoverable	(9,980)	(1,176)	(7,650)
	30,753	57,362	90,529

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	**Tax losses** *RMB'000*	**Revaluation deficit** *RMB'000*	**Provision for impairment of assets** *RMB'000*	**Trial run revenue** *RMB'000*	**Deferred income** *RMB'000*	**Expenses deductible on a payment basis** *RMB'000*	**Revaluation surplus** *RMB'000*	**Depreciation of property, plant and equipment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2018	20,600	47,309	13,897	227,375	39,861	–	(12,341)	(44,159)	2,421	294,963
(Charged)/credited to profit or loss *(note 9(a))*	(957)	(3,399)	(273)	3,224	(936)	9,814	762	706	–	8,941
Charged to other comprehensive income	–	–	–	–	–	–	–	–	(1,430)	(1,430)
Exchange difference	–	–	–	–	–	–	–	–	(274)	(274)
At 31 December 2018	19,643	43,910	13,624	230,599	38,925	9,814	(11,579)	(43,453)	717	302,200
At 1 January 2019	19,643	43,910	13,624	230,599	38,925	9,814	(11,579)	(43,453)	717	302,200
Credited/(charged) to profit or loss *(note 9(a))*	(2,469)	(3,759)	2,357	1,827	(1,684)	(9,814)	762	6,176	–	(6,604)
Charged to other comprehensive income	–	–	–	–	–	–	–	–	771	771
Exchange difference	–	–	–	–	–	–	–	–	(249)	(249)
At 31 December 2019	17,174	40,151	15,981	232,426	37,241	–	(10,817)	(37,277)	1,239	296,118
At 1 January 2020	17,174	40,151	15,981	232,426	37,241	–	(10,817)	(37,277)	1,239	296,118
Credited/(charged) to profit or loss *(note 9(a))*	576	(3,759)	(346)	(17,655)	(12,018)	–	762	8,419	–	(24,021)
Charged to other comprehensive income	–	–	–	–	–	–	–	–	4,089	4,089
Exchange difference	–	–	–	–	–	–	–	–	1,422	1,422
Business combination *(note 39(b))*	3,187	–	18,919	–	–	–	(3,754)	–	–	18,352
At 31 December 2020	20,937	36,392	34,554	214,771	25,223	–	(13,809)	(28,858)	6,750	295,960

Reconciliation to the consolidated statement of financial position

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	352,552	343,706	338,121
Net deferred tax liabilities recognised in the consolidated statement of financial position	(50,352)	(47,588)	(42,161)
	302,200	296,118	295,960

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 4(s), the Target Group has not recognised deferred tax assets in respect of unused tax losses of RMB355,663,000, RMB165,170,000 and RMB100,073,000 as at 31 December 2018, 2019 and 2020 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. For the unused tax losses as at 31 December 2020, RMB23,420,000, RMB16,419,000, RMB12,676,000, RMB27,324,000 and RMB20,234,000, if unused, will expire at the end of years 2021, 2022, 2023, 2024 and 2025, respectively.

29. DEFERRED INCOME

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	324,750	318,156	294,049
Additions	7,128	6,554	4,278
Credited to profit or loss	(13,722)	(30,661)	(21,576)
At 31 December	318,156	294,049	276,751
Less: Current portion of deferred income	(9,223)	(9,625)	(6,887)
	308,933	284,424	269,864

30. OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Long-term payables for acquisition of property, plant and equipment	–	–	537,097
Others	–	–	3,000
	–	–	540,097

31. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of the Target Company's equity

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

	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Reserve fund *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	160,000	–	28,844	49,286	238,130
Changes in equity for 2018:					
Profit and other comprehensive income for the year	–	–	–	70,832	70,832
Effect of acquisitions from entities under common control	–	–	–	(33,523)	(33,523)
Final dividend of 2017	–	–	–	(48,000)	(48,000)
Capital injections	21,900	–	–	–	21,900
Transfer to reserve fund	–	–	3,731	(3,731)	–
Balance at 31 December 2018	181,900	–	32,575	34,864	249,339
Balance at 1 January 2019	181,900	–	32,575	34,864	249,339
Changes in equity for 2019:					
Profit and other comprehensive income for the year	–	–	–	115,098	115,098
Capital injections	90,000	–	–	–	90,000
Transfer to reserve fund	–	–	5,893	(5,893)	–
Effect of acquisitions from entities under common control	–	–	–	(56,172)	(56,172)
Balance at 31 December 2019	271,900	–	38,468	87,897	398,265
Balance at 1 January 2020	271,900	–	38,468	87,897	398,265
Changes in equity for 2020:					
Profit and other comprehensive income for the year	–	–	–	335,876	335,876
Final dividend of 2019	–	–	–	(87,000)	(87,000)
Capital injections	125,100	19,320,565	–	–	19,445,665
Transfer to reserve fund	–	–	36,024	(36,024)	–
Effect of acquisitions from entities under common control	–	–	–	(74,481)	(74,481)
Balance at 31 December 2020	397,000	19,320,565	74,492	226,268	20,018,325

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the year

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Final dividend proposed after the end of the reporting period	–	87,000	–

The board of directors resolved that nil is to be distributed to the shareholders for 2020, subject to approval of the shareholders at the coming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Target Company attributable to the previous financial year, declared during the Relevant Periods.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Final dividend in respect of the previous financial year, approved during the year	48,000	–	87,000

(c) Paid-in capital

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Huadian Fuxin	181,900	271,900	397,000
	181,900	271,900	397,000

(d) Nature and purpose of reserves

(i) Capital reserve

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	16,458,764	17,341,778	20,127,634
Acquisition of interests of associates and a joint venture	–	–	9,595,684
Effect of acquisitions from entities under common control			
Capital contributions from former parents	893,737	2,785,856	4,338,637
Total consideration	–	–	(18,114,794)
Contribution of profit or loss attributable to former headquarters from certain branches	–	–	118,293
Subtotal	893,737	2,785,856	(13,657,864)
Share of equity changes	(10,723)	–	–
Acquisition of non-controlling interests	–	–	3,569
Others	–	–	360
At 31 December	17,341,778	20,127,634	16,069,383

(ii) ***Reserve fund***

According to the Target Company's Articles of Association, the Target Company is required to transfer 10% of its net profit to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Target Company and is non-distributable other than in liquidation.

(iii) ***Exchange reserve***

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations that have a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 4(v).

(iv) ***Fair value reserve***

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4(k).

(v) ***Retained earnings***

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	2,153,160	3,060,230	4,237,196
Profit for the year	2,275,661	2,296,668	3,005,916
Dividends approved in respect of the previous year	(48,000)	–	(87,000)
Effect of acquisitions from entities under common control			
Profit distributions to former parents	(1,201,262)	(952,977)	(3,513,943)
Transfer of funds to former head offices	(115,598)	(160,832)	(192,771)
Subtotal	(1,316,860)	(1,113,809)	(3,706,714)
Transfer to reserve fund	(3,731)	(5,893)	(36,024)
At 31 December	3,060,230	4,237,196	3,413,374

(e) Capital management

The Target Group's primary objective for managing capital is to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

The Target Group monitors its capital structure on the basis of a liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Target Group were 76%, 73% and 83% as at 31 December 2018, 2019 and 2020, respectively.

The Target Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. The Target Group's liability-to-asset ratio remained at 67% on 1 January 2019 when compared with the position as at 31 December 2018. There were no changes in the Target Group's approach to capital management compared with previous years. Neither the Target Company nor any of its subsidiaries was subject to externally imposed capital requirements.

32. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

The Target Group enters into securitisation transactions whereby it transfers rights of receipt of electricity tariff (the "Transferred Financial Assets") to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those Transferred Financial Assets and they generally finance the purchase of the Transferred Financial Assets by issuing asset-backed securities to investors.

The Target Group acquired certain subordinated tranches of those asset-backed securities and, accordingly, may retain portions or all of the risks and rewards of the Transferred Financial Assets. The Target Group would determine whether or not to derecognise the Transferred Financial Assets mainly by evaluating the extent to which it retains the risks and rewards of the Transferred Financial Assets.

During the year ended 31 December 2018, the Target Group transferred rights of receipt of electricity tariff of the Target Company's several wholly-owned subsidiaries in the coming 6 to 12 years to the structured entities, where the Target Group retained all of the risks and rewards of the Transferred Financial Assets, and therefore,the Target Group considers the transaction as a bond secured by the pledging of rights of receipt of electricity tariff (note 24).

Transferred financial assets that are derecognised in their entirety

The Target Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB2,964,000, RMB21,655,000 and RMB233,490,000 as of 31 December 2018, 2019 and 2020 and factored certain bills receivable accepted by banks in Mainland China with carrying amounts in aggregate of RMB16,580,000, RMB592,013,000 and RMB22,823,000 as of 31 December 2018, 2019 and 2020, respectively (the "Derecognised Bills"). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Target Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Target Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Target Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Target Group's Continuing Involvement in the Derecognised Bills are not significant.

The Target Group has recognised amounts of RMB6,879,000, RMB2,077,000 and RMB10,625,000 on the date of transfer of the Derecognised Bills for the years ended 31 December 2018, 2019 and 2020, respectively. No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively. The endorsement has been made evenly throughout the year.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of Relevant Periods are as follows:

Financial assets

At 31 December 2018

	Financial assets at fair value through other comprehensive income			
	Debt investments	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	6,760,917	–	674,291	7,435,208
Financial assets included in other current assets	–	–	3,087,936	3,087,936
Restricted deposits	–	–	2,449	2,449
Cash and cash equivalents	–	–	2,812,347	2,812,347
Equity investments at fair value through other comprehensive income included in other non-current assets	–	310,783	–	310,783
	6,760,917	310,783	6,577,023	13,648,723

Financial liabilities

At 31 December 2018

	Financial liabilities at amortised cost
	RMB'000
Borrowings – current	6,484,484
Obligations under finance leases – current	59,972
Trade and bills payable	606,350
Financial liabilities in other payables and accruals	8,698,707
Borrowings – non-current	49,862,554
Obligations under finance leases – non-current	1,153,461
	66,865,528

Financial assets

At 31 December 2019

	Financial assets at fair value through other comprehensive income			
	Debt investments	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	11,873,895	–	693,773	12,567,668
Financial assets included in other current assets	–	–	496,433	496,433
Restricted deposits	–	–	16,131	16,131
Cash and cash equivalents	–	–	2,550,975	2,550,975
Financial assets included in other current assets	–	–	–	–
Equity investments at fair value through other comprehensive income included in other non-current assets	–	306,230	–	306,230
	11,873,895	306,230	3,757,312	15,937,437

Financial liabilities

At 31 December 2019

	Financial liabilities at amortised cost
	RMB'000
Borrowings – current	6,258,293
Trade and bills payables	778,736
Financial liabilities included in other payables and accruals	8,576,724
Borrowings – non-current	50,509,367
Lease liabilities – non-current	1,694,098
	67,817,218

Financial assets

At 31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			
	Held for trading	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	15,509,519	–	780,208	16,289,727
Financial assets included in other current assets	–	–	–	431,280	431,280
Restricted deposits	–	–	–	46,428	46,428
Cash and cash equivalents	–	–	–	3,260,581	3,260,581
Financial assets at fair value through profit or loss included in other non-current assets	32,000	–	–	–	32,000
Equity investments at fair value through other comprehensive income included in other non-current assets	–	–	235,227	–	235,227
	32,000	15,509,519	235,227	4,518,497	20,295,243

Financial liabilities

At 31 December 2020

	Financial liabilities at amortised cost
	RMB'000
Borrowings – current	14,847,693
Trade and bills payables	1,207,273
Financial liabilities included in other payables and accruals	27,092,199
Borrowings – non-current	54,536,337
Lease liabilities – non-current	1,646,748
Other liabilities	537,097
	99,867,347

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit risk, liquidity risk, interest rate risk, currency risk and equity price risk arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to cash and cash equivalents, restricted deposits, trade and bills receivables, and financial assets included in prepayments and other current assets.

Substantially all of the Target Group's cash and cash equivalents as at 31 December 2018, 2019 and 2020 were deposited in the state-owned/controlled PRC banks, of which the directors assessed the credit risk to be insignificant.

The receivables from the sale of electricity mainly represent receivables from the provincial power grid companies. The Target Group has no significant credit risk with any of these power grid companies as the Target Company and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 99.46%, 99.55%, and 99.62% of total trade and bills receivables as at 31 December 2018, 2019 and 2020, respectively. For other trade receivables and other receivables, the Target Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

As at 31 December 2018

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	7,201,961	7,201,961
Bills receivable					
– Not yet past due	240,167	–	–	–	240,167
Financial assets included in prepayments and other current assets					
– Normal**	3,087,936	–	–	–	3,087,936
– Doubtful**	–	–	94,380	–	94,380
Restricted deposits					
– Not yet past due	2,449	–	–	–	2,449
Cash and cash equivalents					
– Not yet past due	2,812,347	–	–	–	2,812,347
	6,142,899	–	94,380	7,201,961	13,439,240

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	12,332,238	12,332,238
Bills receivable					
– Not yet past due	242,025	–	–	–	242,025
Financial assets included in prepayments and other current assets					
– Normal**	496,433	–	–	–	496,433
– Doubtful**	–	–	115,846	–	115,846
Restricted deposits					
– Not yet past due	16,131	–	–	–	16,131
Cash and cash equivalents					
– Not yet past due	2,550,975	–	–	–	2,550,975
	3,305,564	–	115,846	12,332,238	15,753,648

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	16,103,790	16,103,790
Bills receivable					
– Not yet past due	192,532	–	–	–	192,532
Financial assets included in prepayments and other current assets					
– Normal**	431,280	–	–	–	431,280
– Doubtful**	–	–	113,547	–	113,547
Restricted deposits					
– Not yet past due	46,428	–	–	–	46,428
Cash and cash equivalents					
– Not yet past due	3,260,581	–	–	–	3,260,581
	3,930,821	–	113,547	16,103,790	20,148,158

* For trade receivables included in trade and bills receivables, to which the Target Group applies the simplified impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments and other current assets and financial assets included in other non–current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and bills receivables, and prepayments and other current assets are set out in notes 20 and 21, respectively.

(b) Liquidity risk

The Target Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Target Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Target Company is responsible for the Target Group's overall cash management and the raising of borrowings to cover expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December, the Target Group had unutilised banking facilities of RMB3,443,158,000, RMB29,500,344,000, and RMB11,321,207,000 in 2018, 2019 and 2020 respectively. The Target Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the future working capital and expenditure requirements of the Target Group.

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

	31 December 2018					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term borrowings *(note 24(a))*	54,774,637	64,176,116	7,315,130	12,456,544	25,123,007	19,281,435
Short-term borrowings *(note 24(b))*	1,572,401	1,582,931	1,582,931	–	–	–
Obligations under finance leases *(note 25)*	1,213,433	1,509,120	109,746	183,704	577,684	637,986
Trade and bills payables *(note 26)*	606,350	606,350	606,350	–	–	–
Other payables and accruals	8,698,707	8,698,707	8,698,707	–	–	–
	66,865,528	76,573,224	18,312,864	12,640,248	25,700,691	19,919,421

	31 December 2019					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term borrowings *(note 24(a))*	55,661,448	65,053,710	8,338,206	14,092,919	26,775,949	15,846,636
Short-term borrowings *(note 24(b))*	1,106,212	1,022,286	1,022,286	–	–	–
Lease liabilities *(note 14(c))*	1,802,157	1,494,491	183,674	215,470	584,767	510,580
Trade and bills payables *(note 26)*	778,736	778,736	778,736	–	–	–
Other payables and accruals	8,576,724	8,576,724	8,576,724	–	–	–
	67,925,277	76,925,947	18,899,626	14,308,389	27,360,716	16,357,216

	31 December 2020					
	Carrying amount	**Contractual cash flows**	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term borrowings *(note 24(a))*	61,850,972	73,963,003	10,539,338	17,292,142	22,793,362	23,338,161
Short-term borrowings *(note 24(b))*	7,533,058	7,896,407	7,896,407	–	–	–
Lease liabilities *(note 14(c))*	1,789,596	1,767,218	242,061	247,166	679,881	598,110
Trade and bills payables *(note 26)*	1,207,273	1,207,273	1,207,273	–	–	–
Other payables and accruals	27,092,199	27,092,199	27,092,199	–	–	–
	99,473,098	111,926,100	46,977,278	17,539,308	23,473,243	23,936,271

(c) Interest rate risk

The Target Group's interest rate risk arises primarily from borrowings issued at variable rates which expose the Target Group to cash flow interest rate risk.

The Target Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Relevant Periods, however, the management of the Target Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest risk.

The following table details the profile of the Target Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The interest rate and maturity information of the Target Group's borrowings are disclosed in note 24.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Borrowings	11,207,671	16,477,872	16,262,617
Lease liabilities	–	638,223	450,067
Financial liabilities in other payables and accruals	–	7,815	13,553
	11,207,671	17,123,910	16,726,237
Variable rate borrowings:			
Borrowings	45,139,367	40,289,788	53,121,413
Obligations under finance leases	1,213,433	–	–
Lease liabilities	–	1,055,875	1,196,681
Financial liabilities in other payables and accruals	–	100,244	129,295
Less: Deposits with banks and a fellow subsidiary (including restricted deposits)	(2,814,789)	(2,567,106)	(3,307,009)
	43,538,011	38,878,801	51,140,380
Total net borrowings	54,745,682	56,002,711	67,866,617

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Target Group's profit after tax and the total equity by approximately RMB402,344,000, RMB350,087,000 and RMB458,834,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the years of 2018, 2019 and 2020.

(d) Currency risk

The Target Group is exposed to currency risk primarily through the business which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily the Euro and Hong Kong dollar.

(i) Recognised assets and liabilities

Except for the operation in Spain, all of the revenue-generating operations of the Target Group are transacted in RMB. In addition, the Target Group has certain borrowings that are denominated in Hong Kong dollars ("HK$") and Euro. The directors considered that the Target Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Target Group from satisfying sufficient foreign currency demands and the Target Group may not be able to pay dividends in foreign currencies to its shareholders.

(ii) Exposure to currency risk

The following table details the Target Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than RMB to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	As at 31 December 2018		**As at 31 December 2019**		**As at 31 December 2020**	
	EUR	**HK$**	**EUR**	**HK$**	**EUR**	**HK$**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	136,482	21,959	159,613	49,180	57,795	78
Trade and bills receivable	10,247	–	10,274	–	9,125	–
Prepayments and other current assets	2,467	–	3,098	–	1,973	–
Trade and bills payable	(4,426)	–	(10,957)	–	(10,476)	–
Other payables	–	–	(334)	(1,950)	–	–
Short-term borrowings	(282,503)	(341,718)	(281,358)	(349,362)	(168,525)	(328,240)
Net exposure	(137,733)	(319,759)	(119,664)	(302,132)	(110,108)	(328,162)

The following is the exchange rage of EUR and HK$ to RMB during the years ended 31 December 2018, 2019 and 2020:

	Average rate			Reporting date spot rate		
	2018	2019	2020	2018	2019	2020
EUR	7.8248	7.8314	7.9203	7.8473	7.8155	8.025
HK$	0.8561	0.886	0.8687	0.8762	0.8958	0.84164

A 5% strengthening of RMB against the following currencies as at 31 December 2018, 2019 and 2020 would have decreased/increased the Target Group's profit after tax and the total equity by the amounts shown below.

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
EUR	5,165	4,487	4,129
HK$	11,991	11,330	12,306
	17,156	15,817	16,435

A 5% weakening of RMB against the above currencies as at 31 December 2018, 2019 and 2020 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Target Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The above changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. The analysis is performed on the same basis for the years of 2018, 2019 and 2020.

(e) Equity price risk

The Target Group is exposed to equity price changes arising from equity investments classified as equity investments at fair value through other comprehensive income (note 18). The Target Group's listed investment is listed on the HKSE. Listed investment has been chosen based on its longer term growth potential and is monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Target Group, together with an assessment of their relevance to the Target Group's long-term strategic plans.

The directors considered that the Target Group's exposure to equity price risk is insignificant.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs (i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date)

- Level 2 valuations: Fair value measured using Level 2 inputs (i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available)

- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2018, 2019 and 2020, the financial instruments of the Target Group carried at fair value were certain trade and bills receivables, and equity investments included in other non-current assets. The fair value hierarchy of financial instruments described above is as follows:

		Fair value measurements as at 31 December 2018 categorised into		
	Carrying amount 31 December 2018	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Trade and bills receivables	6,760,917	–	6,760,917	–
Equity investment in a Hong Kong listed company, at fair value through other comprehensive income	211,414	211,414	–	–
Unquoted equity investments in non-listed companies, at fair value through other comprehensive income	99,369	–	–	99,369

	Carrying amount 31 December 2019	Fair value measurements as at 31 December 2019 categorised into Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Trade and bills receivables	11,873,895	–	11,873,895	–
Equity investment in a Hong Kong listed company, at fair value through other comprehensive income	209,947	209,947	–	–
Unquoted equity investments in non-listed companies, at fair value through other comprehensive income	96,283	–	–	96,283

	Carrying amount 31 December 2020	Fair value measurements as at 31 December 2020 categorised into Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Trade and bills receivables	15,509,519	–	15,509,519	–
Equity investment in a Hong Kong listed company, at fair value through other comprehensive income	153,844	153,844	–	–
Unquoted equity investments in non-listed companies, at fair value through other comprehensive income	81,383	–	–	81,383
Financial assets at fair value through profit or loss included in other non-current assets	32,000	–	–	32,000

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, enterprise value to earnings before interest and taxes ("EV/EBIT"), price to earnings ("P/E") multiple and price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Target Group entered into securitisation transactions whereby it transferred trade receivables on tariff premium of renewable energy (the "Transferred Financial Assets") to unrelated third parties and derecognised the Transferred Financial Assets (note 32). The Target Group endorsed and factored a significant part of its bills receivable in its normal course of business. The Target Group managed its trade and bills receivables which generated cash flows resulting from both collecting contractual cash flows and selling the financial assets during the Relevant Periods. Therefore, the Target Group measures trade and bills receivables at fair value through other comprehensive income. The fair values of trade and bills receivables were measured using the discounted cash flow model. The model incorporates various market observable inputs, including the annualised yields of similar securitisation products and interest rate curves. The carrying amounts of trade and bills receivables are the same as their fair values.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018, 2019 and 2020:

	Valuation technique	**Significant unobservable input**	**Range**		**Sensitivity of fair value to the input**
Unlisted equity investments	Valuation multiples	Average EV/EBITDA multiple	2018: 2019: 2020:	4.5 to 12.4 – –	2018: 10% 2019: 10% 2020: 10% increase/decrease in multiple would result in increase/decrease in fair value by 2018: RMB1,985,000 2019: RMB9,628,000 2020: RMB7,993,000
		Average EV/EBIT	2018: 2019: 2020:	14.0 – –	
		Average P/B	2018: 2019: 2020:	1.1 to 1.4 1.1 to 1.5 1.0 to 1.2	
		Average P/E	2018: 2019: 2020:	7.9 8.9 9.3	
		Discount for lack of marketability	2018: 2019: 2020:	25% to 30% 30% 30%	2018: 10% 2019: 10% 2020: 10% increase/decrease in multiple would result in decrease/increase in fair value by 2018: RMB851,000 2019: RMB4,126,000 2020: RMB3,426,000
Financial assets at fair value through profit or loss included in other non-current assets	DCF method	WACC	2020:	7.1%	10% increase/decrease in WACC would result in decrease/increase in fair value by RMB137,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by The Target Group that market participants would take into account when pricing the investments.

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

The carrying amounts of The Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018, 2019 and 2020 except for the following:

	2018		2019		2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings	844,943	851,972	796,332	804,688	683,059	692,803
Fixed rate long-term loans	10,535,771	10,494,103	15,535,539	14,693,123	4,486,690	6,996,402
Total	11,380,714	11,346,075	16,331,871	15,497,811	5,169,749	7,689,205

35. COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial report were as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	2,802,904	4,068,061	1,487,292

(b) Operating lease commitments as at 31 December 2018

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018
	RMB'000
Within 1 year	5,859
After 1 year but within 5 years	17,576
More than 5 years	149,417
	172,852

The Target Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals.

36. CONTINGENCIES

Contingent liability in respect of taxes on Clean Development Mechanism ("CDM") revenue

Up to date, there have been no rules issued on whether the revenue from sales of CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Target Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs. Therefore, the Target Group has not made any provision on such contingencies.

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Target Group is part of a large group of companies under Huadian and has significant transactions and relationships with the subsidiaries of Huadian.

The principal related party transactions which were carried out in the ordinary course of business are as follows, except for those which have been set out otherwise:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of power generation rights from:			
Fellow subsidiaries	66,866	22,257	44,977
Purchases of construction services, operation maintenance and construction materials from:			
Fellow subsidiaries	959,463	1,147,190	1,432,943
Associates	175,231	169,280	186,127
Equipment and office rental provided by:			
Fellow subsidiaries	59,956	69,693	137,014
Sale of goods and the provision of services to:			
An associate	–	729	–
Loans received from/(repaid to):			
Fellow subsidiaries	(14,874)	1,498,578	1,934,715
Huadian	–	100,000	310,000
Huadian Fuxin	1,183,888	(751,314)	7,538,490
Net deposit change in:			
Huadian Finance	291,028	106,516	752,978
Interest expenses paid to:			
Fellow subsidiaries	20,808	48,742	35,233
Huadian	–	28	5,083
Huadian Fuxin	98,861	152,861	171,796
Interest income received from:			
Huadian Finance	11,239	11,772	15,537
Transfers of equity and assets from:			
Fellow subsidiaries	–	–	8,523,277
Huadian	–	–	532,455
Huadian Fuxin	–	–	9,059,063

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 20, 21, 23, 24, 26 and 27.

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

The Target Company 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 the transactions mentioned above, the Target Group conducts a majority of its business activities with government-related entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-government-related entities. Transactions with other government-related entities included, but are not limited, to the following:

– Sale of electricity;

– Depositing and borrowing money;

– Purchase of materials and receipt of construction work services;

– Service concession arrangements.

The tariff of electricity is regulated by the relevant government authorities. The Target Group prices its other services and products based on commercial negotiations. The Target Group has also established its approval processes for the sale of electricity, purchase of products and acquisition of services and its financing policy for borrowings. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

Revenue from the sale of electricity made to the provincial power grid companies which are government-related entities accounted for 99%, 99% and 99% of the total revenue from the sale of electricity for the years ended 31 December 2018, 2019 and 2020 respectively. The trade and bills receivables due from these power grid companies accounted for 99%, 99% and 99% of the total trade and bills receivables as at 31 December 2018, 2019 and 2020, respectively.

The Target Company and its subsidiaries maintained substantially all of the bank deposits in government-related financial institutions with respective interest income or interest expense incurred; lenders of substantially all of the Target Company and its subsidiaries' loans are government-related financial institutions.

Other collectively significant transactions with government-related entities included a large portion of equipment and material purchases, property, plant and equipment construction services received, and the service concession arrangements.

(d) Key management personnel remuneration

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

Remuneration for key management personnel, including amounts paid to the Target Company's directors and supervisors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	278	305	242
Discretionary bonus	617	618	541
Retirement scheme contributions	183	186	186
	1,078	1,109	969

(e) Contributions to defined contribution retirement plans

The Target Group participates in various defined contribution retirement plans organised by Huadian for its staff. As at 31 December 2018, 2019 and 2020, there was no material outstanding contribution to post-employment benefit plans.

(f) Commitments with related parties

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Capital commitment	554,510	660,143	782,850
Commitment for equipment and office rental	931,571	1,499,524	2,165,349

38. RETIREMENT PLANS

The Target Company was required to make contributions to retirement plans operated by the government at the ranges from 14% to 22%, 13% to 22% and 8% to 22% for the years ended 31 December 2018, 2019 and 2020 of the total staff salaries, respectively. A member of the plan is entitled to receive from the government a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Target Group and its staff participate in a retirement plan managed by Huadian to supplement the plan mentioned above. The Target Company has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

39. BUSINESS COMBINATION

(a) Business combination acquired from related parties

In December 2020, the Target Company entered into an equity transfer agreement with Huadian Fuxin. According to the agreement, the Target Company acquired the equity held by Huadian Fuxin in the wind power business and solar power business with a consideration at RMB9,059,063,000 in cash.

In December 2020, the Target Company entered into equity and assets transfer agreements with Huadian and its subsidiaries. According to the agreements, the Target Company acquired the equity and assets held by Huadian and its subsidiaries in the wind power business and solar power business with a consideration at RMB9,055,732,000 in cash.

In December 2020, the Target Company entered into equity transfer agreements with Huadian Fuxin and its subsidiary. According to the agreements, the Target Company acquired the equity and assets held by Huadian Fuxin and its subsidiary in the wind power business and solar power business with no consideration.

According to the equity and assets transfer agreements mentioned above, the acquisition date agreed and achieved by all parties was 31 December 2020. The entities acquired and the Target Company are all controlled by Huadian before and after the acquisitions. The above acquisitions were accounted for by using pooling of interests method, e.g. the assets and liabilities acquired are recgnised on the carrying amounts recognised previously in Huadian's consolidated financial statements, mainly because the consideration paid may not reflect the fair values of the net assets acquired.

Details of the business acquisition are as follows:

Business name	Date of acquisition	Proportion of equity acquired
Anhui Solar Tech Solar Energy Co., Ltd. 安徽索萊泰克太陽能有限公司	31 December 2020	100%
Barkol Oriental Minsheng New Energy Co., Ltd. 巴里坤東方民生新能源有限公司	31 December 2020	100%
Bazhou Huaneng Solar Power Co., Ltd. 巴州華能太陽能發電有限公司	31 December 2020	100%
Beijing Huadian Distributed Photovoltaic Power Co., Ltd. 北京華電分散式光伏發電有限公司	31 December 2020	100%
Beijing Miyun Huadian Solar Technology Development Co., Ltd. 北京密雲華電太陽能科技發展有限公司	31 December 2020	100%
Fenyang Huadian Wind Power Co., Ltd. 汾陽市華電風力發電有限公司	31 December 2020	100%
Hami Linuo Solar Power Co., Ltd. 哈密力諾太陽能電力有限公司	31 December 2020	100%
Hami Oriental Minsheng Solar Energy Development Co., Ltd. 哈密市東方民生太陽能源開發有限公司	31 December 2020	100%
Hami Xinte Energy Co., Ltd. 哈密新特能源有限責任公司	31 December 2020	51%
Hunan Huadian Yongzhou Wind Power Co., Ltd. 湖南華電永州風電有限公司	31 December 2020	56%
Huadian Datong New Energy Co., Ltd. 華電大同新能源有限公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Huadian Delingha Solar Power Co., Ltd. 華電德令哈太陽能發電有限公司	31 December 2020	80%
Huadian Gonghe Solar Power Co., Ltd. 華電共和太陽能發電有限公司	31 December 2020	100%
Huadian Liuzhou Dongcheng New Energy Co., Ltd. 華電柳州東城新能源有限公司	31 December 2020	51%
Huadian Inner Mongolia Energy Co., Ltd. Tuzuo New Energy Branch 華電內蒙古能源有限公司土左新能源分公司	31 December 2020	100%
Huadian Inner Mongolia Energy Co., Ltd. Wuhouqi Chaoge Branch 華電內蒙古能源有限公司烏後旗潮格分公司	31 December 2020	100%
Huadian Shanxi Energy Co., Ltd. Yuncheng Shicaogou Wind Power Branch 華電山西能源有限公司運城石槽溝風電分公司	31 December 2020	100%
Huadian Yunnan Power Generation Co., Ltd. Anning Wind Power Branch 華電雲南發電有限公司安寧風電分公司	31 December 2020	100%
Huadian Lianying Golmud Photovoltaic Power Co., Ltd. 華電運營格爾木光伏發電有限公司	31 December 2020	100%
Huayu Taixing New Energy Co., Ltd. 華宇泰興市新能源有限公司	31 December 2020	60%
Jiangsu Huadian Yangzhou Power Co., Ltd. Ganyu Branch 江蘇華電揚州發電有限公司贛榆分公司	31 December 2020	100%
Jiangsu Huadian Yizheng New Energy Co., Ltd. 江蘇華電儀徵新能源有限公司	31 December 2020	100%
Korla Xinke Solar Power Generation Co., Ltd. 庫爾勒新科太陽能發電有限公司	31 December 2020	80%
Inner Mongolia Huadian Erlianhot New Energy Co., Ltd. 內蒙古華電二連浩特新能源有限公司	31 December 2020	100%
Inner Mongolia Huadian Hongger New Energy Co., Ltd. 內蒙古華電紅格爾新能源有限公司	31 December 2020	100%
Inner Mongolia Huadian Xilin Haote New Energy Co., Ltd. 內蒙古華電錫林浩特新能源有限公司	31 December 2020	100%
Qinghai Huadian Normuhong Wind Power Co., Ltd. 青海華電諾木洪風力發電有限公司	31 December 2020	100%
Shanxi Yushe Huadian Zhongguang Solar Energy Co., Ltd. 山西榆社華電中光太陽能有限公司	31 December 2020	100%
Shaanxi Huadian Dingbian Wind Power Generation Co., Ltd. 陝西華電定邊風力發電有限公司	31 December 2020	100%
Huadian Shaanxi Shenmu New Energy Co., Ltd. 陝西華電神木新能源有限公司	31 December 2020	100%
Shaanxi Huadian New Energy Power Generation Co., Ltd. 陝西華電新能源發電有限公司	31 December 2020	100%
Shaanxi Huadian Yu Sun New Energy Co., Ltd. 陝西華電榆陽新能源有限公司	31 December 2020	100%
Shanghai Huadian Power Development Co., Ltd. Wuxi Huahui New Energy Branch 上海華電電力發展有限公司無錫華惠新能源分公司	31 December 2020	100%
Sichuan Yanyuan Huadian New Energy Co., Ltd. 四川鹽源華電新能源有限公司	31 December 2020	100%
Tebian Electrician Awat New Energy Co., Ltd. 特變電工阿瓦提縣新能源有限責任公司	31 December 2020	80%
Xinjiang Huadian Baiyanghe Wind Power Co., Ltd. 新疆華電白楊河風力發電有限責任公司	31 December 2020	100%
Xinjiang Huadian Dabancheng New Energy Co., Ltd. 新疆華電達阪城新能源有限公司	31 December 2020	100%
Xinjiang Huadian Hotan Photovoltaic (Pv) Power Generation Co., Ltd. 新疆華電和田光伏發電有限責任公司	31 December 2020	80%
Xinjiang Huadian Kushui Wind Power Co., Ltd. 新疆華電苦水風電有限責任公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Xinjiang Huadian Naomao Lake Wind Power Co., Ltd. 新疆華電淖毛湖風電有限責任公司	31 December 2020	100%
Xinjiang Huadian Shisanjianfang Wind Power Co., Ltd. 新疆華電十三間房風電有限責任公司	31 December 2020	100%
Xinjiang Huadian Weihuliang New Energy Co., Ltd. 新疆華電葦湖梁新能源有限公司	31 December 2020	100%
Xinjiang Huadian Yanqi Solar Power Co., Ltd. 新疆華電焉耆太陽能發電有限公司	31 December 2020	80%
Xinjiang Huadian Pearl Spring New Energy Co., Ltd. 新疆華電珍珠泉新能源有限公司	31 December 2020	100%
Yanqi Guangrun New Energy Power Generation Co., Ltd. 焉耆縣光潤新能源發電有限公司	31 December 2020	70%
Yiwu Oriental Minsheng New Energy Co., Ltd. 伊吾東方民生新能源有限公司	31 December 2020	100%
Huadian Xinghua Solar Power Co., Ltd. East China Sea Project 華電興化太陽能發電有限公司東海項目	31 December 2020	100%
Huadian Xinghua Solar Power Co., Ltd. Rudong Project 華電興化太陽能發電有限公司如東項目	31 December 2020	100%
Zhoushan Huadian Wind Power Generation Co., Ltd. Quzhou Branch 舟山華電風力發電有限公司衢州分公司	31 December 2020	100%
Sunite Left Banner Huadian Wind Power Generation Co., Ltd. 蘇尼特左旗華電風力發電有限公司	31 December 2020	90%
Xinjiang Huadian Mulei New Energy Co., Ltd. 新疆華電木壘新能源有限公司	31 December 2020	100%
Huadian Hainan New Energy Power Generation Co., Ltd. 華電海南州新能源發電有限公司	31 December 2020	100%
Inner Mongolia Fulida Wind Power Co., Ltd. 內蒙古富麗達風力發電有限公司	31 December 2020	80%
Shanxi Huadian Guangling Wind Power Co., Ltd. 山西華電廣靈風力發電有限公司	31 December 2020	65%
Shanxi Huadian Yanggao Wind Power Co., Ltd. 山西華電陽高風力發電有限公司	31 December 2020	65%
Huadian Xinjiang Xiaocaohu Wind Power Co., Ltd. 新疆華電小草湖風力發電有限責任公司	31 December 2020	100%
Xinjiang Huadian Caohu Wind Power Co., Ltd. 新疆華電草湖風電有限公司	31 December 2020	100%
Xinjiang Huadian Burjin Wind Power Co., Ltd. 新疆華電布爾津風電有限公司	31 December 2020	100%
Huadian Xinjiang Snow Lake Wind Power Co., Ltd. 新疆華電雪湖風力發電有限公司	31 December 2020	100%
Habahe Jiyuan Wind Power Co., Ltd. 哈巴河吉源風電有限責任公司	31 December 2020	100%
Burjin Jiyuan Wind Power Co., Ltd. 布爾津吉源風電有限責任公司	31 December 2020	100%
Huadian Fuxin Xinjiang Energy Co., Ltd. 華電福新新疆能源有限公司	31 December 2020	100%
Huadian Fuxin Xinjiang Mulei Energy Co., Ltd. 華電福新新疆木壘能源有限公司	31 December 2020	100%
Qitai Xinte new energy Co., Ltd. 奇台縣新特能源有限責任公司	31 December 2020	100%
Gansu Huadian FuXin energy Co., Ltd. Asksai Branch 甘肅華電福新能源有限公司阿克塞分公司	31 December 2020	100%
Gansu Huadian Fuxin Energy Co., Ltd. Minle Branch 甘肅華電福新能源有限公司民樂分公司	31 December 2020	100%
Gansu Huadian Fuxin Energy Co., Ltd. Jingtai Branch 甘肅華電福新能源有限公司景泰分公司	31 December 2020	100%
Gansu Huadian Fuxin Energy Co., Ltd. 甘肅華電福新能源有限公司	31 December 2020	100%
Gansu Huadian Yumen Wind Power Co., Ltd. 甘肅華電玉門風力發電有限公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Gansu Huadian Minqin Power Generation Co., Ltd. 甘肅華電民勤發電有限公司	31 December 2020	100%
Gansu Jingyuan Aerospace Wind Power Co., Ltd. 甘肅靖遠航天風力發電有限公司	31 December 2020	98%
Huadian Jiayuguan New Energy Co., Ltd. 華電嘉峪關新能源有限公司	31 December 2020	80%
Huadian Golmud Solar Power Generation Co., Ltd. 華電格爾木太陽能發電有限公司	31 December 2020	100%
Gansu Dunhuang Huadian Fuxin Solar Power Generation Co., Ltd. 甘肅敦煌華電福新太陽能發電有限公司	31 December 2020	100%
Wuwei Tianhe Solar Power Generation Co., Ltd. 武威市天合光能發電有限公司	31 December 2020	100%
Gansu Huadian Huan Country Wind Power Generation Co., Ltd. 甘肅華電環縣風力發電有限公司	31 December 2020	100%
Gansu Huadian Huan Country Wind Power Generation Co., Ltd. The Guazhou Branch 甘肅華電環縣風力發電有限公司瓜州分公司	31 December 2020	100%
Inner Mongolia Huadian Huiteng Xile Wind Power Co., Ltd. 內蒙古華電輝騰錫勒風力發電有限公司	31 December 2020	100%
Bayinnaoer City Construction Technology Zhongyan Wind Power Generation Co., Ltd. 巴彥淖爾市建技中研風力發電有限責任公司	31 December 2020	100%
Inner Mongolia Huadian Bayin Wind Power Generation Co., Ltd. 內蒙古華電巴音風力發電有限公司	31 December 2020	100%
Inner Mongolia Huadian Bayin Wind Power Generation Co., Ltd. Wu Chuan Branch 內蒙古華電巴音風力發電有限公司武川分公司	31 December 2020	100%
Inner Mongolia Huadian Hongnijing Wind Power Co., Ltd. 內蒙古華電紅泥井風力發電有限公司	31 December 2020	100%
Inner Mongolia Huadian Roseying Wind Power Co., Ltd. 內蒙古華電玫瑰營風力發電有限公司	31 December 2020	100%
Inner Mongolia Sansheng Wind Power Co., Ltd. 內蒙古三勝風電有限公司	31 December 2020	90%
Inner Mongolia Huadian Hongtu Wind Power Co., Ltd. 內蒙古華電宏圖風力發電有限公司	31 December 2020	100%
Inner Mongolia Jiayao Wind Power Co., Ltd. 內蒙古嘉耀風電有限公司	31 December 2020	100%
Damao Qi Xiehe Wind Power Co., Ltd. 達茂旗協合風力發電有限公司	31 December 2020	100%
Urad Zhongqi Xiehe Wind Power Co., Ltd. 烏拉特中旗協合風力發電有限公司	31 December 2020	100%
Siziwang Qi Summer Wind Power Co., Ltd. 四子王旗協合夏日風力發電有限公司	31 December 2020	100%
Huadian Fuxin Chayouzhongqi Hongpan Wind Power Generation Co., Ltd. 華電福新察右中旗宏盤風力發電有限公司	31 December 2020	100%
Inner Mongolia Huadian WutaoHai Wind Power Co., Ltd. Zhenglan Qi Branch 內蒙古華電烏套海風電有限公司正藍旗分公司	31 December 2020	100%
Inner Mongolia Huadian WutaoHai Wind Power Co., Ltd. 內蒙古華電烏套海風電有限公司	31 December 2020	100%
Inner Mongolia Huadian Jieji Wind Power Co., Ltd. 內蒙古華電街基風電有限公司	31 December 2020	100%
Inner Mongolia Huadian Qintian Wind Power Co., Ltd. 內蒙古華電秦天風電有限公司	31 December 2020	90%
Qitaihe Fengrun Wind Power Co., Ltd. 七台河豐潤風力發電有限公司	31 December 2020	100%
Qitaihe Fengrun Wind Power Co., Ltd. Baoqing Branch 七台河豐潤風力發電有限公司寶清分公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Qitaihe Fengrun Wind Power Co., Ltd. Tangyuan Branch 七台河豐潤風力發電有限公司湯原分公司	31 December 2020	100%
Huadian Hulin Wind Power Co., Ltd. 華電虎林風力發電有限公司	31 December 2020	82%
Qitaihe Honghao Wind Power Co., Ltd. 七台河宏浩風力發電有限公司	31 December 2020	60%
Heilongjiang Huafu Wind Power Mulan Co., Ltd. 黑龍江華富風力發電木蘭有限責任公司	31 December 2020	59%
Heilongjiang Huafu Wind Power Muleng Co., Ltd. 黑龍江華富風力發電穆棱有限責任公司	31 December 2020	61%
Heilongjiang Dongning Huafu Wind Power Co., Ltd. 黑龍江東甯華富風力發電有限責任公司	31 December 2020	80%
Heilongjiang Province Huafu Power Investment Co., Ltd. 黑龍江省華富電力投資有限公司	31 December 2020	96%
Heilongjiang Province Huafu Power Investment Co., Ltd. Harbin Branch 黑龍江省華富電力投資有限公司哈爾濱分公司	31 December 2020	100%
Heilongjiang Province Huafu Power Investment Co., Ltd. Huolinguole Branch 黑龍江省華富電力投資有限公司霍林郭勒分公司	31 December 2020	100%
Heilongjiang Province Huafu Power Investment Co., Ltd. Yilan Branch 黑龍江省華富電力投資有限公司依蘭分公司	31 December 2020	100%
Heilongjiang Province Huafu Power Investment Co., Ltd. Dongning Branch 黑龍江省華富電力投資有限公司東寧分公司	31 December 2020	100%
Huadian Jilin Daan Wind Power Generation Co., Ltd. 華電吉林大安風力發電有限公司	31 December 2020	100%
Huadian Jilin Shuangliao Wind Power Co., Ltd. 華電吉林雙遼風力發電有限公司	31 December 2020	100%
Ganan Huadian Fuxin Power Generation Co., Ltd. 乾安華電福新發電有限公司	31 December 2020	100%
Huadian Fuxin Songyuan Photovoltaic Power Generation Co., Ltd. 華電福新松原光伏發電有限公司	31 December 2020	100%
Huadian Tieling Wind Power Co., Ltd. 華電鐵嶺風力發電有限公司	31 December 2020	100%
Changtu Huadian Power Wind Power Generation Co., Ltd. 昌圖華電風力發電有限公司	31 December 2020	60%
Hebei Huadian Shangyi Wind Power Co., Ltd. 河北華電尚義風力發電有限公司	31 December 2020	70%
Kangbao Xiehe Wind Power Co., Ltd. 康保協合風力發電有限公司	31 December 2020	100%
Huadian Zhangjiakou Wanquan District New Energy Power Generation Co., Ltd. 華電張家口萬全區新能源發電有限公司	31 December 2020	100%
Tianjin Huadian Fuxin Bingang Photovoltaic Power Generation Co., Ltd. 天津華電福新濱港光伏發電有限公司	31 December 2020	100%
Huadian Fuxin Shanxi Wuzhai New Energy Co., Ltd. 華電福新山西五寨新能源有限公司	31 December 2020	100%
Huadian Fuxin Shanxi Dingxiang Wind Power Co., Ltd. 華電福新山西定襄風力發電有限公司	31 December 2020	100%
Shanxi Ruicheng Huadian Fuxin Solar Power Co., Ltd. 山西芮城華電福新太陽能發電有限公司	31 December 2020	100%
Shanxi Ruicheng Huadian Fuxin Solar Power Co., Ltd. Salt Lake Branch 山西芮城華電福新太陽能發電有限公司鹽湖分公司	31 December 2020	100%
Huadian Weihai Wind Power Co., Ltd. 華電威海風力發電有限公司	31 December 2020	99%
Huadian Shandong Rushan New Energy Co., Ltd. 華電山東乳山新能源有限公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Huadian Shandong Rushan New Energy Co., Ltd. Mengyin Branch 華電山東乳山新能源有限公司蒙陰分公司	31 December 2020	100%
Huadian Shandong Rushan New Energy Co., Ltd. Gaotang Branch 華電山東乳山新能源有限公司高唐分公司	31 December 2020	100%
Henan Huadian Fuxin Energy Co., Ltd. 河南華電福新能源有限公司	31 December 2020	100%
Yiyang Hongju Photovoltaic Power Co., Ltd. 宜陽宏聚光伏電力有限公司	31 December 2020	100%
Huadian Fuxin Anqing Wind Power Co., Ltd. 華電福新安慶風力發電有限公司	31 December 2020	100%
Huadian Fuxin Chizhou Wind Power Co., Ltd. 華電福新池州風力發電有限公司	31 December 2020	100%
Huadian Fuxin Jiangxi Yichun New Energy Co., Ltd. 華電福新江西宜春新能源有限公司	31 December 2020	100%
Huadian Xinghua Solar Power Co., Ltd. 華電興化太陽能發電有限公司	31 December 2020	100%
Huadian Xinghua Solar Power Co., Ltd. Jiangyan Branch 華電興化太陽能發電有限公司薑堰分公司	31 December 2020	100%
Jiangsu Huadian Binhai Wind Power Co., Ltd. 江蘇華電濱海風電有限公司	31 December 2020	100%
Jiangsu China Guanyun Wind Power Co., Ltd. 江蘇華電灌雲風力發電有限公司	31 December 2020	51%
Huadian Shangde Dongtai Solar Power Co., Ltd. 華電尚德東台太陽能發電有限公司	31 December 2020	90%
Huadian Fuxin Baoying New Energy Co., Ltd. 華電福新寶應新能源有限公司	31 December 2020	100%
Huadian Fuxin Yizheng New Energy Co., Ltd. 華電福新儀徵新能源有限公司	31 December 2020	100%
Shanghai Huadian Fuxin Chongming Energy Co., Ltd. 上海華電福新崇明能源有限公司	31 December 2020	100%
Shanghai Huadian Solar Energy Development Co., Ltd. 上海華電太陽能發展有限公司	31 December 2020	51%
Hubei Jinquan Wind Power Co., Ltd. 湖北金泉風力發電有限公司	31 December 2020	100%
Huadian Hunan Chenzhou Wind Power Co., Ltd. 湖南華電郴州風力發電有限公司	31 December 2020	100%
Huadian Hunan Chenzhou Wind Power Co., Ltd. Mayou Branch 湖南華電郴州風力發電有限公司油麻分公司	31 December 2020	100%
Huadian Hunan Chenzhou Wind Power Co., Ltd. Taipingli Branch 湖南華電郴州風力發電有限公司太平裡分公司	31 December 2020	100%
Zhoushan Huadian Power Wind Power Generation Co., Ltd. 舟山華電風力發電有限公司	31 December 2020	100%
Huadian Fuxin Zhejiang Changxing Wind Power Co., Ltd. 華電福新浙江長興風力發電有限公司	31 December 2020	100%
Changxing Heping Huadian Power Wind Power Co., Ltd. 長興和平華電風力發電有限公司	31 December 2020	100%
Zhejiang Yuhuan Huadian Power Wind Power Generation Co., Ltd. 浙江玉環華電風力發電有限公司	31 December 2020	63%
Yunnan Huadian Fuxin Energy Power Generation Co., Ltd. Lianhuashan Branch 雲南華電福新能源發電有限公司蓮花山分公司	31 December 2020	100%
Yunnan Huadian Fuxin Energy Power Generation Co., Ltd. Weidi Branch 雲南華電福新能源發電有限公司維的分公司	31 December 2020	100%
Yunnan Huadian Fuxin Energy Power Generation Co., Ltd. Lijiang Branch 雲南華電福新能源發電有限公司麗江分公司	31 December 2020	100%

Business name	Date of acquisition	Proportion of equity acquired
Yunnan Huadian Fuxin Energy Power Generation Co., Ltd. 雲南華電福新能源發電有限公司	31 December 2020	100%
Yunnan Huadian Fuxin Energy Power Generation Co., Ltd. Mengzi Duogu Branch 雲南華電福新能源發電有限公司蒙自朵古分公司	31 December 2020	100%
Yunnan Huadian Daheishan Wind Power Co., Ltd. 雲南華電大黑山風力發電有限公司	31 December 2020	85%
Yunnan Huadian Daheishan Wind Power Co., Ltd. Heiba Branch 雲南華電大黑山風力發電有限公司黑巴分公司	31 December 2020	100%
Mashan Xiehe Wind Power Co., Ltd. 馬山協合風力發電有限公司	31 December 2020	95%
Rong'an Xiehe Wind Power Co., Ltd. 融安協合風力發電有限公司	31 December 2020	95%
Sanjiang County Xiehe Wind Power Co., Ltd. 三江縣協合風力發電有限公司	31 December 2020	95%
Huadian Fuxin Liuzhou New Energy Co., Ltd. 華電福新柳州新能源有限公司	31 December 2020	100%
Qinzhou Huadian Fuxin Wind Power Co., Ltd. 欽州華電福新風力發電有限公司	31 December 2020	100%
Huadian Fuxin Mashan Wind Power Co., Ltd. 華電福新馬山風力發電有限公司	31 December 2020	100%
Nanning Huadian Fuxin Wind Power Co., Ltd. 南寧華電福新風力發電有限公司	31 December 2020	100%
Guangdong Huadian Qianshan Wind Power Co., Ltd. 廣東華電前山風力發電有限公司	31 December 2020	100%
Guangdong Huadian Fuxin Meizhou Wind Power Co., Ltd. 廣東華電福新梅州風力發電有限公司	31 December 2020	100%
Guangdong Huadian Fuxin Yangjiang Offshore Wind Co., Ltd. 廣東華電福新陽江海上風電有限公司	31 December 2020	100%
Hainan Huadian South Asia Energy Development Co., Ltd. 海南華電南亞能源發展有限公司	31 December 2020	51%
Huadian Fuxin International Investment Co., Ltd. 華電福新國際投資有限公司	31 December 2020	100%
Elecdeybarchin, S.A.	31 December 2020	100%
Huadian Fuxin Energy Development Co., Ltd. Zhangping Wind Power Branch 華電福新能源發展有限公司漳平風電分公司	31 December 2020	100%
Huadian Fuxin Energy Development Co., Ltd. Lianjiang Branch 華電福新能源發展有限公司連江分公司	31 December 2020	100%
Huadian (Fujian) Wind Power Co., Ltd. 華電(福建)風電有限公司	31 December 2020	100%
Fujian Huadian Quanhui Energy Co., Ltd. 福建華電泉惠能源有限公司	31 December 2020	67%
Huadian (Anxi) New Energy Co., Ltd. 華電(安溪)新能源有限公司	31 December 2020	100%
Huadian Fuxin Energy Development Co., Ltd. 華電福新能源發展有限公司	31 December 2020	100%
Zhangzhou Huadian Energy Co., Ltd. 華電漳州能源有限公司	31 December 2020	100%
Huadian (Ninghua) New Energy Co., Ltd. 華電(寧化)新能源有限公司	31 December 2020	100%
Huadian (Liancheng) Energy Co., Ltd. 華電(連城)能源有限公司	31 December 2020	100%
Huadian Fuxin Energy Development Co., Ltd. Fuqing Branch 華電福新能源發展有限公司福清分公司	31 December 2020	100%
Wuwei Yineng Solar Power Co., Ltd. 武威益能太陽能發電有限公司	31 December 2020	100%
Huadian Fuxin (Youxi) New Energy Co., Ltd 華電福新(尤溪)新能源有限公司	31 December 2020	100%

The carrying values of certain acquired units and certain assets on 31 December 2018, 31 December 2019 and merge date are as follows:

	31 December 2018 *RMB'000*	31 December 2019 *RMB'000*	31 December 2020 *RMB'000*
Property, plant and equipment	68,798,336	70,146,844	82,052,224
Right-of-use assets	–	2,691,339	2,706,832
Lease prepayments	824,968	–	–
Intangible assets	57,835	58,500	68,468
Interest in associates and joint ventures	483,971	541,654	560,983
Other non-current assets	2,533,374	2,112,148	2,775,906
Deferred tax assets	350,095	340,326	312,444
Goodwill	268,946	268,946	268,946
Inventories	59,504	54,275	53,069
Trade and bills receivable	7,404,409	12,464,488	15,925,762
Prepayments and other current assets	4,326,069	1,621,235	1,248,501
Tax recoverable	9,980	1,176	7,650
Restricted deposits	2,449	16,131	46,428
Cash and cash equivalents	2,792,621	2,541,324	2,989,582
Borrowings – current	(6,446,131)	(6,234,793)	(8,555,430)
Obligations under finance leases – current	(59,972)	–	–
Trade and bills payable	(605,953)	(738,949)	(1,091,773)
Other payables and accruals	(8,690,745)	(8,653,253)	(14,082,233)
Deferred income – current	(9,223)	(9,625)	(6,887)
Tax payable	(38,574)	(53,612)	(91,527)
Borrowings	(49,381,835)	(49,872,093)	(53,692,794)
Obligations under finance leases	(1,153,461)	–	–
Lease liabilities	–	(1,694,098)	(1,646,748)
Deferred income	(308,933)	(284,424)	(269,864)
Deferred tax liabilities	(50,352)	(47,588)	(38,406)
Other liabilities	–	–	(540,097)
Net assets	21,167,378	25,269,951	29,001,036
Non-controlling interests	(886,602)	(1,093,173)	(1,368,505)
Total equity attributable to equity shareholders of the Target Company			27,632,531
Difference between total equity attributable to equity shareholders of the Target Company and Total consideration recorded into equity			9,517,737
Total consideration			18,114,794

(b) Business combination acquired from a third party

In December 2020, the Target Company acquired a 100% interest in Wuwei Yineng Solar Power co., Ltd. (the "Wuwei Yineng") from ChangZhou NengChuang Energy Development Co., Ltd., a third party. The cash consideration for the acquisition was RMB228,000,000 at the acquisition date of 31 December 2020.

This transaction constitute a business combination, the fair value of Wuwei Yineng's identifiable assets and liabilities on the purchase date are as follows:

	31 December 2020 Fair value recognised on acquisition
Property, plant and equipment	502,775
Deferred tax assets	22,106
Trade and bills receivable	187,710
Prepayments and other current assets	54,793
Cash and cash equivalents	2,009
Borrowings-current	(446,393)
Trade and bills payable	(16,005)
Other payables and accruals	(36,258)
Tax payable	(1)
Deferred tax liabilities	(3,755)
Total equity	266,981
Non-controlling interests	–
Total equity attributable to equity shareholders of the Target Company	266,981
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss and other comprehensive income	(38,981)
	228,000 *(Note)*

Note: This amount includes the cash payment amounted to RMB45,600,000 and other payables amounted to RMB182,400,000.

The operating results and cash flows of Wuwei Yineng from the purchase date to the end of the current year are listed as follows:

	2020
Revenue	–
Profit for the year	–
Net cash flow	–

(c) An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	Business combination acquired from a third party
Cash consideration	228,000
Cash and cash equivalents paid for the acquisition	45,600
Cash and bank balances acquired	(2,009)
Net cash paid for the acquisition	43,591

40. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE TARGET GROUP'S ACCOUNTING POLICIES

The Target Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Target Group bases the assumptions and estimates on historical experience and various other assumptions that the Target Group believes to be reasonable and on the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 4. The Target Group believes that the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Provision for expected credit losses on trade and bills receivable and prepayments and other current assets

The Target Group uses a provision matrix to calculate ECLs for trade receivables and prepayments and other current assets. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables and prepayments and other current assets is disclosed in notes 20 and 21 to the financial statements, respectively.

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Target Group's assets which include property, plant and equipment, lease prepayments and intangible assets, the recoverable amount of the cash-generating units ("CGUs") to which the non-current assets were allocated needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is generally determined as the present value of the estimated future cash flows of those expected to arise from the continued use of the asset in its present form and its eventual disposal. Assessing potential impairment of the CGUs through estimations of their recoverable amounts based on value in use involved estimation of the discounted future cash flows which required significant management judgement and estimates such as future electricity sales volumes, future on-grid tariffs, future operating costs and the discount rates. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying values of the assets may be impaired and the impairment would be charged against profit or loss.

(c) Application of the equity method due to significant influence over an investee in which the Target Group holds 10% of equity interest

The Target Group considers that it has significant influence over Sanmen Nuclear Power Corporation Limited ("Sanmen Power") even though it owns 10% of equity interest in it. Since the single largest shareholder of Sanmen Power who holds 51% of shares cannot control Sanmen Power, given the fact that the resolutions of the investee's financial and operating decisions require over two-thirds of votes in the shareholders' meetings. Besides, pursuant to the articles of association of Sanmen Power, the Target Group has the right to participate in the policy-making process and assign a director representative on the board of directors of Sanmen Power. The Target Group actively monitors the operations of Sanmen Power, through the director in the supervisory committee of Sanmen Power.

(d) Derecognition of financial assets

During the year, the Target Group has transferred the contractual rights to the cash flows from the trade receivables on tariff premium of renewable energy to unrelated third parties through asset-back securitisation transactions. Through the factoring business of accounts receivable without recourse, the Target Group transfers benchmark electricity fees receivable to unrelated third parties. In determining whether the related trade receivables should be derecognised, the Target Group needs to evaluate whether the rights to the cash flows from the assets have expired, whether the Target Group transferred the rights to receive the cash flows from the assets, whether the Target Group assumed an obligation to pay the cash flows from the assets that meets certain conditions, whether the Target Group transferred substantially all risks and rewards, whether the Target Group retained substantially all risks and rewards and retained control of the financial assets and other factors. The details of the securitisation transactions are disclosed in note 32.

41. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, the Target Group had no significant events after the Relevant Periods that are required to be disclosed.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 December 2020.

The following is the text of accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
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TO THE DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HUNAN HUADIAN CHANGSHA POWER GENERATION COMPANY LIMITED

Introduction

We report on the historical financial information of Hunan Huadian Changsha Power Generation Company Limited (the "Changsha Company") and its subsidiary (together, the "Changsha Group") set out on pages 217 to 257, which comprises the consolidated statements of financial position of Changsha Group as at 31 December 2018, 2019 and 2020, the statements of financial position of Changsha Company as at 31 December 2018, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 217 to 257 forms an integral part of this report, which has been prepared for inclusion in the circular of Huadian Power International Corporation Limited (the "Company") dated 15 June 2021 in connection with the proposed acquisition of 100% equity interests in Changsha Company by the Company ("Changsha Group Acquisition").

Directors' Responsibility for the Historical Financial Information

The directors of Changsha Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Changsha Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this circular in which the Historical Financial Information of Changsha Group is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Changsha Company as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Changsha Group's consolidated financial position as at 31 December 2018, 2019 and 2020, Changsha Company's financial position as at 31 December 2018, 2019 and 2020, and of Changsha Group's consolidated financial performance and consolidated cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 217 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared by Changsha Company in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road Wanchai
Hong Kong

15 June 2021

Tong Kin Keung
Practising Certificate No.: P07190

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Changsha Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*4*	2,015,396	1,993,308	1,791,315
Operating expenses				
Fuel costs		(1,323,527)	(1,198,794)	(998,697)
Depreciation and amortisation		(221,488)	(224,896)	(224,560)
Personnel costs	*5*	(68,353)	(73,681)	(93,252)
Administration expenses		(14,048)	(10,945)	(10,011)
Taxes and surcharges	*6*	(16,968)	(17,790)	(20,137)
Other operating expenses		(116,574)	(170,990)	(134,247)
Operating profit				
Investment income		1,200	608	602
Other revenue	*7*	16,514	14,404	17,286
Other loss	*8*	(4,071)	(12,692)	(2,672)
Fair value loss on financial assets at fair value through profit or loss		(473)	(1,665)	(1,853)
Finance costs	*9*	(92,360)	(78,225)	(57,591)
Profit before income tax	*10*	175,248	218,642	266,183
Income tax expense	*12*	(44,859)	(56,756)	(67,958)
Profit and total comprehensive income for the year attributable to owners of Changsha Company		130,389	161,886	198,225

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000
Non-current assets				
Property, plant and equipment	14	2,537,647	2,355,448	2,242,577
Construction in progress	17	49,212	90,694	17,907
Land use rights	15	159,547	–	–
Right-of-use assets	16	–	152,764	145,981
Financial assets at fair value through profit or loss	18	109,051	107,386	107,926
Deferred tax assets	26	4,247	3,081	2,312
		2,859,704	2,709,373	2,516,703
Current assets				
Inventories	19	184,450	204,650	165,289
Trade debtors and bills receivable	20	327,481	323,426	221,095
Deposits, other receivables and prepayments	21	4,502	14,281	9,044
Amount due from ultimate holding company	28(c)	–	15,009	15,063
Amounts due from fellow subsidiaries	28(c)	36,352	44,073	20,878
Cash deposits	22	230,178	16,757	168,377
		782,963	618,196	599,746
Current liabilities				
Bank loans	23	1,175,000	734,000	794,000
Trade creditors	24	118,637	152,409	90,082
Other payables	25	46,939	27,255	57,706
Amounts due to fellow subsidiaries	28(c)	13,272	15,947	72,263
Income tax payable		14,126	21,767	20,052
		1,367,974	951,378	1,034,103
Net current liabilities		(585,011)	(333,182)	(434,357)
Total assets less current liabilities		2,274,693	2,376,191	2,082,346
Non-current liabilities				
Bank loans	23	838,920	754,940	283,060
Loan from a fellow subsidiary	28(c)	–	100,000	84,940
Deferred government grants		16,990	12,324	7,657
Deferred tax liabilities	26	12,513	12,097	11,634
		868,423	879,361	387,291
Net assets		1,392,340	1,496,830	1,695,055
Equity				
Paid-in capital	27	928,571	928,571	928,571
Reserves		463,769	568,259	766,484
Total equity		1,392,340	1,496,830	1,695,055

(C) STATEMENTS OF FINANCIAL POSITION OF CHANGSHA COMPANY

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	2,536,540	2,354,603	2,242,032
Construction in progress	49,212	90,694	17,907
Land use rights	159,547	–	–
Right-of-use assets	–	152,764	145,981
Financial assets at fair value through profit or loss	109,051	107,386	107,926
Investment in a subsidiary	30,000	30,000	30,000
Deferred tax assets	4,247	3,081	2,312
	2,888,597	2,738,528	2,546,158
Current assets			
Inventories	184,116	204,256	164,875
Trade debtors and bills receivable	322,283	316,607	213,756
Deposits, other receivables and prepayments	154	4,989	6,403
Amount due from ultimate holding company	–	15,009	15,063
Amounts due from fellow subsidiaries	35,623	43,238	20,043
Amount due from a subsidiary	12,507	–	–
Cash deposits	158,125	7,061	158,606
	712,808	591,160	578,746
Current liabilities			
Bank loans	1,175,000	734,000	794,000
Trade creditors	111,035	149,312	89,499
Other payables	28,402	4,836	41,214
Amounts due to fellow subsidiaries	13,272	15,947	72,114
Amount due to a subsidiary	–	59,472	64,921
Income tax payable	12,933	20,004	19,117
	1,340,642	983,571	1,080,865
Net current liabilities	(627,834)	(392,411)	(502,119)
Total assets less current liabilities	2,260,763	2,346,117	2,044,039
Non-current liabilities			
Bank loans	838,920	754,940	283,060
Loan from a fellow subsidiary	–	100,000	84,940
Deferred government grants	16,990	12,324	7,657
Deferred tax liabilities	12,513	12,097	11,634
	868,423	879,361	387,291
Net assets	1,392,340	1,466,756	1,656,748
EQUITY			
Paid-in capital	928,571	928,571	928,571
Reserves	463,769	538,185	728,177
Total equity	1,392,340	1,466,756	1,656,748

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Capital reserve* *RMB'000* *(Note)*	Statutory reserve* *RMB'000* *(Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2018	928,571	39,563	50,986	329,585	1,348,705
Total comprehensive income:					
Profit for the year	–	–	–	130,389	130,389
Transaction with equity holders:					
– Dividend declared *(Note 13)*	–	–	–	(72,824)	(72,824)
– Transfer to statutory reserve	–	–	11,867	(11,867)	–
Total transactions with owners	–	–	11,867	(84,691)	(72,824)
At 31 December 2018 and 1 January 2019	928,571	39,563	62,853	375,283	1,406,270
Total comprehensive income:					
Profit for the year	–	–	–	161,886	161,886
Transactions with equity holders:					
– Dividend declared *(Note 13)*	–	–	–	(71,326)	(71,326)
– Transfer to statutory reserve	–	–	13,423	(13,423)	–
Total transactions with owners	–	–	13,423	(84,749)	(71,326)
At 31 December 2019 and 1 January 2020	928,571	39,563	76,276	452,420	1,496,830
Total comprehensive income:					
Profit for the year	–	–	–	198,225	198,225
Transaction with equity holders:					
– Transfer to statutory reserve	–	–	19,495	(19,495)	–
At 31 December 2020	928,571	39,563	95,771	631,150	1,695,055

* These reserve accounts comprise Changsha Group's reserves in the consolidated statements of financial position.

Note:

Capital reserve represents premium received from capital injection which is required to be included in this reserve by the PRC regulations.

According to Changsha Group's articles of association, Changsha Group is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-in capital.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	175,248	218,642	266,183
Adjustments for:			
Government grant	(4,666)	(4,666)	(4,667)
Depreciation of property, plant and equipment	214,705	218,113	217,777
Depreciation of right-of-use assets	–	6,783	6,783
Amortisation of land use rights	6,783	–	–
Loss on disposal/impairment of property, plant and equipment and construction in progress	4,071	12,343	1,428
Impairment loss on other receivables	–	349	1,244
Interest income	(1,927)	(2,148)	(2,878)
Finance costs	92,360	78,225	57,591
Changes in fair value of financial assets at fair value through profit or loss	473	1,665	1,853
Operating profit before working capital changes	487,047	529,306	545,314
Acquisition of financial assets at FVTPL	–	–	(2,393)
(Increase)/decrease in inventories	(116,183)	(20,200)	39,361
Decrease in trade debtors and bills receivable	120,749	4,055	102,331
(Increase)/decrease in deposits, other receivables and prepayments	(4,064)	(10,128)	3,993
(Decrease)/increase in trade creditors	(13,335)	33,772	(62,327)
(Decrease)/increase in other payables	(26,472)	(18,997)	31,142
Cash generated from operations	447,742	517,808	657,421
Income tax paid	(51,885)	(48,365)	(69,367)
Net cash from operating activities	395,857	469,443	588,054
Cash flows from/(used in) investing activities			
Decrease/(Increase) in amounts due from fellow subsidiaries	70,658	(7,721)	23,195
Interest received	1,927	2,148	2,878
Proceed from disposal of property, plant and equipment	301	2,876	–
Payment for construction in progress	(32,875)	(90,122)	(31,304)
Purchase of property, plant and equipment	(4,693)	(2,493)	(2,243)
Increase in amount due from ultimate holding company	–	(15,009)	(54)
Net cash from/(used in) investing activities	35,318	(110,321)	(7,528)
Cash flows used in financing activities			
Proceeds from bank loans	1,550,000	890,000	1,095,969
Repayment of bank loans	(1,674,980)	(1,414,980)	(1,507,849)
Interest paid	(92,479)	(78,912)	(58,282)
Dividend paid	(72,824)	(71,326)	–
(Decrease)/increase in amounts due to fellow subsidiaries	(41,655)	2,675	56,316
Loan advanced from/(repayment to) a fellow subsidiary	–	100,000	(15,060)
Net cash used in financing activities	(331,938)	(572,543)	(428,906)
Net increase/(decrease) in cash and cash equivalents	99,237	(213,421)	151,620
Cash and cash equivalent at beginning of the year	130,941	230,178	16,757
Cash and cash equivalent at end of year, represented by cash at bank and in hand	230,178	16,757	168,377

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF CHANGSHA GROUP

1. GENERAL INFORMATION

Hunan Huadian Changsha Power Generation Company Limited (湖南華電長沙發電有限公司) (the "Changsha Company") was established in the People's Republic of China (the "PRC") on 20 October 2003. The address of its registered office is No. 495, Talin Road, Changde Economic and Technological Development Zone, Hunan Province.

Changsha Company and its subsidiary ("Changsha Group") are principally engaged in the generation and sale of electricity, heat and coal. The majority of electricity generated is supplied to the local power grid companies where the power plants are located.

In the opinion of the directors of Changsha Company, the immediate and ultimate holding company is China Huadian Corporation Limited ("China Huadian"), a PRC State-owned enterprise incorporated in the PRC with limited liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS"), amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Changsha Group has applied all IFRSs which are effective for the financial period beginning on or after 1 January 2020 consistently throughout the Relevant Periods, except that Changsha Group adopted IFRS 16 "Leases" on 1 January 2019 based on the specific transitional provision and applied IAS 17 "Leases" prior to 1 January 2019. The adoption of new or amended IFRSs that are issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 2.1(a).

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial asset which are stated at fair value. The measurement bases are fully described in the accounting policies below.

In preparing the Historical Financial Information, the directors of Huadian Power International Corporation Limited (the "Company"), a limited liability company incorporated in the PRC and its shares are listed on the Stock Exchange, have given consideration to the future liquidity of Changsha Group in light of its net current liabilities amounted to RMB434,357,000. This indicate a condition which may cast significant doubt about Changsha Group's ability to continue as a going concern. The directors of the Company had made an assessment and concluded Changsha Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from 31 December 2020, having regard to (i) Changsha Group's current and forecasted cash positions; and (ii) unutilised banking facilities of Changsha Group amounted to approximately RMB1,820,000,000. Consequently, the Historical Financial Information have been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand (RMB'000), which is also the functional currency of Changsha Company.

(a) Issued but not yet effective IFRSs

Changsha Group has not early adopted the following new and amended IFRSs which have been issued but are not yet effective for the Relevant Periods.

IFRS 17	Insurance Contracts and related amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[7]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[3]

1 Effective for annual periods beginning on or after 1 June 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for annual periods beginning on or after 1 January 2023

5 Effective date to be determined

6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

7 Effective for annual periods beginning on or after 1 April 2021

The directors of Changsha Company anticipate that all of the pronouncements will be adopted in Changsha Group's accounting policy for the first period beginning after the effective date of the pronouncement, and these are not expected to have a material impact on Changsha Group's Historical Financial Information.

(b) Impacts and changes in accounting policies of application on IFRS 16 "Leases"

This note explains the impact of the adoption of IFRS 16 "Leases" since 1 January 2019 on Changsha Group's Historical Financial Information.

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). Changsha Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the year ended 31 December 2019. Prior periods have not been restated.

For contracts in place at the date of initial application (i.e. 1 January 2019), Changsha Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. Changsha Group has already recognised the land use rights where Changsha Group is a lessee. The application of IFRS 16 does not have impact on these assets except for the whole balance is now presented as "Right-of-use assets" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, Changsha Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The following summarises the impact of transitions to IFRS 16 on Changsha Group's consolidated statements of financial position as at 1 January 2019:

- Land use rights – decreased by RMB159,547,000
- Right-of-use assets – increased by RMB159,547,000
- There was no impact on retained earnings as at 1 January 2019

2.2 Basis of consolidation

Subsidiary is entity controlled by Changsha Group. Control is achieved when Changsha Group:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

Changsha Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changsha Group includes the income and expenses of the subsidiary in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Changsha Group's accounting policies.

When Changsha Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. It is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

2.3 Property, plant and equipment

Items of property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to Changsha Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

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

Buildings	25-40 years
Generators, machinery and equipment	5-30 years
Motor vehicles, furniture, fixtures, equipment and others	6 years

Construction in progress is stated at cost, which comprises construction expenditure, including the cost of related equipment, less any impairment losses. The costs are transferred to property, plant and equipment and depreciation will be provided in accordance with the policy as stated above when the relevant assets are completed and ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4 Land use rights

Land use rights (which meet the definition of right-of-use assets upon initial application of IFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. Land use rights are stated at costs less accumulated amortisation (before the application of IFRS 16)/depreciation (upon the application of IFRS 16) on a straight-line basis to profit or loss over the lease terms.

2.5 Impairment of non-financial assets

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

– property, plant and equipment;

– construction in progress;

– land use rights; and

– right-of-use assets.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.6 Financial assets

(a) Classification

Changsha Group classifies its financial assets into the following categories:

– amortised cost; and

– financial assets at FVTPL.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Changsha Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, i.e. the date on which Changsha Group commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and Changsha Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, Changsha Group measures a financial asset at its fair value, in the case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, investment income and interest income.

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the financial asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other revenue using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other loss. Expected credit loss ("ECL") for the financial assets measured at amortised costs and included in other loss. Changsha Group's trade debtors and bills receivable, deposits and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and cash deposits fall into this category of financial instruments.

Equity investments

Investment in equity instruments are always measured at fair value. Equity securities that are held for trading are measured at FVTPL.

(d) Impairment

Changsha Group assesses on a forward-looking basis of the ECL associated with its debt instruments measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which Changsha Group is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to Changsha Group in accordance with the contract and all the cash flows that Changsha Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For trade debtors and bills receivable related to sale of electricity, heat and coal and related products, Changsha Group applies the simplified approach to providing for ECLs prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all debtors based on Changsha Group's individual assessment of the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash deposits placed in high credit-rated financial institutions are considered to be of low credit risk. Thus, the impairment provision recognised during the Relevant Periods was limited to 12-month ECL.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, Changsha Group recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Changsha Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on Changsha Group's historical experience and including forward-looking information.

In particular, the following assessment criteria is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Changsha Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless Changsha Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, Changsha Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each of the Relevant Periods. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has 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 fulfill its contractual cash flow obligations.

For internal credit risk management, Changsha Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Changsha Group, in full (without taking into account any collaterals held by Changsha Group) or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade debtors and bills receivable, deposits and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries and cash deposits are set out in Note 35.3.

2.7 Financial liabilities

(a) Recognition and measurement

Changsha Group's financial liabilities include bank loans, loan from a fellow subsidiary, trade creditors, other payables and amounts due to fellow subsidiaries.

Financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless Changsha Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the each of the Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.8 Contract liabilities

A contract liability represents Changsha Group's obligation to transfer services to a customer for which Changsha Group has received consideration (or an amount of consideration is due) from the customer.

2.9 Inventories

Inventories, comprising coal, stalk, gas, materials, components and spare parts for consumption are carried at the lower of cost and net realisable values. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated conversion costs during power generation, and the estimated costs necessary to make the sale. When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised, or capitalised to property, plant and equipment when installed, as appropriate. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.10 Paid-in capital

Paid-in capital are classified as equity. Incremental costs directly attributable to the new capital injection are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of Changsha Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligation in the contract;

(v) Recognising of revenue when, or as, a performance obligation is satisfied.

At contract inception, Changsha Group assessed and identified performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, Changsha Group considers all the products and services promised in the contract with the customer based on Changsha Group's customary business practices, published policies, or specific statements.

Changsha Group recognises revenue when the specific criteria have been met for each of Changsha Group's activities, as described below:

(a) Electricity income

For sales of electricity, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of electricity is transferred to the customer. Revenue is thus recognised upon when the power grid companies received each unit of electricity.

(b) Heat income

For sales of heat, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of heat is transferred to the customer. Revenue is thus recognised upon the customers received each unit of heat.

(c) Sale of coal

Revenue is recognised at a point in time when control of the goods has transferred, being when the goods are delivered to and have been accepted by customers.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.12 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

2.13 Current and deferred tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each of the Relevant Periods in the countries where Changsha Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each of the Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

2.14 Employee benefits

Short-term obligations

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by Changsha Group in respect of services provided by employees up to the end of each Relevant Periods.

Retirement benefits

Employees of Changsha Group are required to participate in defined contribution retirement schemes administered and operated by municipal governments. Changsha Group contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. Changsha Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

2.15 Provisions and contingent liabilities

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

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

2.16 Leases

(a) Definition of a lease and Changsha Group as a lessee

As explained note 2.1(b), Changsha Group has changed its accounting policy for leases where Changsha Group is the leasee. The new policy is described below and the impact of the change in note 2.1(b) until 31 December 2018.

Policy applicable before 1 January 2019

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to Changsha Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Policy applicable after 1 January 2019

For any new contracts entered into on or after 1 January 2019, Changsha Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, Changsha Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Changsha Group;
- Changsha Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- Changsha Group has the right to direct the use of the identified asset throughout the period of use. Changsha Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(b) Measurement and recognition of leases as a lessee

At lease commencement date, Changsha Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Changsha Group depreciates the right-of-use assets on a straight-line basis from the lease 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 unless Changsha Group is reasonably certain to obtain ownership at the end of the lease term. Changsha Group also assesses the right-of-use asset for impairment when such indicator exists.

Changsha Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise small items of office equipment.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land and are presented as "Land use rights" under non-current assets.

2.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Changsha Group will comply with all attached conditions.

Government grants relating to income is presented in gross under other revenue in the consolidated statement of profit or loss and other comprehensive income.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

2.18 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to Changsha Group if:

(a) the party, is a person or a close member of that person's family and if that person,

- (i) has control or joint control over Changsha Group;
- (ii) has significant influence over Changsha Group; or
- (iii) is a member of the key management personnel of Changsha Group or of a parent of Changsha Group.

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and Changsha Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and Changsha Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either Changsha Group or an entity related to Changsha Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Changsha Group or to the parent of Changsha Group.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Changsha Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of property, plant and equipment, land use rights/right-of-use assets and construction in progress

As disclosed in Notes 14, 15, 16 and 17, if circumstances indicate that the carrying amount of property, plant and equipment, land use rights/right-of-use assets and construction in progress may not be recoverable, the respective asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of respective assets or the CGUs containing the respective assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The respective assets or the CGUs are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets or the CGUs are discounted to their present value. Changsha Group uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs. Changes in assumptions used could materially affect the result of impairment review and as a result affect Changsha Group's financial condition and results of operation. As at 31 December 2018, 2019 and 2020, the carrying amount of property, plant and equipment were RMB2,537,647,000, RMB2,355,448,000 and RMB2,242,577,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of land use rights/right-of-use assets were RMB159,547,000, RMB152,764,000 and RMB145,981,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of construction in progress were RMB49,212,000, RMB90,694,000 and RMB17,907,000 respectively.

(b) Depreciation and amortisation

As disclosed in Notes 14, 15 and 16, property, plant and equipment, land use rights/right-of-use assets are depreciated or amortised over their estimated useful lives, after taking into account the estimated residual value (if any). Changsha Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the Relevant Periods. The useful lives are based on Changsha Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(c) Provision for ECLs on trade debtors and other receivables

The provision rate of trade debtors and other receivables are made based on the individual assessment of their recoverability and the ageing analysis of the trade debtors and other receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Changsha Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on Changsha Group's trade debtors and other receivables are disclosed in Notes 20 and 21 to the consolidated financial statements.

(d) Fair value of financial assets at FVTPL

The fair values of financial assets at FVTPL were determined by using various valuation techniques. Changsha Group uses its judgement to select a variety of methods and make assumptions which are mainly based on market conditions existing at the end of each of the Relevant Periods. Changes in assumptions used could materially affect the fair value of these balances and as a result affect Changsha Group's financial condition and results of operation. As at 31 December 2018, 2019 and 2020, the fair value of the financial assets at FVTPL were RMB109,051,000, RMB107,386,000 and RMB107,926,000 respectively. Details of the fair value measurement are disclosed in Note 31.5.

4. TURNOVER

Turnover represents the sale of electricity, heat and coal and recognised at a point in time. Major components of Changsha Group's turnover are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Sale of electricity	1,938,524	1,911,138	1,714,165
Sale of heat	45,003	49,952	43,361
Sale of coal and related products	31,869	32,218	33,789
	2,015,396	1,993,308	1,791,315

5. PERSONNEL COSTS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wages, welfare and other benefits	48,653	53,674	74,232
Retirement costs *(note)*	19,700	20,007	19,020
	68,353	73,681	93,252

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

6. TAXES AND SURCHARGES

During the Relevant Periods, taxes and surcharges of Changsha Group mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax and other taxes and surcharges.

7. OTHER REVENUE

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other revenue:			
Government grant (Note)	5,236	6,333	5,611
Compensation income	9,351	5,923	8,797
Interest income	1,927	2,148	2,878
	16,514	14,404	17,286

Note: Government grants mainly represent the grants from government for environmental protection and heat supply. There is no unfulfilled condition relating to those grants. In addition, for grants related to assets, such grants have been deferred and released to profit or loss in accordance with the useful lives of the related assets.

8. OTHER LOSS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other loss:			
Loss on disposal of property, plant and equipment	1,350	12,343	954
Impairment of construction in progress	2,721	–	474
Impairment loss on other receivables	–	349	1,244
	4,071	12,692	2,672

9. FINANCE COSTS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	89,847	77,528	53,238
Interest on loan from a fellow subsidiary	–	118	3,897
Other finance costs	2,513	579	456
	92,360	78,225	57,591

10. PROFIT BEFORE INCOME TAX

Profit before taxation is arrived at after charging:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	214,705	218,113	217,777
– Right-of-use assets	–	6,783	6,783
Total depreciation	214,705	224,896	224,560
Amortisation of land use rights	6,783	–	–
Auditor's remuneration	110	110	110
Repair and maintenance	37,225	56,314	38,571

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

No emolument was paid or payable to the directors of Changsha Group during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by Changsha Group to the directors as an inducement to join or upon joining Changsha Group or as compensation for loss of office. There was no arrangement under which any director or five highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

11.2 Five highest paid individuals

The five highest paid individuals in Changsha Group during the Relevant Periods did not include any director. The emoluments of these five highest individuals for the Relevant Periods are set out below:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonuses	1,979	2,154	2,217
Retirement benefit scheme contributions	128	174	121
	2,107	2,328	2,338

Their emoluments were within the band of HK$Nil to HK$1,000,000.

12. INCOME TAX EXPENSE

Changsha Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC Corporate Income Tax"). The standard PRC Corporate Income Tax rate is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
– PRC enterprise income tax	43,737	56,006	67,652
Deferred Taxation *(Note 26)*	1,122	750	306
	44,859	56,756	67,958

Reconciliation between income tax expense and profit before income tax are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	175,248	218,642	266,183
Tax on profit before income tax, calculated at the rate of 25%	43,812	54,660	66,545
Tax effect of non-deductible expenses	1,398	2,299	2,055
Tax effect of non-taxable income	(351)	(203)	(642)
Income tax expense	44,859	56,756	67,958

13. DIVIDEND

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Final dividends	72,824	71,326	–

The directors of Changsha Company do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Generators, machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment and others *RMB'000*	Total *RMB'000*
At 1 January 2018				
Cost	1,363,011	3,373,054	38,692	4,774,757
Accumulated depreciation	(496,156)	(1,594,458)	(26,285)	(2,116,899)
Net book amount	866,855	1,778,596	12,407	2,657,858
Year ended 31 December 2018				
Opening net book amount	866,855	1,778,596	12,407	2,657,858
Additions	20	1,138	3,535	4,693
Transfer from construction in progress	1,353	88,619	1,480	91,452
Depreciation	(51,835)	(160,795)	(2,075)	(214,705)
Disposals	–	(1,544)	(107)	(1,651)
Closing net book amount	816,393	1,706,014	15,240	2,537,647
At 31 December 2018 and 1 January 2019				
Cost	1,364,384	3,456,878	40,328	4,861,590
Accumulated depreciation	(547,991)	(1,750,864)	(25,088)	(2,323,943)
Net book amount	816,393	1,706,014	15,240	2,537,647
Year ended 31 December 2019				
Opening net book amount	816,393	1,706,014	15,240	2,537,647
Additions	123	368	2,002	2,493
Transfer from construction in progress	21,285	27,223	132	48,640
Reclassification	–	179	(179)	–
Depreciation	(51,856)	(163,862)	(2,395)	(218,113)
Disposals	(3,753)	(11,392)	(74)	(15,219)
Closing net book amount	782,192	1,558,530	14,726	2,355,448
At 31 December 2019 and 1 January 2020				
Cost	1,379,002	3,460,843	38,263	4,878,108
Accumulated depreciation	(596,810)	(1,902,313)	(23,537)	(2,522,660)
Net book amount	782,192	1,558,530	14,726	2,355,448
Year ended 31 December 2020				
Opening net book amount	782,192	1,558,530	14,726	2,355,448
Additions	16	326	1,901	2,243
Transfer from construction in progress	7,568	94,907	1,142	103,617
Depreciation	(52,514)	(162,665)	(2,598)	(217,777)
Disposals	–	(839)	(115)	(954)
Closing net book amount	737,262	1,490,259	15,056	2,242,577
At 31 December 2020				
Cost	1,386,586	3,539,345	37,218	4,963,149
Accumulated depreciation	(649,324)	(2,049,086)	(22,162)	(2,720,572)
Net book amount	737,262	1,490,259	15,056	2,242,577

15. LAND USE RIGHTS

	RMB'000
At 1 January 2018	
Cost	193,251
Accumulated amortisation	(26,921)
Net book amount	166,330
Year ended 31 December 2018	
Opening net book amount	166,330
Amortisation	(6,783)
Closing net book amount	159,547
At 31 December 2018	
Cost	193,251
Accumulated amortisation	(33,704)
Net book amount as at 31 December 2018	159,547
Transfer to right-of-use assets upon initial application of IFRS 16 *(Note 16)*	(159,547)
At 1 January 2019	–

16. RIGHT-OF-USE ASSETS

Changsha Group's right-of-use assets arise from lease of land use rights with typically lease term of 50 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The movements of right-of-use assets are analysed as follows:

	2019	**2020**
	RMB'000	*RMB'000*
At the beginning of the year	–	152,764
Transfer from land use rights upon initial application of IFRS16 *(Note 15)*	159,547	–
At the beginning of the year (adjusted)	159,547	152,764
Depreciation	(6,783)	(6,783)
At the end of the year	152,764	145,981

17. CONSTRUCTION IN PROGRESS

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	110,510	49,212	90,694
Additions	32,875	90,122	31,304
Transfer to property, plant and equipment	(91,452)	(48,640)	(103,617)
Impairment	(2,721)	–	(474)
At 31 December	49,212	90,694	17,907

18. FINANCIAL ASSETS AT FVTPL

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments			
– Equity securities at FVTPL	109,051	107,386	107,926

The above unlisted investments represent (1) 1.08% equity interest of a private entity incorporated in the PRC engaging in properties investment business; (2) 10% equity interest of a private entity incorporated in the PRC engaging in exploitation of shale gas; (3) 2.31% equity interest of a private entity incorporated in the PRC engaging in operation of electricity trading platform.

The fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy. Further details are disclosed in Note 31.5 to the Historical Financial Information.

19. INVENTORIES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Coal, gas and stalk	166,888	188,297	148,368
Material, components and spare parts	17,562	16,353	16,921
	184,450	204,650	165,289

All of the inventories for future usage and sales are expected to be utilised within one year.

20. TRADE DEBTORS AND BILLS RECEIVABLE

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors	295,913	262,853	173,615
Bills receivable	31,568	60,573	47,480
	327,481	323,426	221,095

As at 31 December 2018, 2019 and 2020, trade debtors of approximately RMB327,481,000, RMB323,426,000 and RMB221,095,000, respectively, represented receivables from sales of electricity and heat and are usually settled within three to twelve months.

The directors of Changsha Group consider that the ECL for trade debtors and bills receivable is insignificant as at 31 December 2018, 2019 and 2020. Note 31.3 provides details about the allowances.

The ageing analysis by invoice date of trade debtors, which approximately to revenue recognition date, was as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	295,913	262,853	173,615

Changsha Group allows credit periods of up to 30 days to its customers. In the opinion of the directors of Changsha Company, the above trade debtors were neither past due nor impaired at the end of each of the Relevant Periods.

As at 31 December 2018, 2019 and 2020, all bills receivable had maturities of less than one year from the end of each of the Relevant Periods.

The maximum exposure to credit risk at the end of each of the Relevant Periods was the carrying amounts of trade debtors and bills receivable. Trade debtors and bills receivable are denominated in RMB.

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deposits and other receivables	3,856	9,638	5,385
Prepayments	646	4,992	5,252
	4,502	14,630	10,637
Less: allowance for impairment	–	(349)	(1,593)
	4,502	14,281	9,044

The movements of impairment loss for deposits for investments and other receivables are as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Stage 2:			
At 1 January	–	–	349
Increase in impairment loss recognised on other receivables	–	349	–
Transfer to stage 3	–	–	(349)
At 31 December	–	349	–

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Stage 3:			
At 1 January	–	–	–
Increase in impairment loss recognised on other receivables	–	–	1,244
Transfer from stage 2	–	–	349
At 31 December	–	–	1,593

As at 31 December 2018, the gross amount of deposits, other receivables and prepayments of RMB4,502,000 were classified under stage 1. As at 31 December 2019, the gross amount of deposits, other receivables and prepayments of RMB13,037,000 and RMB1,593,000 were classified under stage 1 and transferred from stage 1 to stage 2, respectively. As at 31 December 2020, the gross amount of deposits, other receivables and prepayments of RMB9,044,000 and RMB1,593,000 were classified under stage 1 and transferred from stage 2 to stage 3, respectively.

22. CASH DEPOSITS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	230,178	16,757	168,377

23. BANK LOANS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Due:			
Within 1 year			
– short-term bank loans	1,120,000	710,000	770,000
– current portion of long-term bank loans	55,000	24,000	24,000
	1,175,000	734,000	794,000
After 1 year but with 2 years	70,000	64,000	108,000
After 2 years but within 5 years	768,920	690,940	175,060
	838,920	754,940	283,060
Total	2,013,920	1,488,940	1,077,060
Classified as:			
Current portion	1,175,000	734,000	794,000
Non-current portion	838,920	754,940	283,060
	2,013,920	1,488,940	1,077,060

As at 31 December 2019 and 2020, bank loans of approximately RMB778,940,000 and RMB292,000,000, respectively were secured by Changsha Group's fee collection right in relation to the sales of electricity. The remaining bank loans were unsecured. The bank loans carried an effective interest rate of 4.42%, 4.37 % and 3.99% per annum during the years ended 31 December 2018, 2019 and 2020, respectively, and repayable by instalments till 2023.

24. TRADE CREDITORS

As at 31 December 2018, 2019 and 2020, the aging analysis of trade creditors, presented based on the invoice date, is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
With 1 year	91,379	152,409	90,082
1 to 2 years	7,611	–	–
2 to 3 years	–	–	–
Over 3 years	19,647	–	–
	118,637	152,409	90,082

25. OTHER PAYABLES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deposits received	18,121	16,193	13,603
Interest payable for bank loans	2,634	1,947	1,256
Wages payable	3,340	1,137	15,916
Contract liabilities *(note b)*	2,361	3,061	3,724
Other tax payables	18,509	1,710	19,379
Others	1,974	3,207	3,828
	46,939	27,255	57,706

Notes:

(a) All of the other payables are expected to be settled within one year or are repayable on demand.

(b) Contract liabilities relate to the deposits received from customers for sale of coal. Changsha Group would require the customer to pay in advance for the coal. It expects to deliver the goods to satisfy the performance obligations of these contract liabilities within one year or less. Contract liabilities outstanding at the beginning of each of the Relevant Periods amounting to RMB2,930,000, RMB2,361,000 and RMB3,061,000 have been recognised as revenue during the year ended 31 December 2018, 2019 and 2020, respectively. Since the contract liabilities are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

26. DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts are shown separately on the consolidated statements of financial position:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	4,247	3,081	2,312
Deferred tax liabilities	(12,513)	(12,097)	(11,634)
	(8,266)	(9,016)	(9,322)

The net movement in the deferred tax during the Relevant Periods is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	(7,144)	(8,266)	(9,016)
Charged to profit or loss	(1,122)	(750)	(306)
At 31 December	(8,266)	(9,016)	(9,322)

(a) Deferred tax assets

	Temporary difference arising from deferred government grants		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	5,488	4,247	3,081
Charged to profit or loss	(1,241)	(1,166)	(1,167)
At 31 December	4,247	3,081	1,914

	Impairment of other receivables		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	–
Credited to profit or loss	–	–	398
At 31 December	–	–	398
Total	4,247	3,081	2,312

(b) Deferred tax liabilities

	Fair value of financial assets at FVTPL		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	(12,632)	(12,513)	(12,097)
Credited to profit or loss	119	416	463
At 31 December	(12,513)	(12,097)	(11,634)

27. PAID-IN CAPITAL

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-in capital	928,571	928,571	928,571

28. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of Changsha Group that had balances and/or transactions with Changsha Group during the Relevant Periods.

Name of related parties	Relationship with the Target Group
China Huadian	Immediate and ultimate holding company
Huayuan Star Shipping Co., Ltd# (華遠星海運有限公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Shaanxi Branch# (華電集團北京燃料物流有限公司陝西分公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Zhengzhou Machinery Design and Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	Controlled and beneficially owned by the ultimate holding company
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司)	Controlled and beneficially owned by the ultimate holding company
China Huadian Science and Engineering Group Co., Ltd# (中國華電科工集團有限公司)	Controlled and beneficially owned by the ultimate holding company
China Huadian Science and Technology Research Institute Co., Ltd# (中國華電集團科學技術研究總院有限公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	Controlled and beneficially owned by the ultimate holding company
China Huadian Group Co., Ltd# (中國華電集團有限公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Qinhuangdao Branch# (華電集團北京燃料物流有限公司秦皇島分公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Inner Mongolia Branch# (華電集團北京燃料物流有限公司內蒙古分公司)	Controlled and beneficially owned by the ultimate holding company
China Huadian Power Construction Technology and Economy Consulting Center Co., Ltd# (中國華電集團電力建設技術經濟諮詢中心有限公司)	Controlled and beneficially owned by the ultimate holding company
Nanjing Huadun Power Information Security Evaluation Co., Ltd# (南京華盾電力信息安全測評有限公司)	Controlled and beneficially owned by the ultimate holding company
Hunan Huadian Changde Power Generation Co., Ltd# (湖南華電常德發電有限公司)	Controlled and beneficially owned by the ultimate holding company
Hunan Huadian Xiangtan New Energy Co., Ltd# (湖南華電湘潭新能源有限公司)	Controlled and beneficially owned by the ultimate holding company
Hunan Branch of China Huadian Group Co., Ltd# (中國華電集團有限公司湖南分公司)	Controlled and beneficially owned by the ultimate holding company
Hunan Huadian Chenzhou Wind Power Co., Ltd# (湖南華電郴州風力發電有限公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Commercial Factoring (Tianjin) Co., Ltd# (華電商業保理(天津)有限公司)	Controlled and beneficially owned by the ultimate holding company

Name of related parties	Relationship with the Target Group
Huadian Qingdao Environmental Protection Technology Co., Ltd# (華電青島環保技術有限公司)	Controlled and beneficially owned by the ultimate holding company
Shanxi Jinneng Fuel Co., Ltd# (山西晉能燃料有限責任公司)	Controlled and beneficially owned by the ultimate holding company
Huadian Hexiang Engineering Consulting Co., Ltd# (華電和祥工程諮詢有限公司)	Controlled and beneficially owned by the ultimate holding company
Hunan Huadian Yongzhou Wind Power Co., Ltd# (湖南華電永州風電有限公司)	Controlled and beneficially owned by the ultimate holding company

(b) Significant related parties transactions

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between Changsha Group and its related parties in the ordinary course of business during the Relevant Periods.

For the year ended 31 December 2018

		RMB'000
Huayuan Star Shipping Co., Ltd# (華遠星海運有限公司)	Delivery service fee	88,702
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	Purchase of coal	1,153,676
Huadian Group Beijing Fuel Logistics Co., Ltd. Inner Mongolia Branch# (華電集團北京燃料物流有限公司內蒙古分公司)	Purchase of coal	49,932
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	Technical consultancy fee	3,820
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司)	I.T. Service fee	6,606
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	Repair and maintenance service fee	3,434
China Huadian Science and Technology Research Institute Co., Ltd# (中國華電集團科學技術研究總院有限公司)	Repair and maintenance service fee	2,353
Hunan Huadian Changde Power Generation Co., Ltd# (湖南華電常德發電有限公司)	Transfer of electricity generation rights	9,240

The English translation of the names is for identification only. The official names of these entities are in Chinese.

For the year ended 31 December 2019

		RMB'000
Huayuan Star Shipping Co., Ltd# (華遠星海運有限公司)	Delivery service fee	62,971
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	Purchase of coal	925,619
Huadian Group Beijing Fuel Logistics Co., Ltd. Shaanxi Branch# (華電集團北京燃料物流有限公司陝西分公司)	Purchase of coal	69,059

		RMB'000
Huadian Zhengzhou Machinery Design and Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司)	Repair and maintenance service	22,597
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	Technical consultancy fee	4,132
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司)	Repair and maintenance service	255
China Huadian Science and Engineering Group Co., Ltd# (中國華電科工集團有限公司)	Repair and maintenance service	5,207
China Huadian Science and Technology Research Institute Co., Ltd# (中國華電集團科學技術研究總院有限公司)	Repair and maintenance service	3,111
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	Repair and maintenance service	18,750
China Huadian Group Co., Ltd# (中國華電集團有限公司)	Interest charge	118

For the year ended 31 December 2020

		RMB'000
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	Purchase of coal	623,811
Huayuan Star Shipping Co., Ltd# (華遠星海運有限公司)	Delivery service fee	34,339
Huadian Group Beijing Fuel Logistics Co., Ltd. Shaanxi Branch# (華電集團北京燃料物流有限公司陝西分公司)	Purchase of coal	121
Huadian Group Beijing Fuel Logistics Co., Ltd. Qinhuangdao branch# (華電集團北京燃料物流有限公司秦皇島分公司)	Purchase of coal	84,969
Huadian Group Beijing Fuel Logistics Co., Ltd. Inner Mongolia Branch# (華電集團北京燃料物流有限公司內蒙古分公司)	Purchase of coal	12,178
Huadian Zhengzhou Machinery Design and Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司)	Repair and maintenance service	480
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	Technical consultancy fee	5,162
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	Repair and maintenance service	33,880
China Huadian Power Construction Technology and Economy Consulting Center Co., Ltd# (中國華電集團電力建設技術經濟諮詢中心有限公司)	Consultancy fee	462
Nanjing Huadun Power Information Security Evaluation Co., Ltd# (南京華盾電力信息安全測評有限公司)	Consultancy fee	228
China Huadian Science and Engineering Group Co., Ltd# (中國華電科工集團有限公司)	Repair and maintenance service	3,451
China Huadian Group Co., Ltd# (中國華電集團有限公司)	Interest charge	3,897

The English translation of the names is for identification only. The official names of these entities are in Chinese.

(c) Significant related parties balances

Amounts due from fellow subsidiaries (trade nature)

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Hunan Huadian Xiangtan New Energy Co., Ltd# (湖南華電湘潭新能源有限公司)	729	835	835
Hunan Huadian Chenzhou Wind Power Co., Ltd# (湖南華電郴州風力發電有限公司)	–	364	364
	729	1,199	1,199

The English translation of the name is for identification only. The official name of the entities are in Chinese.

Changsha Group allows credit periods of up to 30 days to its fellow subsidiaries. As at 31 December 2018, 2019 and 2020, the ageing analysis of amounts due from fellow subsidiaries (trade nature), presented based on the invoice date, is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	729	470	–
Over 1 year	–	729	1,199
	729	1,199	1,199

Amounts due from fellow subsidiaries (non-trade nature)

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Hunan Huadian Xiangtan New Energy Co., Ltd# (湖南華電湘潭新能源有限公司)	–	5,189	12,930
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	15,174	15,920	–
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	6,579	–	–
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司)	1,370	1,121	–
Hunan Branch of China Huadian Group Co., Ltd# (中國華電集團有限公司湖南分公司)	12,500	6,500	6,500
Huadian Group Beijing Fuel Logistics Co., Ltd. Shaanxi Branch# (華電集團北京燃料物流有限公司陝西分公司)	–	14,144	–
Huadian Commercial Factoring (Tianjin) Co., Ltd# (華電商業保理(天津)有限公司)	–	–	249
	35,623	42,874	19,679

The English translation of the names is for identification only. The official names of these entities are in Chinese.

The amounts due are unsecured, interest-free and repayable on demand.

Amount due from ultimate holding company.

The amounts due are unsecured, interest-free and repayable on demand.

Amounts due to fellow subsidiaries (trade nature)

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Nanjing Huadun Power Information Security Evaluation Co., Ltd# (南京華盾電力信息安全測評有限公司)	304	9	251
Huayuan Star Shipping Co., Ltd# (華遠星海運有限公司)	7,309	1,808	5,398
Huadian Qingdao Environmental Protection Technology Co., Ltd# (華電青島環保技術有限公司)	660	377	–
Huadian Electric Power Research Institute Co., Ltd# (華電電力科學研究院有限公司)	916	631	1,928
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司)	2,612	–	5,657
Huadian Zhengzhou Machinery Design and Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司)	455	645	1,648
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	–	9,246	1,083
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	–	–	51,926
China Huadian Science and Engineering Group Co., Ltd# (中國華電科工集團有限公司)	–	715	3,215
China Huadian Science and Technology Research Institute Co., Ltd# (中國華電集團科學技術研究總院有限公司)	–	1,798	907
China Huadian Power Construction Technology and Economy Consulting Center Co., Ltd# (中國華電集團電力建設技術經濟諮詢中心有限公司)	–	75	–
Huadian Hexiang Engineering Consulting Co., Ltd# (華電和祥工程諮詢有限公司)	–	19	–
	12,256	15,323	72,013

The English translation of the names is for identification only. The official names of these entities are in Chinese.

As at 31 December 2018, 2019 and 2020, the ageing analysis of amounts due to fellow subsidiaries (trade nature), presented based on the invoice date, is as follows:

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Within 1 year	11,506	14,946	72,013
Over 1 year	750	377	–
	12,256	15,323	72,013

Amounts due to fellow subsidiaries (non-trade nature)

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Huadian Zhengzhou Machinery Design and Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司)	10	–	–
Hunan Branch of China Huadian Group Co., Ltd# (中國華電集團有限公司湖南分公司)	4	4	–
Shanxi Jinneng Fuel Co., Ltd# (山西晉能燃料有限責任公司)	500	500	–
Huadian Heavy Industry Co., Ltd# (華電重工股份有限公司)	2	2	–
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司)	500	–	–
China Huadian Group Co., Ltd# (中國華電集團有限公司)	–	118	100
Hunan Huadian Yongzhou Wind Power Co., Ltd# (湖南華電永州風電有限公司)	–	–	150
	1,016	624	250

The English translation of the names is for identification only. The official names of these entities are in Chinese.

The amounts due are unsecured, interest-free and repayable on demand.

Loan from a fellow subsidiary

The amounts due are unsecured, interest bore at 3.85% per annum and due at 31 August 2022.

29. SUBSIDIARY

Changsha Group's subsidiary at 31 December 2018, 2019 and 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of paid-in capital that are held directly by Changsha Group, and the proportion of ownership interests held equals the voting rights held by Changsha Group. The country of incorporation or registration is also their principal place of business.

Particulars of subsidiary

Name of entity	Place of incorporation/ establishment	Particular of registered capital	Ownership interest held by the Group 2018	2019	2020	Principal activities
Hunan Huadian Changyuan Investment Co. Ltd# (湖南華電長源投資有限公司)	The PRC	Registered and paid up RMB30,000,000	100%	100%	100%	Sales of electricity, heat and coal.

The English translation of the name is for identification only. The official name of the entity is in Chinese.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in Changsha Group's liabilities arising from financing activities can be classified as follows:

	Bank loans	Loan from a fellow subsidiary	Amounts due to fellow subsidiaries	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	2,138,900	–	54,927	2,753	2,196,580
Cash flows					
– Proceeds	1,550,000	–	–	–	1,550,000
– Repayment	(1,674,980)	–	(41,655)	–	(1,716,635)
– Interest paid	–	–	–	(92,479)	(92,479)
Non-cash changes					
– Finance costs	–	–	–	92,360	92,360
At 31 December 2018 and 1 January 2019	2,013,920	–	13,272	2,634	2,029,826
Cash flows					
– Proceeds	890,000	100,000	2,675	–	992,675
– Repayment	(1,414,980)	–	–	–	(1,414,980)
– Interest paid	–	–	–	(78,912)	(78,912)
Non-cash changes					
– Finance costs	–	–	–	78,225	78,225
At 31 December 2019 and 1 January 2020	1,488,940	100,000	15,947	1,947	1,606,834
Cash flows					
– Proceeds	1,095,969	–	56,316	–	1,152,285
– Repayment	(1,507,849)	(15,060)	–	–	(1,522,909)
– Interest paid	–	–	–	(58,282)	(58,282)
Non-cash changes					
– Finance costs	–	–	–	57,591	57,591
At 31 December 2020	1,077,060	84,940	72,263	1,256	1,235,519

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Changsha Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. Changsha Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Changsha Group's financial performance. Risk management is carried out by the senior management of Changsha Group under policies approved by the board of directors of Changsha Group.

31.1 Categories of financial assets and liabilities

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables			
– Trade debtors and bills receivables	327,481	–	–
– Deposits and other receivables	3,856	–	–
– Amounts due from fellow subsidiaries	36,352	–	–
– Cash deposits	230,178	–	–
Financial assets at amortised cost			
– Trade debtors and bills receivables	–	323,526	221,095
– Deposits and other receivables	–	9,289	3,792
– Amount due from ultimate holding company	–	15,009	15,063
– Amounts due from fellow subsidiaries	–	44,073	20,878
– Cash deposits	–	16,757	168,377
Financial assets at FVTPL	109,051	107,386	107,926
	706,918	516,040	537,131
Financial liabilities			
Financial liabilities at amortised cost			
– Bank loans	2,013,920	1,488,940	1,077,060
– Loan from a fellow subsidiary	–	100,000	84,940
– Trade creditors	118,637	152,409	90,082
– Other payables	26,069	22,484	34,603
– Amounts due to fellow subsidiaries	13,272	15,947	72,263
	2,171,898	1,779,780	1,358,948

31.2 **Interest rate risk**

Changsha Group does not anticipate significant impact to cash deposits because the interest rates of cash deposits are not expected to change significantly.

Changsha Group is exposed to cash flow interest rate risk through the impact of rates changes on interest-bearing borrowings which bear floating interest rates and exposed to fair value interest rate risk from loan from a fellow subsidiary which bear fixed interest rate.

Changsha Group monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

Based on the balance of its interest-bearing borrowings which bear floating interest rates as at 31 December 2018, 2019 and 2020, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, profit before income tax for the years ended 31 December 2018, 2019 and 2020 would be decreased/increased by approximately RMB4,470,000, RMB3,895,000 and RMB1,535,000, respectively.

The changes in interests rates do not affect Changsha Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2018, 2019, and 2020 existed throughout the respective Relevant Periods.

31.3 Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of Changsha Group mainly arises from trade debtors and bills receivable, deposits and other receivables and cash deposits.

Impairment of Financial Assets

Changsha Group has three types of assets that are subject to the ECL model:

- Trade debtors and bills receivable
- Deposits and other receivables, amount due from ultimate holding company and amounts due from fellow subsidiaries
- Cash deposits

(i) Trade debtors and bills receivable

The trade debtors and bills receivable of Changsha Group were arising from sales of electricity and heat to state-owned enterprise. Given the track record of regular settlement of the trade debtors and bills receivable and adjusted for forward-looking information, the directors of Changsha Company are of the opinion that the risk of default by the customers is not significant and does not expect any losses from non-performance by the customers. Therefore, ECL rate of trade debtors are assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

The credit risks on bills receivable are limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of bills receivable is assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

(ii) Deposits, other receivables, amount due from ultimate holding company and amounts due from fellow subsidiaries

Impairment loss of deposits and other receivables, amount due from ultimate holding company and amounts due from fellow subsidiaries are measured as either 12-months ECL or lifetime ECL on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime ECL.

Changsha Group's management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparties' individual assessment on the recoverability based in historical default rate, past experience as well as current external information. Except for the impairment provision of other receivables of RMB349,000 and RMB1,593,000 as at 31 December 2019 and 31 December 2020, respectively, the impairment provision of the remaining balances, which is determined based on the 12-ECL, is insignificant.

(iii) Cash deposits

The credit risks on cash at banks are limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of cash at banks is assessed to be close to zero and no provision was made as at the end of the Relevant Periods.

31.4 Liquidity risk

Liquidity risk relates to the risk that Changsha Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Changsha Group is exposed to liquidity risk in respect of settlement of trade creditors and its other financing obligations, and also in respect of its cash flow management.

Cash flow forecasts are prepared by Changsha Group's management. Changsha Group's management monitors cash flow forecasts on the liquidity requirements to ensure Changsha Group maintains sufficient liquidity to support sustainability and growth of Changsha Group's business. Currently, Changsha Group finances its working capital requirements through funds generated from operations, obtaining bank loans and financing from related parties.

The table below analyses Changsha Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each of the Relevant Periods to the contractual maturity date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when Changsha Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Changsha Group is committed to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018						
Bank loans	4.42	1,242,462	105,834	861,216	2,209,512	2,013,920
Trade creditors	–	118,637	–	–	118,637	118,637
Other payables	–	26,069	–	–	26,069	26,069
Amounts due to fellow subsidiaries	–	13,272	–	–	13,272	13,272
		1,400,440	105,834	861,216	2,367,490	2,171,898
At 31 December 2019						
Bank loans	4.37	785,040	96,019	714,560	1,595,619	1,488,940
Loan from a fellow subsidiary	3.85	3,850	3,850	102,599	110,299	100,000
Trade creditors	–	152,409	–	–	152,409	152,409
Other payables	–	22,484	–	–	22,484	22,484
Amounts due to fellow subsidiaries	–	15,947	–	–	15,947	15,947
		979,730	99,869	817,159	1,896,758	1,779,780
At 31 December 2020						
Bank loans	3.99	822,401	122,219	176,272	1,120,892	1,077,060
Loan from a fellow subsidiary	3.85	3,266	87,118	–	90,384	84,940
Trade creditors	–	90,082	–	–	90,082	90,082
Other payables	–	34,603	–	–	34,603	34,603
Amounts due to fellow subsidiaries	–	72,263	–	–	72,263	72,263
		1,022,615	209,337	176,272	1,408,224	1,358,948

31.5 Fair values

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs
- Level 3: significant unobservable inputs for the asset or liability.

The following tables present the fair value hierarchy of Changsha Group's financial assets that were measured at fair value at 31 December 2018, 2019 and 2020:

		Level 3	
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL:			
Unlisted investments	109,051	107,386	107,926

Changsha Group has engaged an independent external valuer to assess the fair value of unlisted investments. Unlisted investments were determined mainly based on the Sum-of-the-Parts approach as at 31 December 2018, 2019 and 2020. The significant unobservable inputs include the fair value of the assets and liabilities of the investee companies.

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications during the Relevant Periods.

The following table presents the changes in level 3 instruments during the Relevant Periods.

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	109,524	109,051	107,386
Addition	–	–	2,393
Fair value loss recognised in the consolidated statements of profit or loss	(473)	(1,665)	(1,853)
At 31 December	109,051	107,386	107,926

Sensitivity analysis of observable and unobservable inputs

As described, the fair values of financial assets that are classified as level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 31 December and valuation techniques			Significant inputs	Range of unobservable inputs			Relationship of unobservable inputs to fair value
	2018	2019	2020		2018	2019	2020	
	RMB'000	*RMB'000*	*RMB'000*					
Financial assets at FVTPL								
Unlisted investments	91,774 (Sum-of-the-Parts approach)	91,331 (Sum-of-the-Parts approach)	92,578 (Sum-of-the-Parts approach)	Adjusted market price per square meter	RMB22,000 to RMB49,000	RMB22,000 to RMB49,000	RMB19,000 to RMB56,000	The higher the market price, the higher the fair value
Unlisted investments	17,277 (Adjusted net assets value approach)	16,055 (Adjusted net assets value approach)	15,348 (Adjusted net assets value approach)	N/A	N/A	N/A	N/A	N/A

32. CAPITAL COMMITMENTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted but not provided for acquisition of property, plant and equipment and construction in progress	44,642	4,894	–

33. CAPITAL MANAGEMENT

Changsha Group's capital management objectives are to ensure Changsha Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Changsha Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of Changsha Company consider cost of capital and the risks associated with the paid-in capital. Changsha Group may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

34. EVENT AFTER THE REPORTING PERIODS

In November 2020, Changsha Company received a government order which requesting Changsha Group to return certain of its land in Changsha with approximately 286,664.1 square meter to the PRC government. The management of Changsha Company engaged an independent external surveyor to estimate the respective market price. A formal selling proposal was submitted to the board of directors of China Huadian, the ultimate holding company of Changsha Company, for approval. In April 2021, the selling proposal was approved by the board of directors of China Huadian. As at 31 December 2020, the respective land is classified as right-of-use assets and its carrying amount was amounted to approximately RMB30,909,000. The estimated selling price and net profit of this transaction are approximately RMB109,803,000 and RMB59,000,000, respectively. The selling transaction is expected to be completed within one year.

35. RESERVE MOVEMENT OF THE CHANGSHA COMPANY

	Paid-in capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2018	928,571	39,563	50,985	356,339	1,375,458
Total comprehensive income:					
Profit for the year	–	–	–	89,706	89,706
Transactions with equity holders:					
– Dividend declared	–	–	–	(72,824)	(72,824)
– Transfer to statutory reserve	–	–	11,867	(11,867)	–
Total transactions with owners	–	–	11,867	(84,691)	(72,824)
At 31 December 2018 and 1 January 2019	928,571	39,563	62,852	361,354	1,392,340
Total comprehensive income:					
Profit for the year	–	–	–	145,742	145,742
Transactions with equity holders:					
– Dividend declared	–	–	–	(71,326)	(71,326)
– Transfer to statutory reserve	–	–	13,423	(13,423)	–
Total transactions with owners	–	–	13,423	(84,749)	(71,326)
At 31 December 2019 and 1 January 2020	928,571	39,563	76,275	422,347	1,466,756
Total comprehensive income:					
Profit for the year	–	–	–	189,992	189,992
Transaction with equity holders:					
– Transfer to statutory reserve	–	–	19,495	(19,495)	–
At 31 December 2020	928,571	39,563	95,770	592,844	1,656,748

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by Changsha Group in respect of any period subsequent to 31 December 2020 and up to the date of this report.

The following is the text of accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
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TO THE DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HUNAN HUADIAN CHANGDE POWER GENERATION COMPANY LIMITED

Introduction

We report on the historical financial information of Hunan Huadian Changde Power Generation Company Limited ("Changde Company") set out on pages 261 to 299, which comprises the statements of financial position of Changde Company as at 31 December 2018, 2019 and 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 261 to 299 forms an integral part of this report, which has been prepared for inclusion in the circular of Huadian Power International Corporation Limited (the "Company") dated 15 June 2021 in connection with the proposed acquisition of 100% equity interests in Changde Company by the Company ("Changde Company Acquisition").

Directors' Responsibility for the Historical Financial Information

The directors of Changde Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of Changde Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this circular in which the Historical Financial Information of Changde Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Changde Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Changde Company's financial position as at 31 December 2018, 2019 and 2020, and of it's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 261 have been made.

Dividend

We refer to Note 12 to the Historical Financial Information which contains information about the dividend in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

15 June 2021

Tong Kin Keung
Practising Certificate No.: P07190

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Changde Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2018	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*4*	1,956,528	2,085,049	1,854,818
Operating expenses				
Fuel costs		(1,287,629)	(1,310,518)	(1,084,977)
Depreciation and amortisation		(226,302)	(209,439)	(227,202)
Administration expenses		(6,167)	(6,621)	(5,940)
Personnel costs	*5*	(71,547)	(76,843)	(92,056)
Taxes and surcharges	*6*	(8,334)	(25,259)	(21,032)
Other operating expenses		(1,218)	(464)	(853)
Operating profit				
Other revenue	*7*	7,182	4,911	8,375
Other net (loss)/income	*7*	–	(50)	2
Finance costs	*8*	(157,915)	(134,702)	(104,162)
Share of results of an associate		–	1,289	2,751
Profit before income tax	*9*	204,598	327,353	329,724
Income tax credit/(expense)	*11*	8,769	(82,206)	(84,600)
Profit and total comprehensive income for the year attributable to owners of Changde Company		213,367	245,147	245,124

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000
Non-current assets				
Property, plant and equipment	*13*	3,595,485	3,399,602	3,328,788
Land use rights	*14*	140,075	–	–
Right-of-use assets	*15*	–	166,502	159,680
Construction in progress	*16*	22,298	71,542	21,019
Interest in an associate	*17*	7,340	8,629	11,380
Prepayments for construction in progress	*20*	3,345	–	2,590
		3,768,543	3,646,275	3,523,457
Current assets				
Inventories	*18*	158,454	178,901	88,037
Trade debtors and bills receivable	*19*	309,072	327,916	351,605
Deposits, other receivables and prepayments	*20*	83,888	181	247
Amount due from an associate	*26*	4,878	4,733	8,681
Amounts due from fellow subsidiaries	*26*	13,385	12,825	5
Cash deposits	*21*	107,168	46,981	76,769
		676,845	571,537	525,344
Current liabilities				
Bank loans	*22*	578,300	527,300	631,300
Trade creditors	*23*	58,822	215,369	138,762
Other payables	*24*	100,237	97,388	78,428
Deferred government grants		400	400	–
Amount due to ultimate holding company	*26*	–	–	173
Amounts due to fellow subsidiaries	*26*	15,150	2,100	2,306
Income tax payable		–	32,592	72,015
		752,909	875,149	922,984
Net current liabilities		(76,064)	(303,612)	(397,640)
Total assets less current liabilities		3,692,479	3,342,663	3,125,817
Non-current liabilities				
Bank loans	*22*	2,580,800	1,983,500	1,052,600
Loans from ultimate holding company	*26*	–	–	169,930
Loans from a fellow subsidiary	*26*	–	–	299,000
Deferred government grants		400	–	–
		2,581,200	1,983,500	1,521,530
Net assets		1,111,279	1,359,163	1,604,287
EQUITY				
Paid-in capital	*25*	809,635	812,372	812,372
Reserves		301,644	546,791	791,915
Total equity		1,111,279	1,359,163	1,604,287

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000* *(Note 25)*	Statutory reserve* *RMB'000* *(Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2018	506,125	8,827	79,450	594,402
Total comprehensive income:				
Profit for the year	–	–	213,367	213,367
Transaction with equity holders:				
– Capital injection	303,510	–	–	303,510
– Transfer to statutory reserve	–	21,337	(21,337)	–
Total transaction with equity holders	303,510	21,337	(21,337)	303,510
At 31 December 2018 and 1 January 2019	809,635	30,164	271,480	1,111,279
Total comprehensive income:				
Profit for the year	–	–	245,147	245,147
Transactions with equity holders:				
– Capital injection	2,737	–	–	2,737
– Transfer to statutory reserve	–	24,515	(24,515)	–
Total transactions with equity holders	2,737	24,515	(24,515)	2,737
At 31 December 2019 and 1 January 2020	812,372	54,679	492,112	1,359,163
Total comprehensive income:				
Profit for the year	–	–	245,124	245,124
Transaction with equity holders:				
– Transfer to statutory reserve	–	24,512	(24,512)	–
At 31 December 2020	812,372	79,191	712,724	1,604,287

* These reserve accounts comprise Changde Company's reserves in the statements of financial position.

Note:

According to Changde Company's articles of association, Changde Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in-capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to make up previous years' losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-in capital.

(D) STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	204,598	327,353	329,724
Adjustments for:			
Depreciation of property, plant and equipment	223,056	206,014	223,400
Depreciation of right-of-use assets	–	3,425	3,802
Amortisation of land use rights	3,246	–	–
Amortisation of government grant	–	(400)	(400)
Interest income	(921)	(1,146)	(638)
Finance costs	157,915	134,702	104,162
Impairment loss/(Reversal of impairment loss) on other receivables	–	50	(2)
Write-off on other receivables	–	–	48
Written-off of property, plant and equipment/right-of-use assets	773	199	3,020
Loss on disposal of property, plant and equipment	2	–	–
Share of results of an associate	–	(1,289)	(2,751)
Operating profit before working capital changes	588,669	668,908	660,365
(Increase)/Decrease in inventories	(57,228)	(20,447)	90,864
Decrease/(Increase) in trade debtors and bills receivable	36,601	(18,844)	(23,689)
Decrease/(Increase) in deposits, other receivables and prepayments	49,535	83,657	(112)
(Increase)/Decrease in amount due from an associate	(4,878)	145	(3,948)
(Decrease)/Increase in trade creditors	(165,200)	156,547	(76,607)
(Decrease)/Increase in other payables	(2,719)	52,918	(2,031)
Cash generated from operations	444,780	922,884	644,842
Income tax refunded/(paid)	8,769	(49,614)	(45,177)

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	453,549	873,270	599,665
Cash flows from investing activities			
Acquisition of an associate	(7,340)	–	–
Purchase of property, plant and equipment	(3,330)	(4,514)	(1,753)
Prepayments for construction in progress	(3,345)	–	(2,590)
Payment for construction in progress	(112,661)	(106,517)	(112,853)
Purchase of land use rights/right-of-use assets	–	(29,852)	–
Proceeds from disposal of property, plant and equipment	45	–	–
Interest received	921	1,146	638
(Increase)/Decrease in amounts due from fellow subsidiaries	(12,255)	560	12,820
Net cash used in investing activities	(137,965)	(139,177)	(103,738)
Cash flows from financing activities			
Proceeds from bank loans	349,000	240,000	860,000
Repayment of bank loans	(723,300)	(888,300)	(1,686,900)
Proceeds from loans from ultimate holding company	–	–	200,000
Repayment of loans from ultimate holding company	–	–	(30,070)
Proceeds from loans from a fellow subsidiary	–	–	300,000
Repayment of loans from a fellow subsidiary	–	–	(1,000)
Interest paid	(158,386)	(135,667)	(108,032)
Government grant received	800	–	–
Proceeds from paid-in capital	303,510	2,737	–
Decrease in amounts due to fellow subsidiaries	(63,843)	(13,050)	(137)
Net cash used in financing activities	(292,219)	(794,280)	(466,139)
Net increase/(decrease) in cash and cash equivalents	23,365	(60,187)	29,788
Cash and cash equivalent at beginning of the year	83,803	107,168	46,981
Cash and cash equivalent at end of year, represented by cash at bank and in hand	107,168	46,981	76,769

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF CHANGDE COMPANY

1. GENERAL INFORMATION

Hunan Huadian Changde Power Generation Company Limited (湖南華電常德發電有限公司, "Changde Company") was established in the People's Republic of China (the "PRC") with limited liability on 7 April 2006. The address of its registered office is No. 495, Taolin Road, Changde Economic and Technological Development Zone, Hunan Province. Changde Company is principally engaged in the generation and sale of electricity, heat and coal in the PRC.

In the opinion of the directors of Changde Company, the immediate and ultimate holding company of Changde Company is China Huadian Corporation Limited ("China Huadian"), a state-owned enterprise established in the PRC with limited liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS"), amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Changde Company has applied all IFRSs which are effective for the financial period beginning on or after 1 January 2020 consistently throughout the Relevant Periods, except that Changde Company adopted IFRS 16 "Leases" on 1 January 2019 based on the specific transitional provision and applied IAS 17 "Leases" prior to 1 January 2019. The adoption of new or amended IFRSs that are issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 2.1(a).

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

In preparing the Historical Financial Information, the directors of Huadian Power International Corporation Limited (the "Company"), a limited liability company established in the PRC and its shares are listed on the Stock Exchange, have given consideration to the future liquidity of Changde Company in light of its net current liabilities and cash deposits as at 31 December 2020 amounted to RMB397,640,000 and RMB76,769,000, respectively. These indicate a condition which may cast significant doubt about Changde Company's ability to continue as a going concern. The directors of the Company had made an assessment and concluded Changde Company is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from 31 December 2020, having regard to (i) Changde Company's current and forecasted cash positions; and (ii) the unutilised banking facilities of Changde Company amounted to approximately RMB2,190,000,000. Consequently, the Historical Financial Information have been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand (RMB'000), which is also the functional currency of Changde Company.

(a) Issued but not yet effective IFRSs

Changde Company has not early adopted the following new and amended IFRSs which have been issued but are not yet effective for the Relevant Periods.

IFRS 17	Insurance Contracts and related amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[7]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[3]

1 Effective for annual periods beginning on or after 1 June 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for annual periods beginning on or after 1 January 2023

5 Effective date to be determined

6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

7 Effective for annual periods on or after 1 April 2021

The directors of Changde Company anticipate that all of the pronouncements will be adopted in Changde Company's accounting policy for the first period beginning after the effective date of the pronouncement, and these are not expected to have a material impact on Changde Company's Historical Financial Information.

(b) Impacts and changes in accounting policies of application on IFRS 16 "Leases"

This note explains the impact of the adoption of IFRS 16 "Leases" since 1 January 2019 on Changde Company's Historical Financial Information.

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). Changde Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the year ended 31 December 2019. Prior periods have not been restated.

For contracts in place at the date of initial application (i.e. 1 January 2019), Changde Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. Changde Company has already recognised the land use rights where Changde Company is a lessee. The application of IFRS 16 does not have impact on these assets except for the whole balance is now presented as "Right-of-use assets" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, Changde Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The following summarises the impact of transition to IFRS 16 on Changde Company's statement of financial position as at 1 January 2019:

- Land use rights – decreased by RMB140,075,000
- Right-of-use assets – increased by RMB140,075,000
- There was no impact on retained earnings as at 1 January 2019

2.2 Property, plant and equipment

Items of property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate capitalisation of borrowing costs.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to Changde Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

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

For the year ended 31 December 2018	
Buildings	16 – 25 years
Generators, machinery and equipment	5 – 30 years
Motor vehicles, furniture, fixtures, equipment and others	6 years
For the years ended 31 December 2019 and 31 December 2020	
Buildings	25 – 40 years
Generators, machinery and equipment	5 – 30 years
Motor vehicles, furniture, fixtures, equipment and others	6 years

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs, and the cost of related equipment, less any impairment losses. The costs are transferred to property, plant and equipment and depreciation will be provided in accordance with the policy as stated above when the relevant assets are completed and ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.3 Land use rights

Land use rights (which meet the definition of right-of-use assets upon initial application of IFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. Land use rights are stated at costs less accumulated amortisation (before the application of IFRS 16)/depreciation (upon the application of IFRS 16) on a straight-line basis to profit or loss over the lease terms.

2.4 Interests in associates

An associate is an entity over which Changde Company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of Changde Company for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of Changde Company. Under the equity method, an investment in an associate is initially recognised at cost and adjusted thereafter to recognise Changde Company's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by Changde Company. When the Changde Company's share of losses of an associate exceeds Changde Company's interest in that associate (which includes any long-term interests that, in substance, form part of Changde Company's net investment in the associate), Changde Company discontinues recognising its share of further losses.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over Changde Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of Changde Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When there is an objective evidence indicating that the net investment in an associate may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (i.e. higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised in profit or loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Changde Company discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale.

Upon disposal or partial disposal of Changde Company's interest in an associate in which Changde Company lost significant influence and discontinued the use of equity method, the difference between the carrying amount of the associate at the date, and the proceeds from disposing of such interest (or partial interest) in the associate and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate.

2.5 Impairment of non-financial assets

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

– property, plant and equipment;

– land use rights;

– right-of-use assets;

– construction in progress; and

– interest in an associate.

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

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

– ***Reversals of impairment losses***

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.6 Financial assets

(a) Classification

Changde Company classifies its financial assets into financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Changde Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, i.e. the date on which Changde Company commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and Changde Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, Changde Company measures a financial asset at its fair value, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or interest income.

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the financial asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other revenue using the effective interest rate method. Expected credit loss ("ECL") for the financial assets measured at amortised costs are presented as other operating expenses. Changde Company's trade debtors and bills receivable, deposits and other receivables, amounts due from related parties (including amounts due from an associate and fellow subsidiaries) and cash deposits fall into this category of financial instruments.

(d) Impairment

Changde Company assesses on a forward-looking basis of the ECL associated with its debt instruments measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which Changde Company is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses over the expected life of the financial instruments. Credit losses are measured as the difference between all contractual cash flows that are due to Changde Company in accordance with the contract and all the cash flows that Changde Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For trade debtors and bills receivable related to sale of electricity, heat and coal and related products, Changde Company applies the simplified approach to providing for ECLs prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all debtors based on Changde Company's individual assessment of the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash deposits placed in high credit-rated financial institutions are considered to be of low credit risk. Thus, the impairment provision recognised during the Relevant Periods was limited to 12-month ECL.

For other financial assets measured at amortised cost, the ECLs are based on 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, Changde Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Changde Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on Changde Company's historical experience and including forward-looking information.

In particular, the following assessment criteria is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Changde Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless Changde Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, Changde Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each of the Relevant Periods. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has 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 fulfill its contractual cash flow obligations.

For internal credit risk management, Changde Company considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Changde Company, in full (without taking into account any collaterals held by Changde Company) or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade debtors and bills receivable, deposits and other receivables, amounts due from related parties (including amounts due from an associate and fellow subsidiaries) and cash deposits set out in Note 28.3.

2.7 Financial liabilities

(a) Recognition and measurement

Changde Company's financial liabilities include trade creditors, other payables, bank loans, loans from ultimate holding company and a fellow subsidiary and amounts due to ultimate holding company and fellow subsidiaries.

Financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless Changde Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of each of the Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.8 Contract liabilities

A contract liability represents Changde Company's obligation to transfer services to a customer for which Changde Company has received consideration (or an amount of consideration is due) from the customer.

2.9 Paid-in capital

Paid-in capital are classified as equity. Incremental costs directly attributable to the new capital injection are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Inventories

Inventories, comprising coal, stalk, gas, materials, components and spare parts for consumption are carried at the lower of cost and net realisable values. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated conversion costs during power generation, and the estimated costs necessary to make the sale. When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised, or capitalised to property, plant and equipment when installed, as appropriate. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.11 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of Changde Company is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligation in the contract;

(v) Recognising of revenue when, or as, a performance obligation is satisfied.

At contract inception, Changde Company assessed and identified a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, Changde Company considers all the products and services promised in the contract with the customer based on Changde Company's customary business practices, published policies, or specific statements.

Changde Company recognises revenue when the specific criteria have been met for each of Changde Company's activities, as described below:

(a) Electricity income

For sales of electricity, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of electricity is transferred to the customer. Revenue is thus recognised upon when the power grid companies received each unit of electricity. A standard tariff is charged for each unit of electricity, which is established by the government.

(b) Heat income

For sales of heat, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of heat is transferred to the customer. Revenue is thus recognised upon the customers received each unit of heat.

(c) Sale of coal and related products

Revenue is recognised at a point in time when control of the goods has transferred, being when the goods are delivered to and have been accepted by customers.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.12 Borrowing costs

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

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

2.13 Current and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each of the Relevant Periods in the countries where Changde Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each of the Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

2.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Changde Company will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

Government grants relating to income is presented in gross under "Other Revenue" in the statement of profit or loss and other comprehensive income.

2.15 Employee benefits

Short-term obligations

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by Changde Company in respect of services provided by employees up to the end of each of the Relevant Periods.

Retirement benefits

Employees of Changde Company are required to participate in defined contribution retirement schemes administered and operated by municipal governments. Changde Company contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. Changde Company has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

2.16 Provisions and contingent liabilities

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

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

2.17 Leases

As explained note 2.1(b), Changde Company has changed its accounting policy for leases where Changde Company is the leasee. The new policy is described below and the impact of the change in note 2.1(b) until 31 December 2018.

Policy applicable before 1 January 2019

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to Changde Company as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Policy applicable after 1 January 2019

For any new contracts entered into on or after 1 January 2019, Changde Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, Changde Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Changde Company;

- Changde Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- Changde Company has the right to direct the use of the identified asset throughout the period of use. Changde Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, Changde Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by Changde Company, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Changde Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term unless Changde Company is reasonably certain to obtain ownership at the end of the lease term. Changde Company also assesses the right-of-use assets for impairment when such indicator exists.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land and are presented as "Land use rights" under non-current assets.

2.18 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to Changde Company if:

(a) the party, is a person or a close member of that person's family and if that person,

(i) has control or joint control over Changde Company;

(ii) has significant influence over Changde Company; or

(iii) is a member of the key management personnel of Changde Company or of a parent of Changde Company.

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Changde Company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and Changde Company are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either Changde Company or an entity related to Changde Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Changde Company or to the parent of Changde Company.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Changde Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment for non-current assets

As disclosed in Notes 13, 14, 15, 16, 17 and 20, if circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets".

The carrying amounts of individual assets or the CGUs containing the non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The assets or the CGUs are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets or the CGUs are discounted to their present value. Changde Company uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs. Changes in assumptions used could materially affect the result of impairment review and as a result affect Changde Company's financial condition and results of operation. As at 31 December 2018, 2019 and 2020, the carrying amount of property, plant and equipment were RMB3,595,485,000, RMB3,399,602,000 and RMB3,328,788,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of prepayments for property, plant and equipment were RMB1,091,000, nil and RMB2,590,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of land use rights/right-of-use assets were RMB140,075,000, RMB166,502,000 and RMB159,680,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of construction in progress were RMB22,298,000, RMB71,542,000 and RMB21,019,000 respectively.

(b) Provision of ECLs on trade debtors

The provision rate of trade debtors are made based on the individual assessment of their recoverability and the ageing analysis of trade debtors as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Changde Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on Changde Company's trade debtors is disclosed in Notes 19 to the financial statements.

(c) Depreciation and amortisation

As disclosed in Notes 13, 14 and 15, property, plant and equipment and land use rights/right-of-use assets are depreciated and amortised over their estimated useful lives, after taking into account the estimated residual value (if any). Changde Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the Relevant Periods. The useful lives are based on Changde Company's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

During the year ended 31 December 2019, Changde Company has reassessed the useful lives of certain buildings from 25 years to 40 years. Such change in accounting estimate has been applied prospectively from 1 January 2019 onwards. As a result, depreciation charge for the year ended 31 December 2019 and the net book value of property, plant and equipment as at 31 December 2019 has been decreased and increased by approximately RMB38,823,000 respectively.

4. TURNOVER

Turnover represents the sale of electricity, heat and coal and recognised at a point in time. Major components of Changde Company's turnover are as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Sale of electricity	1,905,095	2,020,925	1,766,410
Sale of heat	27,986	40,110	52,345
Sale of coal and related products	23,447	24,014	36,063
	1,956,528	2,085,049	1,854,818

5. PERSONNEL COSTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Wages, welfare and other benefits	60,492	66,427	83,082
Retirement costs *(note)*	11,055	10,416	8,974
	71,547	76,843	92,056

Note: Due to the impact of Coronavirus Disease 2019, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

6. TAXES AND SURCHARGES

During the Relevant Periods, taxes and surcharges of Changde Company mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax and other taxes and surcharges.

7. OTHER REVENUE AND NET (LOSS)/INCOME

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Other revenue			
Government grant *(Note)*	5,004	3,365	5,019
Compensation from insurance company	–	–	1,108
Compensation from contractors	1,257	400	1,610
Interest income	921	1,146	638
	7,182	4,911	8,375
Other net (loss)/income			
Impairment (recognised)/reversed on other receivables *(note 20)*	–	(50)	2
	–	(50)	2

Note: Government grants mainly represent the grants from government for environmental protection and heat supply. There is no unfulfilled condition relating to those grants. In addition, for grants related to assets, such grants have been deferred and released to profit or loss in accordance with the remaining useful lives of the related assets.

8. FINANCE COSTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	157,618	134,385	95,118
Interest on loans from ultimate holding company	–	–	4,929
Interest on loans from a fellow subsidiary	–	–	7,092
	157,618	134,385	107,139
Less: interest capitalised	–	–	(3,031)
	157,618	134,385	104,108
Other finance costs	297	317	54
	157,915	134,702	104,162

9. PROFIT BEFORE INCOME TAX

Profit before taxation is arrived at after charging:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	223,056	206,014	223,400
– Right-of-use assets	–	3,425	3,802
Total depreciation	223,056	209,439	227,202
Amortisation of land use rights	3,246	–	–
Auditor's remuneration	94	101	125
Written-off of property, plant and equipment/right-of-use assets	773	199	3,020

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

No emolument was paid or payable to the directors of Changde Company during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by Changde Company to the directors as an inducement to join or upon joining Changde Company or as compensation for loss of office. There was no arrangement under which any director or five highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

10.2 Five highest paid individuals

The five highest paid individuals in Changde Company during the Relevant Periods did not include any director. The emoluments of these five highest individuals for the Relevant Periods are set out below:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonuses	1,687	1,118	1,351
Retirement benefit scheme contributions	86	96	115
	1,773	1,214	1,466

Their emoluments were within the band of HK$Nil to HK$1,000,000.

11. INCOME TAX CREDIT/(EXPENSE)

Changde Company's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC Corporate Income Tax"). The standard PRC Corporate Income Tax rate is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law.

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
– PRC enterprise income tax	–	(82,206)	(84,600)
– Over-provision in prior year	8,769	–	–
	8,769	(82,206)	(84,600)

Reconciliation between income tax credit/expense and profit before income tax are as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	(204,598)	(327,353)	(329,724)
Tax on profit before income tax, calculated at the rate of 25%	(51,150)	(81,838)	(82,431)
Tax effect of non-deductible expenses	224	1,529	688
Tax effect of non-taxable income	(64)	(1,897)	(2,857)
Tax effect of tax credit *(note)*	50,990	–	–
Over-provision in prior year	8,769	–	–
Income tax credit/(expense)	8,769	(82,206)	(84,600)

Note: Tax credit represents additional deductions in relation to equipment for environment protection pursuant to the applicable PRC tax laws and regulations.

12. DIVIDEND

The directors of Changde Company do not recommend the payment of any dividend in respect of the years ended 31 December 2018, 2019 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Generators, machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018				
Cost	1,084,501	3,149,462	18,247	4,252,210
Accumulated depreciation	(121,601)	(326,013)	(6,318)	(453,932)
Net book amount	962,900	2,823,449	11,929	3,798,278

	Buildings *RMB'000*	Generators, machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment and others *RMB'000*	Total *RMB'000*
Year ended 31 December 2018				
Opening net book amount	962,900	2,823,449	11,929	3,798,278
Additions	–	1,520	1,810	3,330
Transfers from construction in progress	–	17,753	–	17,753
Depreciation	(80,351)	(140,278)	(2,427)	(223,056)
Disposals	–	–	(47)	(47)
Written-off	–	(773)	–	(773)
Closing net book amount	882,549	2,701,671	11,265	3,595,485
At 31 December 2018 and 1 January 2019				
Cost	1,084,501	3,167,818	19,852	4,272,171
Accumulated depreciation	(201,952)	(466,147)	(8,587)	(676,686)
Net book amount	882,549	2,701,671	11,265	3,595,485
Year ended 31 December 2019				
Opening net book amount	882,549	2,701,671	11,265	3,595,485
Additions	–	–	4,514	4,514
Transfers from construction in progress	–	5,816	–	5,816
Depreciation	(41,528)	(161,632)	(2,854)	(206,014)
Written-off	–	(159)	(40)	(199)
Closing net book amount	841,021	2,545,696	12,885	3,399,602
At 31 December 2019 and 1 January 2020				
Cost	1,084,501	3,173,365	24,056	4,281,922
Accumulated depreciation	(243,480)	(627,669)	(11,171)	(882,320)
Net book amount	841,021	2,545,696	12,885	3,399,602
Year ended 31 December 2020				
Opening net book amount	841,021	2,545,696	12,885	3,399,602
Additions	–	–	1,753	1,753
Transfers from construction in progress	94,988	54,987	858	150,833
Depreciation	(44,616)	(175,905)	(2,879)	(223,400)
Closing net book amount	891,393	2,424,778	12,617	3,328,788

	Buildings	Generators, machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020				
Cost	1,179,489	3,215,504	26,667	4,421,660
Accumulated depreciation	(288,096)	(790,726)	(14,050)	(1,092,872)
Net book amount	891,393	2,424,778	12,617	3,328,788

14. LAND USE RIGHTS

	RMB'000
At 1 January 2018	
Cost	162,271
Accumulated amortisation	(18,950)
Net book amount	143,321
Year ended 31 December 2018	
Opening net book amount	143,321
Amortisation	(3,246)
Closing net book amount	140,075
At 31 December 2018	
Cost	162,271
Accumulated amortisation	(22,196)
Net book amount as at 31 December 2018	140,075
Transfer to right-of-use assets upon initial application of IFRS 16 at 1 January 2019 *(note 15)*	(140,075)
At 1 January 2019	–

15. RIGHT-OF-USE ASSETS

Changde Company's right-of-use assets arise from lease of land use rights for the generators, machinery and equipment with typically lease term of 50 years. The lease agreements do not impose any covenants.

The movements of right-of-use assets are analysed as follows:

	2019 *RMB'000*	**2020** *RMB'000*
At the beginning of the year	–	166,502
Transfer from land use rights upon initial application of IFRS 16 *(note 14)*	140,075	–
At the beginning of the year (adjusted)	140,075	166,502
Additions	29,852	–
Depreciation	(3,425)	(3,802)
Written-off	–	(3,020)
At the end of the year	166,502	159,680

16. CONSTRUCTION IN PROGRESS

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
At 1 January	10,276	22,298	71,542
Additions	29,775	55,060	100,310
Transferred to property, plant and equipment	(17,753)	(5,816)	(150,833)
At the end of the year	22,298	71,542	21,019

17. INTEREST IN AN ASSOCIATE

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Cost of interest in an associate	7,340	7,340	7,340
Share of post-acquisition profit	–	1,289	4,040
	7,340	8,629	11,380

The following table contains only the particulars of an associate, which is an unlisted corporate entity whose quoted market price is not available.

Name of associate	**Form of business structure**	**Country/place of incorporation and business**	**Particulars of paid-in capital**	**% of interest held as at 31 December 2018, 2019 and 2020**	**Principal activity**
Hunan Huadian Deyuan Energy Technology Co., Ltd.# (湖南華電德源能源科技有限公司) ("Huadian Deyuan")	Incorporated	PRC	RMB14,980,000	49%	Generation and sale of electricity, heat and coal

\# The English translation of the name is for reference only. The official name of this company is in Chinese.

Huadian Deyuan is a strategic partner for Changde Company's growth in the coal market in PRC through its expertise.

Huadian Deyuan has a reporting date of 31 December.

Set out below are the summarised financial information of the associate which is accounted for using the equity method:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Current assets	10,265	9,642	11,163
Non-current assets	9,482	19,173	34,457
Current liabilities	(4,767)	(8,492)	(7,396)
Non-current liabilities	–	–	(15,000)
Net assets	14,980	17,610	23,224
Revenue	25,066	48,089	55,967
Total expenses	(24,945)	(45,197)	(48,796)
Profit before income tax	121	2,892	7,171
Income tax expense	(30)	(262)	(1,557)
Profit and total comprehensive income for the year	91	2,630	5,614
Dividend received from an associate	–	–	–

A reconciliation of the above summarised financial information to the carrying amount of the interest in Huadian Deyuan is set out below:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Total net assets of an associate	14,980	17,610	23,224
Proportion of ownership interests held by Changde Company	49%	49%	49%
Carrying amount of the interest in an associate in the Historical Financial Information	7,340	8,629	11,380

Changde Company has not incurred any contingent liabilities or other commitments relating to its interest in an associate.

18. INVENTORIES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Coal, gas and stalk	149,639	170,972	78,142
Material, components and spare parts	8,815	7,929	9,895
	158,454	178,901	88,037

All of the inventories for future usage and sales are expected to be utilised within one year.

19. TRADE DEBTORS AND BILLS RECEIVABLE

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors	277,379	267,709	299,319
Bills receivable	31,693	60,207	52,286
	309,072	327,916	351,605

As at 31 December 2018, 2019 and 2020, trade debtors of approximately RMB277,379,000, RMB267,709,000 and RMB299,319,000, respectively, represented receivables from sales of electricity and are usually settled within three to twelve months.

The directors of Changde Company consider that the ECL for trade debtors and bills receivable is insignificant as at 31 December 2018, 2019 and 2020. Note 28.3 provides details about the allowances.

Changde Company grants a credit period of 30 days to its customers. The ageing analysis by invoice date, which approximates revenue recognition date, of trade debtors was as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	277,379	267,709	299,319

In the opinion of the directors of Changde Company, the above trade debtors were neither past due nor impaired at the end of each of the Relevant Periods.

As at 31 December 2018, 2019 and 2020, all bills receivable had maturities of less than one year from the end of each of the Relevant Periods.

The maximum exposure to credit risk at the end of each of the Relevant Periods was the carrying amounts of trade debtors and bills receivable. Trade debtors and bills receivable are denominated in RMB.

20. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments for construction in progress	3,345	–	2,590
Current			
Deposits and other receivables	631	82	30
Value-added tax recoverable	43,223	–	–
Prepayment for income tax	39,525	–	–
Prepayments	509	149	217
	83,888	231	247
Less: Impairment of deposits and other receivables	–	(50)	–
	83,888	181	247
Total	87,233	181	2,837

The movement of impairment of deposits and other receivables is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	50
Impairment recognised/(reversed) during the year	–	50	(2)
Amount written off during the year	–	–	(48)
At 31 December	–	50	–

21. CASH DEPOSITS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	50	45	7
Cash at other financial institution	107,118	46,936	76,762
	107,168	46,981	76,769

22. BANK LOANS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year			
– short-term bank loans	311,000	240,000	260,000
– current portion of long-term bank loans	267,300	287,300	371,300
	578,300	527,300	631,300
After 1 year but within 2 years	40,000	170,000	–
After 2 years but within 5 years	200,000	–	–
After 5 years	2,340,800	1,813,500	1,052,600
	2,580,800	1,983,500	1,052,600
	3,159,100	2,510,800	1,683,900
Classified as:			
Current portion	578,300	527,300	631,300
Non-current portion	2,580,800	1,983,500	1,052,600
	3,159,100	2,510,800	1,683,900

The borrowing carries an effective interest rate of 4.63%, 4.58% and 4.17% per annum during the years ended 31 December 2018, 2019 and 2020, respectively. As at 31 December 2018, 2019 and 2020, the bank loans were unsecured.

As at 31 December 2018, RMB578,300,000 is repayable in 2019, RMB40,000,000 is repayable in 2020, RMB200,000,000 is repayable in 2021, RMB76,000,000 is repayable in 2025, RMB866,800,000 is repayable in 2028, RMB1,062,000,000 is repayable in 2029 and remaining bank loans are repayable on 2030.

As at 31 December 2019, RMB527,300,000 is repayable in 2020, RMB170,000,000 is repayable in 2021, RMB758,500,000 is repayable in 2028, RMB751,000,000 is repayable in 2029 and remaining bank loans are repayable in 2030.

As at 31 December 2020, RMB631,300,000 is repayable in 2021, RMB540,600,000 is repayable in 2028, RMB390,000,000 is repayable in 2029 and remaining bank loans are repayable in 2030.

23. TRADE CREDITORS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade creditors			
– Due to related parties *(note 26)*	8,808	172,930	101,612
– Due to third parties	50,014	42,439	37,150
	58,822	215,369	138,762

As at 31 December 2018, 2019 and 2020, the aging analysis of trade creditors, presented based on the invoice date, is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
With 1 year	52,789	210,446	136,640
1 to 2 years	5,971	2,360	2,065
2 to 3 years	62	2,207	57
Over 3 years	–	356	–
	58,822	215,369	138,762

24. OTHER PAYABLES

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Wages payable	647	1,450	16,119
Contract liabilities *(note (b))*	–	3,965	3,633
Other tax payables	1,715	24,169	36,887
Interest payables	4,465	3,500	2,661
Construction deposits	87,241	32,439	16,692
Others	6,169	31,865	2,436
	100,237	97,388	78,428

Notes:

(a) All of the other payables are expected to be settled within one year or are repayable on demand.

(b) Contract liabilities relate to the deposits received from customers for sale of coal. Changde Company would require the customer to pay in advance for the coal. It expects to deliver the goods to satisfy the performance obligations of these contract liabilities within one year or less. Contract liabilities outstanding at the beginning of each of the Relevant Periods amounting to nil, nil and RMB3,965,000 have been recognised as revenue during the year ended 31 December 2018, 2019 and 2020, respectively. Since the contract liabilities are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

25. PAID-IN CAPITAL

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid up capital			
At 1 January	506,125	809,635	812,372
Capital injection	303,510	2,737	–
At 31 December	809,635	812,372	812,372

During the year ended 31 December 2018, Changde Company received capital injection of RMB150,000,000, RMB150,000,000 and RMB3,510,000 on 2 July 2018, 17 July 2018 and 18 July 2018, respectively.

During the year ended 31 December 2019, Changde Company received capital injection of RMB2,737,000 on 14 November 2019.

26. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of Changde Company that had balances and/or transactions with Changde Company during the Relevant Periods.

Name of related parties	Relationship with the Changde Company
China Huadian	Immediate and ultimate holding company
Huadian Deyuan	Associate
China Huadian Finance Corporation Limited# (中國華電集團財務有限公司) ("Huadian Finance")	Controlled and beneficially owned by the ultimate holding company
Huayuan Star Shipping Co. Ltd.# (華遠星海運有限公司) ("Huayuan Star")	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Hunan Branch# (華電集團北京燃料物流有限公司湖南分公司) ("Beijing Fuel Hunan Branch")	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co. Ltd. Shaanxi Branch# (華電集團北京燃料物流有限公司陝西分公司) ("Beijing Fuel Shannxi Branch")	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Hubei Branch# (華電集團北京燃料物流有限公司湖北分公司) ("Beijing Fuel Hubei Branch")	Controlled and beneficially owned by the ultimate holding company
Huadian Group Beijing Fuel Logistics Co., Ltd. Qinhuangdao Branch# (華電集團北京燃料物流有限公司秦皇島分公司) ("Beijing Fuel Qinhuangdao Branch")	Controlled and beneficially owned by the ultimate holding company
Huadian Heavy Industry Co. Ltd# (華電重工股份有限公司) ("Huadian Heavy Industry")	Controlled and beneficially owned by the ultimate holding company
Huadian Zhengzhou Machinery Design & Research Institute Co., Ltd# (華電鄭州機械設計研究院有限公司) ("Huadian Zhengzhou Machinery")	Controlled and beneficially owned by the ultimate holding company
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司) ("Nanjing Automation")	Controlled and beneficially owned by the ultimate holding company

Name of related parties	Relationship with the Changde Company
China Huadian Group Materials Co. Ltd# (中國華電集團物資有限公司) ("Huadian Group Materials")	Controlled and beneficially owned by the ultimate holding company
China Huadian Group Advanced Training Centre Co., LTD# (中國華電集團高級培訓中心有限公司) ("China Huadian Training")	Controlled and beneficially owned by the ultimate holding company
Nanjing Nanzi Information Technology Co., Ltd.# (南京南自資訊技術有限公司) ("Nanjing Information")	Controlled and beneficially owned by the ultimate holding company
China Huadian Group Science and Technology Research Institute Co., Ltd.# (中國華電集團科學技術研究總院有限公司) ("Huadian Science and Technology")	Controlled and beneficially owned by the ultimate holding company
Huadian Electric Power Research Institute Co., Ltd.# (華電電力科學研究院有限公司) ("Huadian Electric Power")	Controlled and beneficially owned by the ultimate holding company
Nanjing Huadun Electric Power Information Security Evaluation Co., Ltd.# (南京華盾電力信息安全測評有限公司) ("Nanjing Huadun")	Controlled and beneficially owned by the ultimate holding company
Huadian Hexiang Engineering Consulting Co., Ltd.# (華電和祥工程諮詢有限公司) ("Huadian Hexiang")	Controlled and beneficially owned by the ultimate holding company
China Huadian Group Power Construction Technology and Economic Consulting Center Co., Ltd.# (中國華電集團電力建設技術經濟諮詢中心有限公司) ("Huadian Group Power Construction Technology")	Controlled and beneficially owned by the ultimate holding company
Huadian Water Engineering Co., Ltd.# (華電水務工程有限公司) ("Huadian Water")	Controlled and beneficially owned by the ultimate holding company

The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related parties transactions

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between Changde Company and its related parties in the ordinary course of business during the Relevant Periods.

For the year ended 31 December 2018

Name of related parties	Type of transactions	RMB'000
Huayuan Star	Purchase of coal	59,378
Beijing Fuel Hunan Branch	Purchase of coal	833,248
Beijing Fuel Shaanxi Branch	Purchase of coal	217,576
Beijing Fuel Hubei Branch	Purchase of coal	20,216
Huadian Deyuan	Sale of heat	27,986

For the year ended 31 December 2019

Name of related parties	Type of transactions	RMB'000
Huayuan Star	Purchase of coal	36,091
Beijing Fuel Hunan Branch	Purchase of coal	656,748
Beijing Fuel Shaanxi Branch	Purchase of coal	287,608
Beijing Fuel Qinhuangdao Branch	Purchase of coal	22,508
Huadian Heavy Industry	Purchase of coal	15,663
Huadian Deyuan	Sale of heat	40,110

For the year ended 31 December 2020

Name of related parties	Type of transactions	RMB'000
Huayuan Star	Purchase of coal	19,368
Beijing Fuel Hunan Branch	Purchase of coal	574,396
Beijing Fuel Shaanxi Branch	Purchase of coal	30,117
Beijing Fuel Qinhuangdao Branch	Purchase of coal	48,504
Huadian Heavy Industry	Engineering expense	38,891
Huadian Zhengzhou Machinery	Engineering expense	7,175
Huadian Deyuan	Sale of heat	52,345
Huadian Finance	Interest charge	7,092
China Huadian	Interest charge	4,929

(c) Significant related parties balances

Amount due from an associate (trade nature)

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Huadian Deyuan	4,878	4,733	8,681

Changde Company grants a credit period of 30 days to Huadian Deyuan. The ageing analysis by invoice date, which approximates revenue recognition date, of trade debtors was as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	4,878	4,733	8,681

Amounts due from fellow subsidiaries (non-trade nature)

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Beijing Fuel Shaanxi Branch	13,385	12,825	–
China Huadian Training	–	–	5
	13,385	12,825	5

The amounts due are unsecured, interest-free and repayable on demand.

Amount due to ultimate holding company (non-trade nature)

The amount due is unsecured, interest-free and repayable on demand.

Amounts due to fellow subsidiaries (trade nature)

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Beijing Fuel Hunan Branch	1,252	–	51,164
Beijing Fuel Shannxi Branch	–	159,649	30,941
Huadian Heavy Industry	–	10,284	8,756
Huadian Zhengzhou Machinery	–	–	7,605
Nanjing Automation	–	1,641	1,668
Huayuan Star	6,914	–	745
Huadian Electric Power	–	778	500
Nanjing Huadun	215	–	162
Huadian Hexiang	19	120	63
Nanjing Information	–	8	8
Huadian Group Power Construction Technology	370	450	–
Huadian Water	38	–	–
	8,808	172,930	101,612

As at 31 December 2018, 2019 and 2020, the ageing analysis of amounts due to fellow subsidiaries (trade nature), presented based on the invoice date, is as follows:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	8,808	172,930	101,612

Amounts due to fellow subsidiaries (non-trade nature)

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Huadian Finance	–	–	343
Huadian Group Materials	–	2,000	1,843
Nanjing Information	232	100	100
Huadian Heavy Industry	7,778	–	10
Huadian Zhengzhou Machinery	–	–	10
Huadian Science and Technology	2,224	–	–
Huadian Electric Power	1,938	–	–
Nanjing Automation	2,978	–	–
	15,150	2,100	2,306

The amounts due are unsecured, interest-free and repayable on demand.

Loans from ultimate holding company

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
China Huadian	–	–	169,930

The loans from ultimate holding company are unsecured, interest-bearing at 3.34% and repayable on 27 March 2023.

Loans from a fellow subsidiary

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Huadian Finance	–	–	299,000

The loans from a fellow subsidiary are unsecured, interest-bearing at 3.75% and repayable on 20 May 2023.

Cash deposits placed with related company

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Huadian Finance	107,118	46,936	76,762

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in Changde Company's liabilities arising from financing activities can be classified as follows:

	Bank loans	Loans from ultimate holding company	Loans from a fellow subsidiary	Interest payables	Amount due to ultimate holding company	Amounts due to fellow subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	3,533,400	–	–	4,936	–	78,993	3,617,329
Cash flows							
– Proceeds	349,000	–	–	–	–	17,635	366,635
– Repayment	(723,300)	–	–	–	–	(81,478)	(804,778)
– Interest paid	–	–	–	(158,386)	–	–	(158,386)
Non-cash changes							
– Interest expense on loans *(note 8)*	–	–	–	157,915	–	–	157,915
At 31 December 2018 and 1 January 2019	3,159,100	–	–	4,465	–	15,150	3,178,715
Cash flows							
– Proceeds	240,000	–	–	–	–	100	240,100
– Repayment	(888,300)	–	–	–	–	(13,150)	(901,450)
– Interest paid	–	–	–	(135,667)	–	–	(135,667)
Non-cash changes							
– Interest expense on loans *(note 8)*	–	–	–	134,702	–	–	134,702
At 31 December 2019 and 1 January 2020	2,510,800	–	–	3,500	–	2,100	2,516,400
Cash flows							
– Proceeds	860,000	200,000	300,000	–	–	46	1,360,046
– Repayment	(1,686,900)	(30,070)	(1,000)	–	–	(183)	(1,718,153)
– Interest paid	–	–	–	(95,957)	(4,756)	(6,749)	(108,032)
Non-cash changes							
– Interest expense on loans *(note 8)*	–	–	–	95,118	4,929	7,092	107,193
At 31 December 2020	1,683,900	169,930	299,000	2,661	173	2,306	2,157,970

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Changde Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. Changde Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Changde Company's financial performance. Risk management is carried out by the senior management of Changde Company under policies approved by the board of directors of Changde Company.

28.1 Categories of financial assets and liabilities

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Trade debtors and bills receivables	309,072	327,916	351,605
– Deposits and other receivables	631	32	30
– Amount due from an associate	4,878	4,733	8,681
– Amounts due from fellow subsidiaries	13,385	12,825	5
– Cash deposits	107,168	46,981	76,769
	435,134	392,487	437,090
Financial liabilities			
Financial liabilities at amortised cost			
– Trade creditors	58,822	215,369	138,762
– Other payables	98,522	69,254	37,908
– Amount due to ultimate holding company	–	–	173
– Amounts due to fellow subsidiaries	15,150	2,100	2,306
– Bank loans	3,159,100	2,510,800	1,683,900
– Loans from ultimate holding company	–	–	169,930
– Loans from a fellow subsidiary	–	–	299,000
	3,331,594	2,797,523	2,331,979

28.2 Interest rate risk

Changde Company does not anticipate significant impact to cash deposits because the interest rates of cash deposits are not expected to change significantly.

Changde Company is exposed to cash flow interest rate risk through the impact of rates changes on interest-bearing borrowings which bear floating interest rates and exposed to fair value interest rate risk from loan from a fellow subsidiary which bear fixed interest rate.

Changde Company monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

Based on the balance of its interest-bearing borrowings which bear floating interest rates as at 31 December 2018, 2019 and 2020, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, profit before income tax for the years ended 31 December 2018, 2019 and 2020 would be decreased/increased by approximately RMB14,241,000, RMB11,354,000 and RMB7,120,000, respectively.

The changes in interests rates do not affect Changde Company's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2018, 2019, and 2020 existed throughout the respective Relevant Periods.

28.3 Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of Changde Company mainly arises from trade debtors and bills receivable, deposits and other receivables, amount due from an associate, amounts due from fellow subsidiaries and cash deposits.

Impairment of Financial Assets

Changde Company has three types of assets that are subject to the ECL model:

- Trade debtors and bills receivable
- Deposits and other receivables
- Amounts due from related parties (including amounts due from an associate and fellow subsidiaries)
- Cash deposits

(i) Trade debtors and bills receivable

The trade debtors and bills receivable of Changde Company were arising from sales of electricity and heat were all due from the state-owned enterprise. Given the track record of regular settlement of trade debtors and bills receivable and adjusted forward-looking information, the directors are of the opinion that the risk of default by the customers is not significant and does not expect any losses from non-performance by the customers. Therefore, ECL rate of trade debtors and bills receivable are assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

The credit risks on bills receivable are limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of bills receivable is assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

(ii) Deposits and other receivables and amounts due from related parties

Impairment loss of deposits and other receivables and amounts due from related parties are measured as either 12-month ECL or lifetime ECL on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime ECL.

Changde Company's management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparties' individual assessment on the recoverability based on historical default rate, past experience as well as forward-looking information. The impairment provision is determined based on the 12-month ECL and Changde Company recognised impairment loss of RMB50,000 in profit or loss for the year ended 31 December 2019 and reversed the impairment loss of RMB2,000 in profit or loss for the year ended 31 December 2020.

(iii) Cash deposits

The credit risks on cash at banks are limited because the counterparties are reputable banks and a financial institution with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of cash at banks and financial institution is assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

28.4 Liquidity risk

Liquidity risk relates to the risk that Changde Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Changde Company is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

Cash flow forecasts are prepared by Changde Company's management. Changde Company's management monitors cash flows forecasts on the liquidity requirements to ensure Changde Company maintains sufficient liquidity to support sustainability and growth of Changde Company's business. Currently, Changde Company finances its working capital requirements through funds generated from operations and obtaining bank loans and financing from related parties.

Changde Company's management also monitors its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses Changde Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of each of the Relevant Periods to the contractual maturity date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when Changde Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Changde Company is committed to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Bank loans	4.63	719,252	161,269	540,245	2,939,399	4,360,165	3,159,100
Trade creditors	–	58,822	–	–	–	58,822	58,822
Other payables	–	98,522	–	–	–	98,522	98,522
Amounts due to fellow subsidiaries	–	15,150	–	–	–	15,150	15,150
		891,746	161,269	540,245	2,939,399	4,532,659	3,331,594
At 31 December 2019							
Bank loans	4.58	639,375	248,684	256,326	2,200,754	3,345,139	2,510,800
Trade creditors	–	215,369	–	–	–	215,369	215,369
Other payables	–	69,254	–	–	–	69,254	69,254
Amounts due to fellow subsidiaries	–	2,100	–	–	–	2,100	2,100
		926,098	248,684	256,326	2,200,754	3,631,862	2,797,523
At 31 December 2020							
Bank loans	4.17	697,073	36,047	136,158	1,208,560	2,077,838	1,683,900
Loans from ultimate holding company	3.34	5,754	5,754	171,270	–	182,778	169,930
Loans from a fellow subsidiary	3.75	11,368	11,368	333,399	–	356,135	299,000
Trade creditors	–	138,762	–	–	–	138,762	138,762
Other payables	–	37,908	–	–	–	37,908	37,908
Amount due to ultimate holding company	–	173	–	–	–	173	173
Amounts due to fellow subsidiaries	–	2,306	–	–	–	2,306	2,306
		893,344	53,169	640,827	1,208,560	2,795,900	2,331,979

28.5 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018, 2019 and 2020.

29. CAPITAL COMMITMENTS

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted but not provided for construction in progress	110,901	107,814	39,406

30. CAPITAL MANAGEMENT

Changde Company's capital management objectives are to ensure Changde Company's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Changde Company actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of Changde Company consider cost of capital and the risks associated with the paid-in capital. Changde Company may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

31. EVENT AFTER THE REPORTING PERIODS

There was no significant event subsequent to 31 December 2020 that had a material impact on this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Changde Company in respect of any period subsequent to 31 December 2020 and up to the date of this report.

The following is the text of accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
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TO THE DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HUNAN HUADIAN PINGJIANG POWER GENERATION COMPANY LIMITED

Introduction

We report on the historical financial information of Hunan Huadian Pingjiang Power Generation Company Limited ("Pingjiang Company") set out on pages 303 to 328, which comprises the statements of financial position of Pingjiang Company as at 31 December 2018, 2019 and 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 303 to 328 forms an integral part of this report, which has been prepared for inclusion in the circular of Huadian Power International Corporation Limited (the "Company") dated 15 June 2021 in connection with the proposed acquisition of 100% equity interests in Pingjiang Company by the Company ("Pingjiang Company Acquisition").

Directors' Responsibility for the Historical Financial Information

The sole director of Pingjiang Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the sole director of Pingjiang Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this circular in which the Historical Financial Information of Pingjiang Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Pingjiang Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Pingjiang Company's financial position as at 31 December 2018, 2019 and 2020, and of it's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 303 have been made.

Dividend

We refer to Note 9 to the Historical Financial Information which contains information about the dividend in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road Wanchai
Hong Kong

15 June 2021

Tong Kin Keung
Practising Certificate No.: P07190

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Pingjiang Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Turnover	*4*	–	–	–
Operating expenses		–	–	–
Profit before income tax	*5*	–	–	–
Income tax expense	*6*	–	–	–
Profit and total comprehensive income for the year attributable to owners of Pingjiang Company		–	–	–

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Non-current assets				
Property, plant and equipment	*10*	1,997	1,567	1,018
Land use rights	*11*	121,018	–	–
Right-of-use assets	*12*	–	205,425	201,153
Construction in progress	*13*	153,485	215,964	906,836
Prepayments for construction in progress	*14*	111	74	36,886
Value-added tax recoverable	*14*	2,286	3,610	10,892
		278,897	426,640	1,156,785
Current assets				
Deposits, other receivables and prepayments	*14*	169	43	42
Restricted cash	*15*	–	–	4,576
Cash deposits	*15*	69,175	57,444	25,246
		69,344	57,487	29,864
Current liabilities				
Bank loans	*16*	30,000	30,000	–
Loans from ultimate holding company	*20*	100,000	100,000	–
Bills payable	*17*	–	–	316,180
Other payables	*18*	1,141	1,377	14,239
		131,141	131,377	330,419
Net current liabilities		(61,797)	(73,890)	(300,555)
Total assets less current liabilities		217,100	352,750	856,230
Non-current liabilities				
Bank loans	*16*	140,000	220,000	420,000
Loans from ultimate holding company	*20*	–	–	84,790
		140,000	220,000	504,790
Net assets		77,100	132,750	351,440
EQUITY				
Paid-in capital	*19*	77,100	132,750	351,440
Reserves		–	–	–
Total equity		77,100	132,750	351,440

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000* *(Note 19)*
At 1 January 2018, 31 December 2018 and 1 January 2019	77,100
Profit for the year and total comprehensive income	–
Transaction with equity holders:	
– Capital injection	55,650
At 31 December 2019 and 1 January 2020	132,750
Profit for the year and total comprehensive income	–
Transaction with equity holders:	
– Capital injection	218,690
At 31 December 2020	351,440

(D) STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax and operating profit before working capital	–	–	–
Decrease/(Increase) in deposits, other receivables and prepayments	4,857	(1,198)	(7,281)
Cash generated from/(used in) operations and net cash from/(used in) operating activities	4,857	(1,198)	(7,281)
Cash flows from investing activities			
Purchase of property, plant and equipment	(154)	(162)	(72)
Purchase of right-of-use assets	–	(87,082)	–
Payment for construction in progress	(5,417)	(47,976)	(694,264)
Increase in restricted cash	–	–	(4,576)
Increase in bills payable	–	–	316,180
Net cash used in investing activities	(5,571)	(135,220)	(382,732)
Cash flows from financing activities			
Proceeds from bank loans	–	80,000	200,000
Repayment of bank loans	–	–	(30,000)
Proceeds from loans from ultimate holding company	100,000	200,000	100,000
Repayment of loans from ultimate holding company	(100,000)	(200,000)	(115,210)
Interest paid	(11,916)	(10,963)	(15,665)
Proceeds from paid-in capital	–	55,650	218,690
Net cash from financing activities	(11,916)	124,687	357,815
Net decrease in cash and cash equivalents	(12,630)	(11,731)	(32,198)
Cash and cash equivalent at beginning of the year	81,805	69,175	57,444
Cash and cash equivalent at end of year, represented by cash at bank and in hand	69,175	57,444	25,246

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE PINGJIANG COMPANY

1. GENERAL INFORMATION

Hunan Huadian Pingjiang Power Generation Company Limited (湖南華電平江發電有限公司, "Pingjiang Company") was established in the People's Republic of China (the "PRC") with limited liability on 5 November 2015. The address of its registered office is No.538, Lianyun West Road, Pingjiang County, Yueyang City, Hunan Province. Pingjiang Company is principally engaged in the generation and sale of electricity, heat and coal in the PRC.

In the opinion of the sole director of Pingjiang Company, the immediate and ultimate holding company of Pingjiang Company is China Huadian Corporation Limited ("China Huadian"), a stateowned enterprise established in the PRC with limited liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS"), amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Pingjiang Company has applied all IFRSs which are effective for the financial period beginning on or after 1 January 2020 consistently throughout the Relevant Periods, except that Pingjiang Company adopted IFRS 16 "Leases" on 1 January 2019 based on the specific transitional provision and applied IAS 17 "Leases" prior to 1 January 2019. The adoption of new or amended IFRSs that are issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 2.1(a).

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

In preparing the Historical Financial Information, the directors of Huadian Power International Corporation Limited (the "Company"), a limited liability company established in the PRC and its shares are listed on the Stock Exchange, have given consideration to the future liquidity of Pingjiang Company in light of its net current liabilities and cash deposits as at 31 December 2020 amounted to RMB300,555,000 and RMB25,246,000, respectively. These indicate a condition which may cast significant doubt about Pingjiang Company's ability to continue as a going concern. The directors of the Company had made an assessment and concluded Pingjiang Company is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from 31 December 2020, having regard to (i) Pingjiang Company's current and forecasted cash positions; and (ii) the unutilised banking facilities of Pingjiang Company amounted to approximately RMB12,730,000,000. Consequently, the Historical Financial Information have been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand (RMB'000), which is also the functional currency of Pingjiang Company.

(a) Issued but not yet effective IFRSs

Pingjiang Company has not early adopted the following new and amended IFRSs which have been issued but are not yet effective for the Relevant Periods.

IFRS 17	Insurance Contracts and related amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[7]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[3]

1 Effective for annual periods beginning on or after 1 June 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 Effective for annual periods beginning on or after 1 January 2023

5 Effective date to be determined

6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

7 Effective for annual periods on or after 1 April 2021

The sole director of Pingjiang Company anticipate that all of the pronouncements will be adopted in Pingjiang Company's accounting policy for the first period beginning after the effective date of the pronouncement, and these are not expected to have a material impact on Pingjiang Company's Historical Financial Information.

(b) Impacts and changes in accounting policies of application on IFRS 16 "Leases"

This note explains the impact of the adoption of IFRS 16 "Leases" since 1 January 2019 on Pingjiang Company's Historical Financial Information.

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). Pingjiang Company has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the year ended 31 December 2019. Prior periods have not been restated.

For contracts in place at the date of initial application (i.e. 1 January 2019), Pingjiang Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4. Pingjiang Company has already recognised the land use rights where Pingjiang Company is a lessee. The application of IFRS 16 does not have impact on these assets except for the whole balance is now presented as "Right-of-use assets" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, Pingjiang Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The following summarises the impact of transition to IFRS 16 on Pingjiang Company's statement of financial position as at 1 January 2019:

- Land use rights – decreased by RMB121,018,000
- Right-of-use assets – increased by RMB121,018,000
- There was no impact on retained earnings as at 1 January 2019

2.2 Property, plant and equipment

Items of property, plant and equipment (other than construction in progress as described below) are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate capitalisation of borrowing costs.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to Pingjiang Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

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

Machinery and equipment	5 years
Motor vehicles, furniture, fixtures, equipment and others	6 years

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs, and the cost of related equipment, less any impairment losses. The costs are transferred to property, plant and equipment and depreciation will be provided in accordance with the policy as stated above when the relevant assets are completed and ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.3 Land use rights

Land use rights (which meet the definition of right-of-use assets upon initial application of IFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. Land use rights are stated at costs less accumulated amortisation (before the application of IFRS 16)/depreciation (upon the application of IFRS 16) on a straight-line basis to profit or loss over the lease terms.

2.4 Impairment of non-financial assets

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

– property, plant and equipment;

– land use rights;

– right-of-use assets; and

– construction in progress.

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

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

– ***Reversals of impairment losses***

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.5 Financial assets

(a) Classification

Pingjiang Company classifies its financial assets into financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Pingjiang Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Pingjiang Company commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and Pingjiang Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, Pingjiang Company measures a financial asset at its fair value, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other revenue.

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the financial asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other revenue using the effective interest rate method. Expected credit loss ("ECL") for the financial assets measured at amortised costs are presented as operating expenses. Pingjiang Company's deposits and other receivables, restricted cash and cash deposits fall into this category of financial instruments.

(d) Impairment

The Pingjiang Company assesses on a forward-looking basis of the ECL associated with its debt instruments measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which Pingjiang Company is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses over the expected life of the financial instruments. Credit losses are measured as the difference between all contractual cash flows that are due to Pingjiang Company in accordance with the contract and all the cash flows that Pingjiang Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

Restricted cash and cash deposits placed in high credit-rated financial institutions are considered to be of low credit risk. Thus, the impairment provision recognised during the Relevant Periods was limited to 12-month ECL.

For other financial assets measured at amortised cost, the ECLs are based on 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, Pingjiang Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, Pingjiang Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on Pingjiang Company's historical experience and including forward-looking information.

In particular, the following assessment criteria is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

Pingjiang Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless Pingjiang Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, Pingjiang Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each of the Relevant Periods. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has 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 fulfill its contractual cash flow obligations.

For internal credit risk management, Pingjiang Company considers an event of default occurs (i) when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Pingjiang Company, in full (without taking into account any collaterals held by Pingjiang Company) or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of deposits and other receivables, restricted cash and cash deposits are set out in Note 22.3.

2.6 Financial liabilities

(a) Recognition and measurement

Pingjiang Company's financial liabilities include bills payable, other payables, loans from ultimate holding company and bank loans.

Financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities unless Pingjiang Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of each of the Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.7 Paid-in capital

Paid-in capital are classified as equity. Incremental costs directly attributable to the new capital injection are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Borrowing costs

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

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

2.9 Current and deferred tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each of the Relevant Periods in the countries where Pingjiang Company operates and generates taxable income. The management of Pingjiang Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each of the Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

2.10 Employee benefits

Short-term obligations

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by Pingjiang Company in respect of services provided by employees up to the end of each of the Relevant Periods.

Retirement benefits

Employees of Pingjiang Company are required to participate in defined contribution retirement schemes administered and operated by municipal governments. Pingjiang Company contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. Pingjiang Company has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

2.11 Provisions and contingent liabilities

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

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

2.12 Leases

As explained Note 2.1(b), Pingjiang Company has changed its accounting policy for leases where Pingjiang Company is the leasee. The new policy is described below and the impact of the change in Note 2.1(b) until 31 December 2018.

Policy applicable before 1 January 2019

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to Pingjiang Company as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Policy applicable after 1 January 2019

For any new contracts entered into on or after 1 January 2019, Pingjiang Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, Pingjiang Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Pingjiang Company;

- Pingjiang Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- Pingjiang Company has the right to direct the use of the identified asset throughout the period of use. Pingjiang Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, Pingjiang Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by Pingjiang Company, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Pingjiang Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term unless Pingjiang Company is reasonably certain to obtain ownership at the end of the lease term. Pingjiang Company also assesses the right-of-use assets for impairment when such indicator exists.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land and are presented as "Land use rights" under non-current assets.

2.13 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to Pingjiang Company if:

(a) the party, is a person or a close member of that person's family and if that person,

- (i) has control or joint control over Pingjiang Company;
- (ii) has significant influence over Pingjiang Company; or
- (iii) is a member of the key management personnel of Pingjiang Company or of a parent of Pingjiang Company.

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and Pingjiang Company are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and Pingjiang Company are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either Pingjiang Company or an entity related to Pingjiang Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Pingjiang Company or to the parent of the Pingjiang Company.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Pingjiang Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment for non-current assets

As disclosed in notes 11, 12 and 13, if circumstances indicate that the carrying amount of the construction in progress may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets".

The carrying amounts of individual assets or the CGUs containing the non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The assets or the CGUs are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the assets or the CGUs are discounted to their present value, Pingjiang Company uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs. Changes in assumptions used could materially affect the result of impairment review and as a result affect Pingjiang Company's financial condition and results of operation. As at 31 December 2018, 2019 and 2020, the carrying amount of land use rights/right-of-use assets were RMB121,018,000, RMB205,425,000 and RMB201,153,000 respectively. As at 31 December 2018, 2019 and 2020, the carrying amount of construction in progress were RMB153,485,000, RMB215,964,000 and RMB906,836,000 respectively.

4. TURNOVER

Pingjiang Company did not derive any income during the Relevant Periods.

5. PROFIT BEFORE INCOME TAX

The auditor's remuneration for the Relevant Periods were borne by the ultimate holding company.

6. INCOME TAX EXPENSE

No provision for the corporate income tax of the PRC has been made as Pingjiang Company did not generate assessable profits during the Relevant Periods.

7. PERSONNEL COSTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	4,798	9,005	13,964
Retirement costs *(note (b))*	974	1,480	768
	5,772	10,485	14,732

Notes:

(a) All of amounts were capitalised in construction in progress during the Relevant Periods.

(b) Due to the impact of Coronavirus Disease 2019, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

8. DIRECTOR'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

8.1 Director's emoluments

No emolument was paid or payable to the sole director of Pingjiang Company during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by Pingjiang Company to the sole director as an inducement to join or upon joining Pingjiang Company or as compensation for loss of office. There was no arrangement under which any director or five highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

8.2 Five highest paid individuals

The five highest paid individuals in Pingjiang Company during the Relevant Periods did not include any director. The emoluments of these five highest individuals for the Relevant Periods are set out below:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonuses	1,063	1,335	1,781
Retirement benefit scheme contributions	45	67	105
	1,108	1,402	1,886

Their emoluments were within the band of HK$Nil to HK$1,000,000.

9. DIVIDEND

The directors of Pingjiang Company do not recommend the payment of any dividend in respect of the years ended 31 December 2018, 2019 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment *RMB'000*	Total *RMB'000*
At 1 January 2018			
Cost	368	2,914	3,282
Accumulated depreciation	(126)	(758)	(884)
Net book amount	242	2,156	2,398
Year ended 31 December 2018			
Opening net book amount	242	2,156	2,398
Additions	–	154	154
Depreciation	(71)	(484)	(555)
Closing net book amount	171	1,826	1,997
At 31 December 2018 and 1 January 2019			
Cost	368	3,068	3,436
Accumulated depreciation	(197)	(1,242)	(1,439)
Net book amount	171	1,826	1,997
Year ended 31 December 2019			
Opening net book amount	171	1,826	1,997
Additions	43	119	162
Depreciation	(101)	(491)	(592)
Closing net book amount	113	1,454	1,567
At 31 December 2019 and 1 January 2020			
Cost	411	3,187	3,598
Accumulated depreciation	(298)	(1,733)	(2,031)
Net book amount	113	1,454	1,567
Year ended 31 December 2020			
Opening net book amount	113	1,454	1,567
Additions	–	72	72
Depreciation	(52)	(569)	(621)
Closing net book amount	61	957	1,018
At 31 December 2020			
Cost	411	3,259	3,670
Accumulated depreciation	(350)	(2,302)	(2,652)
Net book amount	61	957	1,018

11. LAND USE RIGHTS

	RMB'000
At 1 January 2018	
Cost	126,500
Accumulated amortisation	(2,952)
Net book amount	123,548
Year ended 31 December 2018	
Opening net book amount	123,548
Amortisation	(2,530)
Closing net book amount	121,018
At 31 December 2018	
Cost	126,500
Accumulated amortisation	(5,482)
Net book amount as at 31 December 2018	121,018
Transfer to right-of-use assets upon initial application of IFRS 16 at 1 January 2019 *(note 12)*	(121,018)
At 1 January 2019	–

12. RIGHT-OF-USE ASSETS

Pingjiang Company's right-of-use assets arise from lease of land use rights for the generators, machinery and equipment with typically lease term of 50 years. The lease agreements do not impose any covenants.

The movements of right-of-use assets are analysed as follows:

	2019 *RMB'000*	**2020** *RMB'000*
At the beginning of the year	–	205,425
Transfer from land use rights upon initial application of IFRS16 *(note 11)*	121,018	–
At the beginning of the year (adjusted)	121,018	205,425
Additions	87,082	–
Depreciation	(2,675)	(4,272)
At the end of the year	205,425	201,153

13. CONSTRUCTION IN PROGRESS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	131,393	153,485	215,964
Additions	22,092	62,479	690,872
At the end of the year	153,485	215,964	906,836

During the years ended 31 December 2018, 2019 and 2020, Pingjiang Company has capitalised borrowing costs amounting to RMB11,875,000, RMB11,043,000 and RMB15,873,000 respectively as qualifying assets.

14. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayment for construction in progress	111	74	36,886
Value-added tax recoverable	2,286	3,610	10,892
	2,397	3,684	47,778
Current			
Deposits and other receivables	34	43	42
Value-added tax recoverable	135	–	–
	169	43	42
Total	2,566	3,727	47,820

15. CASH DEPOSITS AND RESTRICTED CASH

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	25	6	5
Cash at other financial institution *(note 20(c))*	69,150	57,438	25,241
	69,175	57,444	25,246
Restricted cash *(note)*	–	–	4,576
	69,175	57,444	29,822

Note: The bank balance was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement.

16. BANK LOANS

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Due:			
Within 1 year			
– current portion of long-term bank loans	30,000	30,000	–
After 1 year but within 2 years	–	–	7,000
After 2 years but within 5 years	–	2,600	109,000
After 5 years	140,000	217,400	304,000
	140,000	220,000	420,000
	170,000	250,000	420,000
Classified as:			
Current portion	30,000	30,000	–
Non-current portion	140,000	220,000	420,000
	170,000	250,000	420,000

The borrowing carries an effective interest rate of 4.41%, 4.41% and 4% per annum during the years ended 31 December 2018, 2019 and 2020, respectively. Excepted for a bank loan amounting to RMB110,000,000 which is secured by Pingjiang Company's fee collection right in relation to the sales of electricity as at 31 December 2020, the remaining bank loans were unsecured as at 31 December 2018, 2019 and 2020.

As at 31 December 2018, RMB30,000,000 is repayable in 2019 and remaining bank loans are repayable on 2031.

As at 31 December 2019, RMB30,000,000 is repayable in 2020 and remaining bank loans are repayable on 2031.

As at 31 December 2020, RMB7,000,000 is repayable in 2021, RMB100,000,000 is repayable in 2024, RMB9,000,000 is repayable in 2031 and remaining bank loans are repayable in 2035.

17. BILLS PAYABLE

As at 31 December 2018, 2019 and 2020, the aging analysis of bills payable is as follows:

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Within 1 year	–	–	316,180

18. OTHER PAYABLES

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Wages payable	182	231	528
Construction costs payables	549	–	10,931
Interest payable	326	406	614
Other tax payables	49	623	171
Other payables and accruals	35	117	1,995
	1,141	1,377	14,239

19. PAID-IN CAPITAL

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid up capital			
At 1 January	77,100	77,100	132,750
Capital injection	–	55,650	218,690
At 31 December	77,100	132,750	351,440

During the year ended 31 December 2019, Pingjiang Company received capital injection of RMB24,740,000 and RMB30,910,000 on 25 November 2019 and 20 December 2019, respectively.

During the year ended 31 December 2020, Pingjiang Company received capital injection of RMB50,000,000, RMB50,000,000, RMB49,690,000 and RMB69,000,000 on 6 March 2020, 11 June 2020, 19 October 2020 and 7 December 2020, respectively.

20. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are related parties of Pingjiang Company that had balances and/or transactions with Pingjiang Company during the Relevant Periods.

Name of related parties	Relationship with Pingjiang Company
China Huadian	Immediate and ultimate holding company
China Huadian Finance Corporation Limited# (中國華電集團財務有限公司) ("Huadian Finance")	Controlled and beneficially owned by the ultimate holding company
Huadian Electric Power Research Institute Co. Ltd# (華電電力科學研究院有限公司) ("Huadian Electric Power")	Controlled and beneficially owned by the ultimate holding company
Huadian Hexiang Engineering Consulting Co., Ltd# (華電和祥工程諮詢有限公司) ("Huadian Hexiang Engineering")	Controlled and beneficially owned by the ultimate holding company
Nanjing Huadian Electric Power Information Security Assessment Co. Ltd# (南京華盾電力信息安全測評有限公司) ("Nanjing Huadian Electric")	Controlled and beneficially owned by the ultimate holding company
China Huadian Electric Power Construction Technology and Economy Consulting Centre Co. Limited# (中國華電集團電力建設技術經濟諮詢中心有限公司) ("China Huadian Electric")	Controlled and beneficially owned by the ultimate holding company
China Huadian Group Advanced Training Centre Co., Limited# (中國華電集團高級培訓中心有限公司) ("China Huadian Training")	Controlled and beneficially owned by the ultimate holding company
Guodian Nanjing Automation Co., Ltd# (國電南京自動化股份有限公司) ("Guodian Nanjing Automation")	Controlled and beneficially owned by the ultimate holding company

The English translation of the names is for reference only. The official names of these entities are in Chinese.

(b) Significant related parties transactions

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between Pingjiang Company and its related parties in the ordinary course of business during the Relevant Periods.

For the year ended 31 December 2018

Name of related party	Type of transaction	*RMB'000*
China Huadian	Interest charge capitalised	4,314

For the year ended 31 December 2019

Name of related party	Type of transaction	*RMB'000*
China Huadian Training	Utility services charge	142
Nanjing Huadian Electric	Utility services charge	38
Guodian Nanjing Automation	Equipment cost	124
China Huadian	Interest charge capitalised in construction in progress	2,832

For the year ended 31 December 2020

Name of related party	Type of transaction	*RMB'000*
China Huadian Electric	Utility services charge	880
Nanjing Huadian Electric	Utility services charge	89
Huadian Hexiang Engineering	Utility services charge	1,305
Huadian Electric Power	Utility services charge	73
China Huadian	Interest charge capitalised in construction in progress	2,867

(c) Significant related parties balances

Loans from ultimate holding company

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
China Huadian	100,000	100,000	84,790

As at 31 December 2018, the loan from ultimate holding company is unsecured, interest-bearing at 3.2% and repayable on 26 March 2019.

As at 31 December 2019, the loan from ultimate holding company is unsecured, interest-bearing at 3.2% and repayable on 4 June 2020.

As at 31 December 2020, the loan from ultimate holding company is unsecured, interest-bearing at 3.39% and repayable on 4 June 2023.

Cash deposits placed with related company

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Huadian Finance	69,150	57,438	25,241

21. CASH FLOW INFORMATION

(a) Reconciliation of liabilities arising from financing activities

The changes in Pingjiang Company's liabilities arising from financing activities are summarised as follows:

	Bank loans	Loans from ultimate holding company	Interest payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	170,000	100,000	367	270,367
Cash flows				
– Proceeds	–	100,000	–	100,000
– Repayment	–	(100,000)	–	(100,000)
– Interest paid	–	–	(11,916)	(11,916)
Non-cash changes				
– Interest expense on loans *(Note 13)*	–	–	11,875	11,875
At 31 December 2018 and 1 January 2019	170,000	100,000	326	270,326
Cash flows				
– Proceeds	80,000	200,000	–	280,000
– Repayment	–	(200,000)	–	(200,000)
– Interest paid	–	–	(10,963)	(10,963)
Non-cash changes				
– Interest expense on loans *(Note 13)*	–	–	11,043	11,043
At 31 December 2019 and 1 January 2020	250,000	100,000	406	350,406
Cash flows				
– Proceeds	200,000	100,000	–	300,000
– Repayment	(30,000)	(115,210)	–	(145,210)
– Interest paid	–	–	(15,665)	(15,665)
Non-cash changes				
– Interest expense on loans *(Note 13)*	–	–	15,873	15,873
At 31 December 2020	420,000	84,790	614	505,404

(b) Major non-cash transactions

During the year ended 31 December 2018, the major non-cash transactions included capitalised depreciation and amortisation of approximately RMB555,000 and RMB2,530,000, respectively.

During the year ended 31 December 2019, the major non-cash transactions included capitalised depreciation and amortisation of approximately RMB592,000 and RMB2,675,000, respectively.

During the year ended 31 December 2020, the major non-cash transactions included capitalised depreciation and amortisation of approximately RMB621,000 and RMB4,272,000, respectively.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Pingjiang Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. Pingjiang Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Pingjiang Company's financial performance. Risk management is carried out by the senior management of Pingjiang Company under policies approved by the sole director of Pingjiang Company.

22.1 Categories of financial assets and liabilities

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Deposits and other receivables	34	43	42
– Cash deposits and restricted cash	69,175	57,444	29,822
	69,209	57,487	29,864
Financial liabilities			
Financial liabilities at amortised cost			
– Bank loans	170,000	250,000	420,000
– Loans from ultimate holding company	100,000	100,000	84,790
– Bills payables	–	–	316,180
– Other payables	1,092	754	14,068
	271,092	350,754	835,038

22.2 Interest rate risk

Pingjiang Company does not anticipate significant impact to cash deposits because the interest rates of restricted cash and cash deposits are not expected to change significantly.

Pingjiang Company is exposed to cash flow interest rate risk through the impact of rates changes on interest-bearing borrowings which bear floating interest rates and exposed to fair value interest rate risk from loans from ultimate holding company which bear fixed interest rate.

Pingjiang Company monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

Based on the balance of its interest-bearing borrowings which bear floating interest rates as at 31 December 2018, 2019 and 2020, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, construction in progress as at 31 December 2018, 2019 and 2020 would be decreased/increased by approximately RMB850,000, RMB1,250,000 and RMB2,100,000, respectively.

The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2018, 2019, and 2020 existed throughout the respective Relevant Periods.

22.3 Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of Pingjiang Company mainly arises from deposits and other receivables and cash deposits, which are subject to ECL model.

(i) Deposits and other receivables

Impairment loss of deposits and other receivables are measured as either 12-month ECL or lifetime ECL on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime ECL.

Pingjiang Company's management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparties' individual assessment on the recoverability based on historical default rate, past experience as well as forward-looking information. The impairment provision is determined based on the 12-month ECL which is close to zero at the end of each of the Relevant Periods.

(ii) Restricted cash and cash deposits

The credit risks on restricted cash and cash deposits are limited because the counterparties are reputable banks and a financial institution with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of restricted cash and cash deposits is assessed to be close to zero and no provision was made as at the end of each of the Relevant Periods.

22.4 Liquidity risk

Liquidity risk relates to the risk that Pingjiang Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Pingjiang Company is exposed to liquidity risk in respect of settlement of other payables and its financing obligations, and also in respect of its cash flow management.

Cash flow forecasts are prepared by Pingjiang Company's management. Pingjiang Company's management monitors cash flows forecasts on the liquidity requirements to ensure Pingjiang Company maintains sufficient liquidity to support sustainability and growth of Pingjiang Company's business. Currently, Pingjiang Company finances its working capital requirements through obtaining bank loans and financing from related parties.

Pingjiang Company's management also monitors its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses Pingjiang Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of each of the Relevant Periods to the contractual maturity date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when Pingjiang Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which Pingjiang Company is committed to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018							
Bank loans	4.41	37,497	6,174	24,522	184,085	252,278	170,000
Loans from ultimate holding company	3.20	100,756	–	–	–	100,756	100,000
Other payables	–	1,092	–	–	–	1,092	1,092
		139,345	6,174	24,522	184,085	354,126	271,092

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Bank loans	4.41	40,448	9,702	64,096	252,707	366,953	250,000
Loans from ultimate holding company	3.20	101,387	–	–	–	101,387	100,000
Other payables	–	754	–	–	–	754	754
		142,589	9,702	64,096	252,707	469,094	350,754
At 31 December 2020							
Bank loans	4.00	17,394	22,821	206,395	326,340	572,950	420,000
Loans from ultimate holding company	3.39	3,390	3,390	86,250	–	93,030	84,790
Bills payable	–	316,180	–	–	–	316,180	316,180
Other payables	–	14,068	–	–	–	14,068	14,068
		351,032	26,211	292,645	326,340	996,228	835,038

22.5 Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018, 2019 and 2020.

23. CAPITAL COMMITMENTS

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted but not provided for construction in progress	79,716	1,804,475	2,754,268

24. CAPITAL MANAGEMENT

Pingjiang Company's capital management objectives are to ensure Pingjiang Company's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

Pingjiang Company actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the sole director of Pingjiang Company consider cost of capital and the risks associated with the paid-in capital. Pingjiang Company may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

25. EVENT AFTER THE REPORTING PERIODS

There was no significant event subsequent to 31 December 2020 that had a material impact on this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Pingjiang Company in respect of any period subsequent to 31 December 2020 and up to the date of this report.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the board of directors of Huadian Power International Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huadian Power International Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated assets and liabilities as at 31 December 2020 and related notes as set out on pages 332 to 340 of the Company's supplemental circular dated 15 June 2021 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 332 to 340 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed major and connected transactions comprising: (i) capital increase in Huadian Fuxin Energy Development Company Limited; (ii) disposal of certain equity interests and assets held by the Group; and (iii) the acquisitions of equity interests in Hunan Huadian Changsha Power Generation Company Limited, Hunan Huadian Changde Power Generation Company Limited and Hunan Huadian Pingjiang Power Generation Company Limited (the "Proposed Transactions") on the Group's consolidated statement of assets and liabilities as at 31 December 2020 as if the Proposed Transactions had taken place on 31 December 2020. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2020, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong, 15 June 2021

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated financial information of the Enlarged Group comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Consolidated Financial Information").

The Unaudited Pro Forma Consolidated Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 31 December 2020 or at any future date.

The Unaudited Pro Forma Consolidated Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2020.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2020 is prepared as if the proposed Disposals and Acquisitions had taken place on 31 December 2020 and is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2020, which has been extracted from the published annual report of the Company for the year ended 31 December 2020, (ii) the audited statement of financial position of Fuxin Development, Changsha Company, Changde Company and Pingjiang Company (i.e. Hunan Area Companies) as extracted from the Accountants' Report of the Hunan Area Companies as set out in Appendices III to VI to this supplemental circular; after making pro forma adjustments that are (a) directly attributable to the proposed Disposals and Acquisitions; and (b) factually supportable.

The Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group after the proposed Disposals and Acquisitions should be read in conjunction with the historical financial information of the Group as set out in Appendix I to this supplemental circular, the financial information of Fuxin Development, Changsha Company, Changde Company and Pingjiang Company as set out in the Appendix III, IV, V and VI, respectively, to this supplemental circular and other financial information included elsewhere in this supplemental circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities

	The Group as at 31 December 2020	Changsha Company as at 31 December 2020	Changde Company as at 31 December 2020	Pingjiang Company as at 31 December 2020	Pro forma adjustments						The Enlarged Group as at 31 December 2020
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (f)*	*Note (g)*	*Note (h)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
IFRS											
Non-current assets											
Property, plant and equipment	160,304,083	2,242,577	3,328,788	1,018	–	660,432	(2,406,111)	–	(18,856,357)	–	145,274,430
Right-of-use assets	7,533,405	145,981	159,680	201,153	–	535,752	(54,639)	–	(396,619)	–	8,124,713
Construction in progress	22,361,667	17,907	21,019	943,722	–	65,898	(1,863,074)	–	(7,342,325)	–	14,204,814
Investment properties	32,283	–	–	–	–	–	–	–	–	–	32,283
Intangible assets	4,163,741	–	–	–	–	–	(3,750)	–	(947,515)	–	3,212,476
Goodwill	1,233,366	–	–	–	–	325,105	–	–	–	–	1,558,471
Interests in associates and joint ventures	12,023,223	–	11,380	–	–	117	–	–	–	21,237,418	33,272,138
Financial assets at fair value through profit or loss	307,890	107,926	–	–	–	–	–	–	–	–	415,816
Other non-current assets	3,126,447	–	2,590	10,892	–	–	(73,089)	–	(1,095,589)	–	1,971,251
Deferred tax assets	748,228	2,312	–	–	–	3,832	(98)	–	(9,798)	–	744,476
	211,834,333	2,516,703	3,523,457	1,156,785	–	1,591,136	(4,400,761)	–	(28,648,203)	21,237,418	208,810,868

	The Group as at 31 December 2020	Changsha Company as at 31 December 2020	Changde Company as at 31 December 2020	Pingjiang Company as at 31 December 2020	Pro forma adjustments						The Enlarged Group as at 31 December 2020
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (f)*	*Note (g)*	*Note (h)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Current assets											
Inventories	2,347,810	165,289	88,037	–	–	14,393	(1,106)	–	(68,788)	–	2,545,635
Trade debtors and bills receivable	11,719,443	221,095	351,605	–	(134,031)	(6,945)	(396,669)	–	(2,628,704)	–	9,125,794
Deposits, other receivables and prepayments	4,033,493	24,107	247	42	–	–	(148,542)	2,082,222	(485,868)	–	5,505,701
Tax receivable	76,775	–	–	–	–	–	–	–	–	–	76,775
Amount due from an associate	–	–	8,681	–	–	–	–	–	–	–	8,681
Amounts due from fellow subsidiaries	–	20,878	5	–	–	–	–	–	–	–	20,883
Restricted deposits	180,624	–	–	4,576	–	–	–	–	(16,101)	–	169,099
Cash and cash equivalents	6,498,457	168,377	76,769	25,246	–	–	(67,144)	–	(429,792)	–	6,271,913
	24,856,602	599,746	525,344	29,864	(134,031)	7,448	(613,461)	2,082,222	(3,629,253)	–	23,724,481

	The Group as at 31 December 2020	Changsha Company as at 31 December 2020	Changde Company as at 31 December 2020	Pingjiang Company as at 31 December 2020	Pro forma adjustments						The Enlarged Group as at 31 December 2020
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (f)*	*Note (g)*	*Note (h)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Current liabilities											
Bank loans	(25,566,828)	(794,000)	(631,300)	–	–	–	42,585	–	1,052,087	–	(25,897,456)
Loans from shareholders	(700,000)	–	–	–	–	–	–	–	–	–	(700,000)
State loans	(1,926)	–	–	–	–	–	–	–	–	–	(1,926)
Other loans	(3,245,524)	–	–	–	–	–	201,000	–	278,078	–	(2,766,446)
Long-term debentures payable-current portion	(1,996,838)	–	–	–	–	–	–	–	–	–	(1,996,838)
Amount due to fellow subsidiaries	–	(72,263)	(2,306)	–	–	–	–	–	–	–	(74,569)
Amount due to the parent company	(42,337)	–	(173)	–	–	–	–	–	–	–	(42,510)
Lease liabilities	(641,932)	–	–	–	–	–	197	–	1,690	–	(640,045)
Trade creditors and bills payable	(17,490,945)	(90,082)	(138,762)	(316,180)	134,031	–	426,325	–	3,186,957	–	(14,288,656)
Other payables	(8,833,733)	(77,758)	(150,443)	(14,239)	–	(3,136,277)	115,835	–	1,002,425	(7,628,000)	(18,722,190)
Tax payable	(625,496)	–	–	–	–	–	–	–	–	–	(625,496)
	(59,145,559)	(1,034,103)	(922,984)	(330,419)	134,031	(3,136,277)	785,942	–	5,521,237	(7,628,000)	(65,756,132)
Net current liabilities	(34,288,957)	(434,357)	(397,640)	(300,555)	–	(3,128,829)	172,481	2,082,222	1,891,984	(7,628,000)	(42,031,651)
Total assets less current liabilities	177,545,376	2,082,346	3,125,817	856,230	–	(1,537,693)	(4,228,280)	2,082,222	(26,756,219)	13,609,418	166,779,217

	The Group as at 31 December 2020	Changsha Company as at 31 December 2020	Changde Company as at 31 December 2020	Pingjiang Company as at 31 December 2020	Pro forma adjustments						The Enlarged Group as at 31 December 2020
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (f)*	*Note (g)*	*Note (h)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Non-current liabilities											
Bank loans	(50,490,648)	(283,060)	(1,052,600)	(420,000)	–	–	1,221,715	–	11,151,853	–	(39,872,740)
Loans from shareholders	(6,007,768)	–	(169,930)	–	–	–	–	–	200,000	–	(5,977,698)
State loans	(52,372)	–	–	–	–	–	–	–	100,000	–	47,628
Other loans	(7,851,972)	(84,940)	(299,000)	(84,790)	–	–	713,338	–	2,321,548	–	(5,285,816)
Long-term debentures payable	(10,495,397)	–	–	–	–	–	–	–	–	–	(10,495,397)
Lease liabilities	(1,175,083)	–	–	–	–	–	26,350	–	161,145	–	(987,588)
Long-term payables	(262,460)	–	–	–	–	–	–	–	–	–	(262,460)
Provisions	(236,717)	–	–	–	–	–	–	–	–	–	(236,717)
Deferred government grants	(1,569,874)	–	–	–	–	–	–	–	–	–	(1,569,874)
Deferred income	(3,028,195)	–	–	–	–	–	–	–	7,221	–	(3,020,974)
Deferred tax liabilities	(1,966,243)	(11,634)	–	–	–	(313,469)	–	–	–	–	(2,291,346)
Retirement benefit obligations	(15,538)	(7,657)	–	–	–	5,743	–	–	–	–	(17,452)
	(83,152,267)	(387,291)	(1,521,530)	(504,790)	–	(307,726)	1,961,403	–	13,941,767	–	(69,970,434)
Net assets	94,393,109	1,695,055	1,604,287	351,440	–	(1,845,419)	(2,266,877)	2,082,222	(12,814,452)	13,609,418	96,808,783

Notes:

Note (a) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the published annual report of the Company for the year ended 31 December 2020.

Note (b) The amounts are extracted from accountants' reports of Changsha Company, Changde Company and Pingjiang Company issued by their reporting accountants, Grant Thornton Hong Kong Limited, as set out in Appendix IV, V and VI, respectively, to this supplemental circular.

Note (c) The adjustment represents the elimination of intercompany balances between the Group and Hunan Area Companies.

Note (d) Goodwill arising from the acquisition of Hunan Area Companies as if the acquisition had taken place on 31 December 2020.

The Company will apply the acquisition method of accounting under International Financial Reporting Standard 3 Business Combination for the acquisition. In applying the acquisition method, the identifiable assets acquired and liabilities assumed of Hunan Area Companies will be recognised in the consolidated statement of financial position of the Enlarged Group at their fair values as at the date of completion of the acquisition. Goodwill arising from the acquisition represents the excess of the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in Hunan Area Companies over the fair value of the identifiable assets and liabilities measured as at the date of completion of the acquisition.

Calculation of the goodwill is as follows:

		RMB'000
The cash consideration	*(i)*	3,145,834
Less:		
Total identifiable net assets of Hunan Area Companies at book value	*(ii)*	3,650,782
Fair value adjustment	*(iii)*	975,309
Non-controlling interests in Hunan Area Companies	*(iv)*	(1,805,362)
Total identifiable net assets of Hunan Area Companies at fair value		2,820,729
Goodwill		325,105

(i) The consideration of the acquisition under each of the Equity Acquisition Agreements was determined by the Company and China Huadian after arm's length negotiations with reference to the appraised value of 100% equity interests in the Hunan Area Companies as at 31 December 2020 as set out in the assets valuation report prepared by CEA using the asset-based approach.

The consideration for the acquisition under the Equity Acquisition Agreements shall be paid in cash by the Company to China Huadian in three instalments as follows:

(1) 51% of the consideration shall be paid by the Company within five business days from the effective date of each of the Equity Acquisition Agreements;

(2) 29% of the consideration, together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by the Company within five business days from the completion date of industrial and commercial change registration; and

(3) the third instalment, i.e. 20% of the consideration, is subject to adjustments, and will be determined by reference to the audit report of each of the Hunan Area Companies for Transition Period to be issued within 15 business days from the completion date of industrial and commercial change registration. The third instalment together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the third instalment, shall be paid within five business days from the issuance date of abovementioned audit report. The adjustment amount shall be calculated based on the difference between the audited net asset value as at the Valuation Benchmark Date and that as at the completion date (in proportion to the percentage of equity interests held by China Huadian in each of the Hunan Area Companies). Such audited net asset value as at the completion date will be arrived at taking into account any capital increase, dividend distribution and/or profit or loss of each of the Hunan Area Companies during the Transition Period.

(ii) The amount is the sum of net assets of Hunan Area Companies as mentioned in note (b).

(iii) The Directors have determined the fair values of the identifiable assets and liabilities of Hunan Area Companies as at 31 December 2020 with reference to the valuation reports. The fair value of the net assets of Hunan Area Companies was adjusted by (i) fair value uplift of property, plant and equipment amounting to RMB660 million; (ii) fair value uplift of right-of-use assets amounting to RMB536 million; (iii) fair value uplift of construction in progress amounting to RMB66 million; (iv) fair value uplift of interests in associates and joint ventures amounting to RMB0.1 million; (v) fair value uplift in deferred tax assets amounting to RMB4 million; (vi) fair value uplift in inventories amounting to RMB14 million; (vii) decrease in trade debtors and bills receivable amounting to RMB7 million; (viii) decrease in other payables amounting to RMB9 million; (ix) decrease in retirement benefit obligations amounting to RMB6 million; and (x) recognition of deferred tax liabilities amounting to RMB313 million.

(iv) Calculation of non-controlling interests in Hunan Area Companies is as follows:

	RMB'000
30% of identifiable net assets of Changsha Company at fair value of RMB2,413,762,900	724,129
51.02% of identifiable net assets of Changde Company at fair value of RMB2,119,233,100	1,081,233
Non-controlling interests in Hunan Area Companies	1,805,362

Note (e) The adjustment reflects the disposal of New Energy Assets and Equity by the Group as if the disposal had been completed on 31 December 2020. The total net asset value of New Energy Assets and Equity is with reference to the section III of the letter from the Board in this supplemental circular.

Note (f) Calculation of gain on disposal of New Energy Assets and Equity is as follows:

		RMB'000
The cash consideration	*(i)*	2,082,222
Less:		
Identifiable net assets of New Energy Assets and Equity at book value		2,266,877
Non-controlling interests		(247,915)
Net identifiable net assets of New Energy Assets and Equity at book value		2,018,962
Gain on disposal of New Energy Assets and Equity		63,260

(i) The consideration under the Assets and Equity Disposal Agreements shall be paid in cash in two instalments as follows:

(1) 70% of the consideration shall be paid by each of the purchasers under the Assets and Equity Disposal Agreements within five business days from the effective date of the Assets and Equity Disposal Agreements; and

(2) 30% of the consideration, together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by each of the purchasers under the Assets and Equity Disposal Agreements within 180 days from the effective date of the Assets and Equity Disposal Agreements. The second instalment amount shall be adjusted by the capital contribution to and dividend declaration by the target companies under the Equity Disposal Agreements during the Transition Period. If there is any capital contribution made by the sellers, such amount shall be added into the second instalment; if there is any dividend declaration to the sellers, such amount shall be deducted from the second instalment. The amount of capital contribution and dividend declaration will be determined in writing by the parties within 30 days from the effective date of the Equity Disposal Agreements.

Note (g) The adjustments reflect the disposal of New Energy Companies by the Company by way of the transfer of the equity interests in New Energy Companies to Fuxin Development as if the transfer had been completed on 31 December 2020. The total net asset value of New Energy Companies is with reference to the section II of the letter from the Board in this supplemental circular.

Note (h) Calculation of gain on disposal of New Energy Companies is as follows:

		RMB'000
37.19% of the fair value of the identifiable net assets of Fuxin Development of approximately RMB57,104 million	*(i)*	21,237,418
Less:		
Identifiable net assets of New Energy Companies at book value		12,814,452
Non-controlling interests		(2,854,062)
Cash payment	*(ii)*	7,628,000
Total identifiable net assets of New Energy Companies at fair value		17,588,390
Gain on disposal of New Energy Companies		3,649,028

(i) The amount represents the fair value of 37.19% equity interest in Fuxin Development. The fair value of RMB57,104 million comprises (i) the appraised value of 100% equity interests in New Energy Companies as at 31 December 2020 amounting to approximately RMB13,609 million with reference to the assets valuation report prepared by China Appraisal as set out in Appendix VIII to this supplemental circular; (ii) cash receipt of approximately RMB7,628 million by Fuxin Development, (iii) the appraised value of 100% equity interests in Fuxin Development as at 31 December 2020 amounting to approximately RMB35,867 million with reference to the assets valuation report prepared by China Appraisal as set out in Appendix IX to this supplemental circular; (iv) cash payment of approximately RMB2,082 million by certain subsidiaries of Fuxin Development for New Energy Assets and Equity as set out in Note (f)(i); and (v) the appraised value of New Energy Assets and 100% interests in New Energy Equity of approximately RMB1,643 million and RMB439 million, respectively, with reference to the assets valuation reports prepared by Beijing China Enterprise Appraisals Co., Ltd. as set out in Appendix X to this supplemental circular.

(ii) The amount contributed by the Company by way of a cash payment of RMB7,628 million shall be paid by the Company to Fuxin Development in two instalments as follows:

(1) 70% of the cash capital contribution amount shall be paid by the Company to Fuxin Development within five business days from the effective date of the Capital Increase Agreement; and

(2) 30% of the cash capital contribution amount, together with the interest at the applicable one-year loan prime rate announced by People's Bank of China accrued up to the payment date of the second instalment, shall be paid by the Company to Fuxin Development within 180 business days from the effective date of the Capital Increase Agreement.

SUMMARY OF THE ASSET VALUATION REPORT FOR PROJECT OF MARKET VALUE OF RELEVANT ASSETS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED IN RELATION TO HUADIAN POWER INTERNATIONAL CORPORATION LIMITED'S INCREASE IN CAPITAL IN HUADIAN FUXIN ENERGY DEVELOPMENT CO., LTD. BY PROPOSED DISPOSAL OF CERTAIN LONG-TERM EQUITY HELD BY IT

China United Assets Appraisal Group Co., Ltd. was commissioned by Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited to summarize the market value of relevant assets of Huadian Power International Corporation Limited at the valuation benchmark date in relation to the economic activity of proposed capital increase in Huadian Fuxin Energy Development Co., Ltd. by Huadian Power International Corporation Limited with certain long-term equity investments held by it.

The valuation target is the total shareholders' equity of each long-term equity investment of Huadian Power International Corporation Limited in relation to the transaction, and the scope of valuation covers all the assets and related liabilities of the above long-term equity investment, including assets such as current assets and non-current assets, and related liabilities.

According to the engagement of the entrusting parties, the total shareholders' equity of each specific long-term equity investment of Huadian Power International Corporation Limited in relation to the economic activity was appraised by three valuation agencies, namely Beijing China Enterprise Appraisals Co., Ltd., Yinxin Appraisal Co., Ltd. and China Alliance Appraisal Co., Ltd., respectively, and China United Assets Appraisal Group Co., Ltd. is only responsible for summarizing the valuation conclusions in each assets valuation report issued by the above three valuation agencies and providing such summary to the entrusting parties, and does not express any opinion on the valuation conclusions or assume any responsibility for such conclusions. Each valuation agency shall be responsible for the valuation conclusions of the assets within the scope of their respective valuation engagement.

I. VALUATION ASSUMPTIONS

The staff of valuation agencies conducted the valuation based on the following valuation assumptions:

(I) General Assumptions

1. Transaction Assumption

Transaction assumption assumes that all the assets to be valued are being transacted, and the valuers valuate the assets by simulating a market transaction with reference to, among others, trading conditions of the assets to be valued. It is one of the most basic premise assumptions for assets valuation.

2. Open Market Assumption

Open market assumption assumes that the parties to an asset traded or proposed to be traded in the market are on an equal position with each other and both have opportunity and time to obtain sufficient market information, so as to make rational judgments on the function, use of the asset and its transaction price. The open market assumption is made on the basis that the assets can be traded in the open market.

3. Assumption of Going Concern

It is assumed that the valuation method, parameter and basis used in the valuation are determined on the basis that the assets under valuation will be utilised continuously for current purposes and under the prevailing style, scope, frequency and environment, or will be used after certain adjustments.

(II) Special Assumptions

1. There is no material change in the prevailing macro-economic situation, financial and industrial policies of the State.

2. There is no material change in other applicable taxation policies, tax rates and other social and economic conditions in which the appraised entities operate.

3. The future management teams of the appraised entities duly perform their duties and maintain the existing operation style on a going concern.

4. Each asset is valuated based on the actual stock on the valuation benchmark date, and the current market price of relevant assets is based on the domestic effective price on the valuation benchmark date;

5. The basic information and financial information provided by the entrusting parties and the appraised entities are true, accurate and complete;

6. The scope of valuation is based on the valuation declaration lists provided by the entrusting parties and the appraised entities without considering any contingent assets and contingent liabilities that may exist beyond such lists;

7. The main business, composition of revenues and costs, sales strategy and cost control of appraised entities in the future operation period are consistent with management's expectations without significant changes;

8. According to the relevant provisions of the Notice on Value-added Tax Policy for Wind Power Generation (Cai Shui [2015] No. 74) issued by the Ministry of Finance and the State Taxation Administration on 12 June 2015, starting from 1 July 2015, for sales of self-produced electricity generated from wind power, the taxpayer may enjoy the policy of 50% immediate refund of value-added tax. For the wind power project companies under the appraised entities, the above tax incentive has been applied for the forecast period;

9. Article 1 of the Announcement on Continuation of Enterprise Income Tax Policy for Western Development (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission provided that from 1 January 2021 to 31 December 2030, enterprise income tax will be levied at a reduced rate of 15% on enterprises engaged in encouraged industries in Western China. As such, it is assumed that the subsidiaries enjoying preferential tax policies for Western Development will resume paying tax at the statutory income tax rate from 2031.

10. For power generation projects of the appraised entities that have been included in the state subsidy catalogue as of the valuation benchmark date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2024, and the state subsidy tariffs receivable for 2024 and subsequent years will be received in the following year; for power generation projects that have not been included in the subsidy catalogue as of the valuation benchmark date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2025, and the state subsidy tariffs receivable for 2025 and subsequent years will be received in the following year.

11. In view of the frequent changes or material changes in monetary funds or bank deposits of the enterprises during operation, the valuation of financial costs in this report does not take into account the interest income generated from the deposits and any uncertain gains or losses including foreign exchange gains or losses. If there is any change to the above conditions, the valuation results will generally render invalid.

12. It is assumed that the cash inflow of the appraised entities after the valuation benchmark date is an average inflow and the cash outflow is an average outflow.

If there is any change to the above conditions, the valuation results will generally render invalid.

II. VALUATION METHODOLOGY

According to the assets valuation rules, three methods can be used for enterprise value appraisal, namely the income approach, the market approach and the asset-based approach. The income approach estimates the expected future income of the appraised entity and converts it into present value at the expected rate of return. It evaluates the overall profitability of the enterprise, that is, the overall value of the enterprise is evaluated under the idea of "seeking profits (將利求本)". The basic conditions for its application are that the enterprise has the foundation and conditions to continue to operate as a going concern, there is a relatively stable relation between operation and income, and future income and risks can be predicted and quantified. The market approach adopts the market comparison concept, that is, estimating the overall value of the appraised entity by using the value of traded enterprises or the value of listed companies that are the same or similar to the appraised entity as the comparables, and conducting comparative analysis on the appraised entity and the comparables with necessary adjustments. The asset-based approach determines the value of the appraised entity based on reasonable assessment of the value of various assets and liabilities of the enterprise.

The purpose of this valuation is to reflect the market value of relevant assets of Huadian Power International Corporation Limited as at the valuation benchmark date and provide a value reference for the economic activity of proposed issuance of additional shares by Huadian Fuxin Energy Development Co., Ltd. for acquisition of certain equity interest in the long-term equity investment held by Huadian Power International Corporation Limited. As the asset-based approach reflects the value of the enterprises from the perspective of enterprise construction and provides a basis for the operation, management and assessment of the enterprises after completion of the economic activity, the valuation agencies have selected the asset-based approach for valuation.

As the enterprises have the foundation and conditions to continue as a going concern, and future income and risks can be predicted and quantified, the valuation agencies have selected the income approach for valuation.

The main business of the long-term equity investment of Huadian Power International Corporation Limited in relation to the transaction is development and operation of new energy power generation projects, and the specific projects are operated by the appraised entities and their respective subsidiaries. It is difficult to identify, based on publicly available information, the listed companies and market transaction cases comparable to the appraised entities in terms of main business, assets scale and development stage of each power station and it is difficult to quantify each correction factor. As such, the valuation agencies did not adopt the market approach for valuation.

In summary, the valuation agencies have adopted the asset-based approach and the income approach for valuation. Based on the characteristics of this project, the results under one of the approaches were selected as the valuation results of the total shareholders' equity of each long-term equity investment of Huadian Power International Corporation Limited in relation to the transaction.

III. VALUATION CONCLUSION

After summarizing the valuation results of other valuation agencies, China United Assets Appraisal Group Co., Ltd. arrived at the following valuation results for each long-term equity investment of Huadian Power International Corporation Limited in relation to the transaction as at 31 December 2020, the valuation benchmark date:

Summary of the valuation results of each long-term equity investment of Huadian Power International Corporation Limited in relation to the transaction

Unit: RMB'0000

No.	Name of appraised entity	Shareholding	Carrying value of net assets	Valuation results under asset-based approach	Valuation results under income approach	Methodology for determining valuation conclusion	Appraised value of net assets	Appraised value of net assets×shareholding	Valuation agency	No. of valuation report
1	Huadian Huzhou New Energy Power Generation Company Limited	100.00%	4,628.97	1,194.20	2,829.94	Income approach	2,829.94	2,829.94	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-13
2	Huadian Ningbo New Energy Power Generation Company Limited	100.00%	2,733.01	747.99	4,486.41	Income approach	4,486.41	4,486.41	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-14
3	Huadian Henan New Energy Power Generation Company Limited	100.00%	20,160.88	16,336.84	39,197.42	Income approach	39,197.42	39,197.42	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-18
4	Huadian Taiqian Photovoltaic Power Generation Company Limited	50.00%	28,053.45	6,125.46	47,766.05	Income approach	47,766.05	23,883.03	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-19

No.	Name of appraised entity	Shareholding	Carrying value of net assets	Valuation results under asset-based approach	Valuation results under income approach	Methodology for determining valuation conclusion	Appraised value of net assets	Appraised value of net assets×shareholding	Valuation agency	No. of valuation report
5	Huadian Laizhou Wind Power Company Limited	55.00%	16,979.29	11,533.28	14,005.05	Income approach	14,005.05	7,702.78	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-53
6	Huadian Laizhou Wind Power Generation Company Limited	55.00%	30,379.86	22,649.52	57,809.98	Income approach	57,809.98	31,795.49	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-54
7	Huadian Laizhou Wind Energy Power Company Limited	55.00%	49,192.98	35,010.62	72,809.15	Income approach	72,809.15	40,045.03	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-55
8	Huadian Longkou Wind Power Company Limited	65.00%	26,075.55	20,336.78	40,942.80	Income approach	40,942.80	26,612.82	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-50
9	Longkou Dongyi Wind Power Company Limited	55.00%	25,861.99	14,091.24	41,122.34	Income approach	41,122.34	22,617.29	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-51
10	Huadian Shandong New Energy Company Limited	100.00%	168,196.65	105,179.55	225,989.80	Income approach	225,989.80	225,989.80	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-57

No.	Name of appraised entity	Shareholding	Carrying value of net assets	Valuation results under asset-based approach	Valuation results under income approach	Methodology for determining valuation conclusion	Appraised value of net assets	Appraised value of net assets×shareholding	Valuation agency	No. of valuation report
11	Huadian Xuwen Wind Power Company Limited	100.00%	40,333.60	27,774.34	76,892.63	Income approach	76,892.63	76,892.63	CEA	Zhong Qi Hua Ping Bao Zi (2021) No. 6154-04
12	Huadian Xiaxian Wind Power Company Limited	100.00%	19,595.89	10,170.78	20,200.00	Income approach	20,200.00	20,200.00	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1312
13	Shanxi Huadian Pinglu New Energy Company Limited	100.00%	18,636.85	16,979.78	27,640.00	Income approach	27,640.00	27,640.00	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1313
14	Shanxi Huadian Ying County New Energy Company Limited	100.00%	9,900.00	9,900.27	14,320.00	Income approach	14,320.00	14,320.00	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1314
15	Zezhou County Huadian Wind Power Company Limited	100.00%	30,325.88	28,865.76	38,820.00	Income approach	38,820.00	38,820.00	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1315
16	Shaanxi Huadian Xunyi Wind Power Company Limited	100.00%	20,349.85	18,981.81	33,380.00	Income approach	33,380.00	33,380.00	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1321
17	Chongqing New Energy Power Generation Company Limited	100.00%	2,113.05	2,113.05	–	Asset-based approach	2,113.05	2,113.05	Yinxin Appraisal	Yin Xin Ping Bao Zi (2021) Hu No. 1322

No.	Name of appraised entity	Shareholding	Carrying value of net assets	Valuation results under asset-based approach	Valuation results under income approach	Methodology for determining valuation conclusion	Appraised value of net assets	Appraised value of net assets×shareholding	Valuation agency	No. of valuation report
18	Hebei Huadian Guyuan Wind Power Company Limited	61.87%	152,070.57	143,038.25	227,220.00	Income approach	227,220.00	140,583.06	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030521
19	Hebei Huadian Kangbao Wind Power Company Limited	100.00%	158,330.15	152,662.34	249,930.00	Income approach	249,930.00	249,930.00	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030522
20	Huadian Tangshan Wind Power Company Limited	100.00%	2,000.00	2,028.63	–	Asset-based approach	2,028.63	2,028.63	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030524
21	Huadian Zhangjiakou Saibei New Energy Generation Company Limited	100.00%	1,955.80	1,616.10	1,790.00	Income approach	1,790.00	1,790.00	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030525
22	Huadian Power International Ningxia New Energy Power Company Limited	63.93%	408,653.98	358,352.31	428,440.00	Income approach	428,440.00	273,880.27	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030526
23	Huadian Ningxia Ningdong Shangde Solar Power Company Limited	60.00%	4,404.00	3,472.62	3,720.00	Income approach	3,720.00	2,232.00	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030527

No.	Name of appraised entity	Shareholding	Carrying value of net assets	Valuation results under asset-based approach	Valuation results under income approach	Methodology for determining valuation conclusion	Appraised value of net assets	Appraised value of net assets×shareholding	Valuation agency	No. of valuation report
24	Huadian Kezuozhongqi Wind Power Company Limited	100.00%	22,313.65	19,294.17	28,180.00	Income approach	28,180.00	28,180.00	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030528
25	Huadian Wengniuteqi Wind Power Company Limited	100.00%	6,831.07	5,851.12	12,450.00	Income approach	12,450.00	12,450.00	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030529
26	Huadian Shangdu Wind Power Company Limited	100.00%	1,889.32	1,907.33	-4,640.00	Asset-based approach	1,907.33	1,907.33	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030530
27	Huadian (Zhengxiangbaiqi) New Energy Company Limited	100.00%	9,479.00	9,434.81	-10,660.00	Asset-based approach	9,434.81	9,434.81	China Alliance	Zhong Tong Hua Ping Bao Zi (2021) No. 030532
Total		–	1,281,445.30	1,045,648.95	1,694,641.58	–	1,725,425.40	1,360,941.78	–	–

Note 1: The valuation of non-wholly owned subsidiaries did not take into account the effect of premium (discount) of control or minority interest.

Note 2: For companies in operation and with relatively certain future operation, the valuation results under income approach were selected for valuation conclusion; for companies with uncertain future operation, the valuation results under asset-based approach were selected for valuation conclusion.

In accordance with the laws and regulations related to assets valuation, assets valuation reports involving statutory valuation shall only be used upon the entrusting parties' performance of the supervisory and management procedures regarding assets valuation as required by laws and regulations, and the valuation results shall be valid for a term of one year from 31 December 2020 to 30 December 2021.

SUMMARY OF THE ASSETS VALUATION REPORT FOR PROPOSED CAPITAL INCREASE IN HUADIAN FUXIN ENERGY DEVELOPMENT CO., LTD. IN RELATION TO THE EQUITY PROJECT OF HUADIAN FUXIN ENERGY DEVELOPMENT CO., LTD. BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED WITH CERTAIN LONG-TERM EQUITY INVESTMENTS HELD BY IT

China United Assets Appraisal Group Co., Ltd. (hereinafter referred to as "**China Appraisal**") was commissioned by Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited to assess the market value of total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd. on the valuation benchmark date in relation to the economic activity of proposed capital increase in Huadian Fuxin Energy Development Co., Ltd. by Huadian Power International Corporation Limited with certain long-term equity investments held by it.

The valuation target is the total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd., and the scope of valuation covers all assets and related liabilities of Huadian Fuxin Energy Development Co., Ltd., including assets such as current assets and non-current assets and related liabilities.

I. VALUATION ASSUMPTIONS

The appraisers conducted this valuation based on the following valuation assumptions:

(I) General Assumptions

1. Transaction Assumption

Transaction assumption assumes that all the assets to be valued are being transacted, and the appraisers assess the assets by simulating a market transaction with reference to, among others, transaction conditions of the assets to be valued. It is one of the most basic premise assumptions for assets valuation.

2. Open Market Assumption

Open market assumption assumes that the parties to an assets traded or proposed to be traded in the market are on an equal position with each other and both have opportunity and time to obtain sufficient market information, so as to make rational judgments on the function and use of the assets and its transaction price. The open market assumption is made on the basis that assets can be traded in the open market.

3. Assumption of Going Concern

It is assumed that the valuation method, parameter and basis used in the valuation are determined on the basis that the assets under valuation will be utilised continuously for current purposes and under the prevailing style, scope, frequency and environment, or will be used after certain adjustments.

(II) Special Assumptions

1. There is no material change in the prevailing macro-economic situation, financial and industrial policies of the State.

2. There is no material change in other applicable taxation policies and tax rates and other social and economic conditions in which the appraised entities operate.

3. The future management teams of the appraised entities duly perform their duties and maintain the existing operation style on a going concern.

4. Each asset is valuated based on the actual stock on the valuation benchmark date, and the current market price of relevant assets is based on the effective price in the State on the valuation benchmark date.

5. The basic information and financial information provided by the entrusting parties and the appraised entities are true, accurate and complete.

6. The scope of valuation is based on the valuation declaration lists provided by the entrusting parties and the appraised entities without considering any contingent assets and contingent liabilities that may exist beyond such lists.

7. The main business, composition of revenues and costs, and sales strategy and cost control of appraised entities in the future operation period are consistent with management's expectations without significant changes.

8. According to the relevant provisions of the Notice on Value-added Tax Policy for Wind Power Generation (Cai Shui [2015] No. 74) issued by the Ministry of Finance and the State Taxation Administration on 12 June 2015, with effect from 1 July 2015, for sales of self-produced electricity generated from wind power, the taxpayer may enjoy the policy of 50% immediate refund of value-added tax. For the wind power project companies under the appraised entities, the above tax incentive has been applied for the forecast period.

9. Article 1 of the Announcement on Continuation of Enterprise Income Tax Policy for Western Development (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission provided that from 1 January 2021 to 31 December 2030, enterprise income tax will be levied at a reduced rate of 15% on enterprises engaged in encouraged industries in Western China. As such, it is assumed that the subsidiaries enjoying preferential tax policies for Western Development will resume paying tax at the statutory income tax rate from 2031.

10. For power generation projects of the appraised entities that have been included in the state subsidy catalogue as of the valuation benchmark date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2024, and the state subsidy tariffs receivable for 2024 and subsequent years will be received in the following year; for power generation projects that have not been included in the subsidy catalogue as of the valuation base date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2025, and the state subsidy tariffs receivable for 2025 and subsequent years will be received in the following year.

11. In view of the frequent changes or material changes in monetary funds or bank deposits of the enterprises during operation, the valuation of financial costs in this report does not take into account the interest income generated from the deposits and any uncertain gains or losses including foreign exchange gains or losses.

12. It is assumed that the cash inflow of the appraised entities after the valuation benchmark date is an average inflow and the cash outflow is an average outflow.

If there is any change to the above conditions, the valuation results will generally render invalid.

II. VALUATION METHODOLOGY

According to the assets valuation rules, three methods can be used for enterprise value appraisal, namely the income approach, the market approach and the asset-based approach. The income approach estimates the expected future income of the appraised entity and converts it into present value at the expected rate of return. It valuates the overall profitability of the enterprise, that is, the overall value of the enterprise is evaluated under the idea of "**seeking profit**". The basic conditions for its application are that the enterprise has the foundation and conditions to continue as a going concern, there is a relatively stable relation between operation and income, and future income and risks can be predicted and quantified. The market approach adopts the market comparison concept, that is, estimating the overall value of the appraised entity by using the value of traded enterprises or the value of listed companies that are the same or similar to the appraised entity as the comparables, and conducting comparative analysis on the appraised entity and the comparables with necessary adjustments. The asset-based approach determines the value of the appraised entity based on reasonable assessment of the value of various assets and liabilities of the enterprise.

The purpose of this valuation is to reflect the market value of total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd. on the valuation benchmark date and provide a value benchmark for the economic activity of proposed issuance of additional shares by Huadian Fuxin Energy Development Co., Ltd. for construction of certain equity interest in the long-term equity investment held by Huadian Power International Corporation Limited. As the asset-based approach reflects the value of the enterprises from the perspective of enterprise construction and provides a basis for the operation, management and assessment of the enterprises after completion of the economic activity, the asset-based approach is selected for this valuation.

As the enterprises have the foundation and conditions to continue as a going concern, and future income and risks can be predicted and quantified, the income approach is selected for this valuation.

The appraised entity is a holding company, mainly engaged in development and operation of new energy power generation projects, and the specific projects are operated by the appraised entity and its respective subsidiaries. It is difficult to identify, based on publicly available information, the listed companies and market transaction cases comparable to the appraised entity in terms of main business, assets scale and development stage of each power station and it is difficult to quantify each correction factor. As such, the market approach is not appropriate for this valuation.

In summary, the asset-based approach and the income approach are adopted for this valuation. Based on the characteristics of this project, the results under one of the approaches were selected by the appraisers to evaluate the total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd.

As for this valuation, based on the premise of going concern and the open market, combined with the actual conditions of the appraised entity, and after taking account into relative factors, the asset-based approach and the income approach are adopted for the overall valuation of the total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd., supported with cross-check and comparisons. Considering the applicable premise and valuation purpose of these valuation approaches, the valuation result based on the income approach is selected as the valuation conclusion.

The asset-based approach only reflects the replacement value of the appraised entity's assets on the valuation benchmark date, which will change with the national economy, while the income approach reflects the enterprise's valuation from the perspective of the enterprise's future profitability. For the current operation of the appraised entity, the wind power plants and photovoltaic power plants operated by Huadian Fuxin Energy Development Co., Ltd. and its subsidiaries at all levels have stable on-grid power generation and tariff, reasonably predicable future annual income and costs. In view of the current steady operation and providing that there will be no material change in the prevailing industrial policies, the future income and risks can be measured reliably. Accordingly, as compared to the asset-based approach, the income approach can better reflect the market value of the appraised entity. As analyzed above, we have selected the valuation result based on the income approach as the benchmark to the value of the total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd.

III. VALUATION CONCLUSION

The valuation conclusion of this assets valuation report is based on the income approach. For the appraised assets within the scope of the engagement, appraisal procedures are conducted by each of valuation agencies, including check and verification, on-site investigation, market research and confirmation and valuation and estimation. On the basis of the management's opinion on the trends of future developments and the operation plans and providing that relevant valuation assumptions are met, China United Appraisal has summarized the valuation results from other valuation agencies and concluded the valuation of total shareholders' equity of Huadian Fuxin Energy Development Co., Ltd. on the valuation benchmark date (namely 31 December 2020) as follows:

The carrying value of net assets is RMB20,018,325,400, and the appraised value is RMB35,867,000,000, representing an increase of 79.17%, being RMB15,848,674,600.

In accordance with the laws and regulations related to assets valuation, assets valuation reports involving statutory valuation shall only be used upon the entrusting parties' performance of the supervisory and management procedures regarding assets valuation as required by laws and regulations, and the valuation results shall be valid for a term of one year from 31 December 2020 to 30 December 2021.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE VALUE OF THE RELEVANT ASSETS GROUP INVOLVED IN THE PROPOSED DISPOSAL OF THE DISTRIBUTED ROOFTOP PHOTOVOLTAIC POWER PROJECT OF HANGZHOU HUADIAN BANSHAN POWER GENERATION COMPANY LIMITED OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Enterprise Appraisals Co., Ltd., as entrusted by Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited, valued the market value of the assets group under the distributed rooftop photovoltaic power project of Hangzhou Huadian Banshan Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As Huadian Power International Corporation Limited proposed to dispose the relevant assets group involved in the distributed rooftop photovoltaic power project of Hangzhou Huadian Banshan Power Generation Company Limited, it has to appraise the value of the assets group under the rooftop photovoltaic power project of Hangzhou Huadian Banshan Power Generation Company Limited, so as to provide value benchmark for the above-mentioned economic activity.

Valuation target: The value of the assets group under the distributed rooftop photovoltaic power project of Hangzhou Huadian Banshan Power Generation Company Limited.

Valuation scope: All assets and liabilities of the assets group under the distributed rooftop photovoltaic power project of Hangzhou Huadian Banshan Power Generation Company Limited.

Assets include current assets and fixed assets while liabilities include current liabilities and other payables.

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon following assumptions:

(I) General Assumptions

1. It is assumed that the appraised entity will continue to operate as a going concern after the Valuation Benchmark Date;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the appraised entity is located after the Valuation Benchmark Date;

3. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

4. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

5. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the appraised entity will fully comply with all relevant laws and regulations; and

7. It is assumed that there will be no force majeure that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted in the preparation of this Assets Valuation Report;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date;

4. It is assumed that the companies will maintain their existing operation models in the future and there will be no material change in their operation after the Valuation Benchmark Date;

5. It is assumed that the appraised entity will continue to operate as a going concern till the end of the profits forecast period;

6. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows;

7. It is assumed that the achievability of the wind power curtailment rate during the forecast period is consistent with the forecast;

8. It is assumed the benchmark tariff and the subsidized tariff will remain unchanged during the forecast period.

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of any significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

The valuation methods adopted in the valuation are: the asset-based approach and the income approach. Reasons for the adoption of such valuation methods are as follows:

The project disposed by Hangzhou Huadian Banshan Power Generation Company Limited is a photovoltaic power generation enterprise. It has commenced grid-connected power generation since June 2017 with stable operation for years. As it is difficult to obtain comparable listed companies or transaction cases with Hangzhou Huadian Banshan Power Generation Company Limited, the market valuation was not adopted. As of the Valuation Benchmark Date, all assets and liabilities of Hangzhou Huadian Banshan Power Generation Company Limited can be identified separately with access to detailed information, the asset-based approach was adopted in the valuation. As of the Valuation Benchmark Date, Hangzhou Huadian Banshan Power Generation Company Limited has been put into operation for power generation and the expected revenue can be forecasted, it may adopt the income approach in the valuation.

The photovoltaic power project disposed by Hangzhou Huadian Banshan Power Generation Company Limited is a photovoltaic power station which has been put into operation. With mature fixed assets investments and stable high-quality cash flows, it has been included in the national subsidies catalog. The industry prospects of the company are promising, given considering its competitiveness in the same area and industry as well as the realizability of its estimated future profits.

The asset-based approach valued and summed all individual assets and it cannot completely reflect the contribution of all individual assets to the whole company after grouping. The overall profitability of an enterprise is a result of all external conditions and internal factors of the enterprise. Taking into account the purpose of this valuation, the income approach may reflect the corporate value of Hangzhou Huadian Banshan Power Generation Company Limited more completely and reasonably, therefore, the valuation result under the income approach was adopted as its valuation conclusion.

III. VALUATION CONCLUSION

The valuation conclusion of this Assets Valuation Report adopts the valuation result under the income approach. The carrying value of total assets, total liabilities and net assets of Hangzhou Huadian Banshan Power Generation Company Limited on the Valuation Benchmark Date are RMB3,391,200, RMB2,636,100 and RMB755,100, respectively.

The value of entire shareholders' equity as valued under the income approach is RMB894,300, with an appreciation amount of RMB139,200, representing an appreciation rate of 18.43%.

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE VALUE OF THE RELEVANT ASSETS GROUP INVOLVED IN THE PROPOSED DISPOSAL OF THE DISTRIBUTED ROOFTOP PHOTOVOLTAIC POWER PROJECT OF HUADIAN ZHEJIANG LONGYOU THERMAL POWER COMPANY LIMITED OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Enterprise Appraisals Co., Ltd., as entrusted by Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited, valued the market value of the assets group under the distributed rooftop photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As Huadian Power International Corporation Limited proposed to dispose the relevant assets group involved in the distributed rooftop photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited, it has to appraise the value of the assets group under the rooftop photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited, so as to provide value benchmark for the above-mentioned economic activity.

Valuation target: The value of the assets group under the distributed rooftop photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited.

Valuation scope: All assets and liabilities of the assets group under the distributed rooftop photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited.

Assets include current assets, fixed assets, construction in progress and right-of-use assets while liabilities include current liabilities, long-term borrowings and lease liabilities.

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon following assumptions:

(I) General Assumptions

1. It is assumed that the appraised entity will continue to operate as a going concern after the Valuation Benchmark Date;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the appraised entity is located after the Valuation Benchmark Date;

3. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

4. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

5. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the appraised entity will fully comply with all relevant laws and regulations;

7. It is assumed that there will be no force majeure that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted in the preparation of Assets Valuation Report;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date;

4. It is assumed that the companies will maintain their existing operation models in the future and there will be no material change in their operation after the Valuation Benchmark Date;

5. It is assumed that the appraised entity will continue to operate as a going concern till the end of the profits forecast period;

6. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows;

7. It is assumed that the achievability of the wind power curtailment rate during the forecast period is consistent with the forecast;

8. It is assumed the benchmark tariff and the subsidized tariff will remain unchanged during the forecast period.

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of any significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

The valuation methods adopted in the valuation are the asset-based approach and the income approach. Reasons for the adoption of such valuation methods are as follows:

Huadian Zhejiang Longyou Thermal Power Company Limited is a photovoltaic power generation enterprise. It has commenced grid-connected power generation since December 2017 with stable operation for years. As it is difficult to obtain comparable listed companies or transaction cases with Huadian Zhejiang Longyou Thermal Power Company Limited, the market valuation was not adopted. As of the Valuation Benchmark Date, all assets and liabilities of Huadian Zhejiang Longyou Thermal Power Company Limited can be identified separately with access to detailed information, the asset-based approach was adopted in the valuation. As of the Valuation Benchmark Date, Huadian Zhejiang Longyou Thermal Power Company Limited has been put into operation for power generation and the expected revenue can be forecasted, it may adopt the income approach in the valuation.

The photovoltaic power project of Huadian Zhejiang Longyou Thermal Power Company Limited is a photovoltaic power station which has been put into operation. With mature fixed assets investments and stable high-quality cash flows, it has been included in the national subsidies catalog. The industry prospects faced by the company are promising, given considering its competitiveness in the same area and the same industry as well as the achievability of its estimated future profits.

The asset-based approach valued and summed all individual assets and it cannot completely reflect the contribution of all individual assets to the whole company after grouping. The overall profitability of an enterprise is the result of all external conditions and internal factors of the enterprise. Taking into account the purpose of this valuation, the income approach may reflect the corporate value of Huadian Zhejiang Longyou Thermal Power Company Limited more completely and reasonably, therefore, the valuation result under the income approach was adopted as its valuation conclusion.

III. VALUATION CONCLUSION

The valuation conclusion of this Assets Valuation Report adopts the valuation result under the income approach. The carrying value of total assets, total liabilities and net assets of Huadian Zhejiang Longyou Thermal Power Company Limited on the Valuation Benchmark Date are RMB104,087,700, RMB68,977,000 and RMB35,110,700, respectively. The value of entire shareholders' equity as valued under the income approach is RMB27,674,100 with a depreciation amount of RMB7,436,600, representing a depreciation rate of 21.18%.

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE VALUE OF THE RELEVANT ASSETS GROUP INVOLVED IN THE PROPOSED DISPOSAL OF THE DISTRIBUTED ROOFTOP PHOTOVOLTAIC POWER PROJECT OF HUADIAN WEIFANG POWER GENERATION COMPANY LIMITED OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd., as entrusted by Huadian Power International Corporation Limited and Huadian Fuxin Energy Development Co., Ltd., valued the market value of the assets group under the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As Huadian Power International Corporation Limited proposed to dispose the relevant assets group involved in the distributed rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited, it has to appraise the value of the assets group under the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited, so as to provide value benchmark for the above-mentioned economic activity.

Valuation target: The value of the assets group under the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited.

Valuation scope: The assets group under the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited, including current assets (trade receivable and other receivables), non-current assets (fixed assets) and current liabilities (other payables).

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon the following assumptions:

(I) General Assumptions

1. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the assets group to be appraised is located after the Valuation Benchmark Date;

3. It is assumed that the assets group to be appraised will continue to operate as a going concern till the end of the revenue forecast period based on the actual conditions of assets on the Valuation Benchmark Date;

4. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the assets group to be appraised after the Valuation Benchmark Date;

5. It is assumed that the management of the assets group to be appraised will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the assets group to be appraised and its management will fully comply with all relevant laws and regulations;

7. It is assumed that there will be no force majeure that may have material adverse impact on the assets group to be appraised after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies involved in the assets group to be appraised after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted in the preparation of this Valuation Report;

2. It is assumed that the business scope and practice of the title owners or relevant administration authorities of the assets group to be appraised will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level on the Valuation Benchmark Date;

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of any significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

The valuation methods adopted in the valuation are: the asset-based approach and the income approach. Reasons for the adoption of such valuation methods are as follows:

The assets group to be appraised is photovoltaic power assets, which was put into operation in September 2018 and has been under stable operation subsequently. As it owns mature fixed assets investments, stable cash flows and the future revenue can be estimated, the income approach may be adopted in the valuation.

It is hard to find comparable listed companies or transaction cases with the title owners. Therefore, the market approach was not adopted.

As of the Valuation Benchmark Date, all assets and liabilities of the title owners can be identified separately with the access to detailed information, therefore, it adopted the asset-based approach in the valuation.

As the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited is an assets simulated to be peeled off by the company, relevant costs are estimated amounts. Besides, due to the small scale, the estimated costs cannot be effectively shared. The result under the income approach cannot fully reflect its true value, therefore, the valuation result under the asset-based approach was adopted in the valuation.

III. VALUATION CONCLUSION

This Assets Valuation Report adopts the valuation result under the asset-based approach as the valuation conclusion. The carrying value of the assets group under the 2.2248MW rooftop photovoltaic power project of Huadian Weifang Power Generation Company Limited on the Valuation Benchmark Date is RMB12,905,600. The appraised value of the assets group under the asset-based approach is RMB12,017,900 with a depreciation amount of RMB887,700, representing a depreciation rate of 6.88%.

For the detailed valuation result under the asset-based approach, please refer to the following table of valuation result summary:

Table of Valuation Result Summary under the Asset-based Approach

Valuation Benchmark Date: 31 December 2020

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change % D=C/A×100%
I. Current assets	1	208.98	208.98	0.00	0.00
II. Non-current assets	2	1,097.17	1,008.39	-88.77	-8.09
Including: Long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	1,097.17	1,008.39	-88.77	-8.09
Construction in progress	6	0.00	0.00	0.00	
Oil and gas assets	7	0.00	0.00	0.00	
Intangible assets	8	0.00	0.00	0.00	
Including: Land use rights	9	0.00	0.00	0.00	
Other non-current assets	10	0.00	0.00	0.00	
Total assets	11	1,306.15	1,217.37	-88.77	-6.80
III. Current liabilities	12	15.59	15.59	0.00	0.00
IV. Non-current liabilities	13	0.00	0.00	0.00	
Total liabilities	14	15.59	15.59	0.00	0.00
Net assets	15	1,290.56	1,201.79	-88.77	-6.88

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE VALUE OF THE RELEVANT ASSETS INVOLVED IN THE PROPOSED DISPOSAL OF THE DISTRIBUTED ROOFTOP PHOTOVOLTAIC POWER PROJECT OF HUADIAN LAIZHOU POWER GENERATION COMPANY LIMITED OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd., as entrusted by Huadian Power International Corporation Limited and Huadian Fuxin Energy Development Co., Ltd., valued the market value of the assets group under the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As Huadian Power International Corporation Limited proposed to dispose the relevant assets group involved in the distributed rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited, it has to appraise the value of the assets group under the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited, so as to provide value benchmark for the above-mentioned economic activity.

Valuation target: The value of the assets group under the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited.

Valuation scope: The assets group under the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited, including non-current assets (fixed assets) and current liabilities (trade payables and other payables).

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon the following assumptions:

(I) General Assumptions

1. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the assets group to be appraised is located after the Valuation Benchmark Date;

3. It is assumed that the assets group to be appraised will continue to operate as a going concern till the end of the revenue forecast period based on the actual conditions of assets on the Valuation Benchmark Date;

4. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the assets group to be appraised after the Valuation Benchmark Date;

5. It is assumed that the management of the assets group to be appraised will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the assets group to be appraised and its management will fully comply with all relevant laws and regulations;

7. It is assumed that there will be no force majeure that may have material adverse impact on the assets group to be appraised after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies involved in the assets group to be appraised after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted in the preparation of this Valuation Report;

2. It is assumed that the business scope and practice of the title owners or relevant administration authorities of the assets group to be appraised will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level on the Valuation Benchmark Date;

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of any significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

The valuation methods adopted in the valuation are: the asset-based approach and the income approach. Reasons for the adoption of such valuation methods are as follows:

The assets group to be appraised is photovoltaic power assets, which was put into operation in August 2018 and has been under stable operation and power generation subsequently. As future revenue can be estimated, the income approach may be adopted in the valuation.

It is hard to find comparable listed companies or transaction cases with the title owners. Therefore, the market approach was not adopted.

As of the Valuation Benchmark Date, all assets and liabilities of the title owners can be identified separately with access to detailed information, therefore, it adopted the asset-based approach in the valuation.

As the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited is an assets simulated to be peeled off by the company, its grid purchase price, revenue and relevant costs are estimated amounts. The result under the income approach cannot fully reflect its true value, therefore, the valuation result under the asset-based approach was adopted in the valuation.

III. VALUATION CONCLUSION

This valuation adopts the valuation result under the asset-based approach. For the detailed valuation result under the asset-based approach, please refer to the following table of valuation result summary:

Table of Valuation Result Summary under the Asset-based Approach
Valuation Benchmark Date: 31 December 2020

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change % D=C/A×100%
I. Current assets	1	0.00	0.00	0.00	
II. Non-current assets	2	483.70	429.03	-54.67	-11.30
Including: Long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	483.70	429.03	-54.67	-11.30
Construction in progress	6	0.00	0.00	0.00	
Oil and gas assets	7	0.00	0.00	0.00	
Intangible assets	8	0.00	0.00	0.00	
Including: Land use rights	9	0.00	0.00	0.00	
Other non-current assets	10	0.00	0.00	0.00	
Total assets	11	483.70	429.03	-54.67	-11.30
III. Current liabilities	12	9.54	9.54	0.00	0.00
IV. Non-current liabilities	13	0.00	0.00	0.00	
Total liabilities	14	9.54	9.54	0.00	0.00
Net assets	15	474.16	419.49	-54.67	-11.53

The carrying value of the assets group under the 1MW rooftop photovoltaic power project of Huadian Laizhou Power Generation Company Limited on the Valuation Benchmark Date is RMB4,741,600. The appraised value of the assets group under the asset-based approach is RMB4,194,900 with a depreciation amount of RMB546,700, representing a depreciation rate of 11.53%.

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ASSET PROJECT IN WUHAN PHOTOVOLTAIC POWER GENERATION BRANCH OWNED BY HUADIAN HUBEI POWER GENERATION CO., LTD.

Entrusting parties: Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited

Appraised entity: Huadian Hubei Power Generation Co., Ltd., Wuhan Photovoltaic Power Generation Branch

Valuation purpose: Asset disposal

Valuation target: The market value of the asset group of the equity holder as of the valuation benchmark date

Valuation scope: All audited assets and liabilities owned by the equity holder as at the valuation benchmark date

I. VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Transaction Assumption: It assumes that the valuation target is being transacted, and the valuers make valuations by simulating a market transaction with benchmark to, among others, transaction conditions of the target to be valued. The valuation result is an estimate of the most likely transaction price of the valuation target.

2. Open Market Assumption: It assumes that the valuation target and the assets involved are traded in the open market, in which, buyers and sellers are on an equal position with each other, and both have opportunity and time to obtain sufficient market information. The transaction between buyers and sellers are carried out on voluntary, sensible, and non-compulsory conditions.

3. Assumption of Going Concern: It is an valuation assumption made with the overall assets of the company as the valuation target, that is, the current and future operation and management team of the company (as the main body of operation), under external environment, will perform their duties and responsibilities diligently, and there will be no material non-compliance that will caused impact on the company's development and income realization, and its management team will continue to maintain the existing business model for continuous operation.

(II) Macroeconomic Environment-Related Assumptions

1. There is no material change in the prevailing economic policies of the State;

2. There is no material change in bank credit rate, exchange rate, and tax rate;

3. There is no material change in the socio-economic environment of the region where the appraised entity locates;

4. The development trend of the industry where the appraised entity operates is sound, and the prevailing laws, regulations, and economic policies related to the production and operation of the appraised entity remain stable.

(III) Assumptions Related to the Status of the Valuation Target on the Valuation Benchmark Date

1. As far as the valuers' knowledge is concerned, it is assumed that the purchase, construction or development process of the valuation target and the assets involved are in compliance with relevant national laws and regulations.

2. As far as the valuers' knowledge is concerned, it is assumed that neither the valuation target nor the assets involved have incidental rights defects, liabilities and restrictions that affect its value. It is also assumed that the consideration, taxes, and other various payables in relation to the valuation target and the assets involved have been settled fully.

3. As far as the valuers' knowledge is concerned, it is assumed that the valuation target and the equipment and other tangible assets involved have no major technical failures that affect their continued use, and there are no harmful substances that adversely affect its value. The location of these assets is free from hazardous materials and other harmful environmental conditions that adversely affect the value of these assets.

(IV) Forecasting Assumptions of Income Approach

1. General Assumptions

(1) It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

(2) There are no unforeseen major changes in the product price of the appraised entity;

(3) It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the valuation benchmark date, without taking account of the impact of the operating capability of its future owner on its future revenue;

(4) There is no major change in the company's accounting policies and accounting methods;

(5) The company's cash flow is balanced in each period of profit making;

(6) The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

(7) The contracts entered into by the company in previous and current years are valid and should be executed;

(8) This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

(9) There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

2. Special Assumptions and Main Parameters

(1) Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

(2) All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

(3) The various business plans formulated by the valuated company can be implemented orderly;

(4) It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

(5) In this valuation, it is predicted that the current feed-in tariff of the appraised entity is to be maintained at the historical annual average level;

(6) According to the Article 27 (2) of the Enterprise Income Tax Law of the People's Republic of China ("PRC") by the Order No. 63 of the President of the PRC, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax ("EIT") for the first three years from its commencement of operations and a 50% reduction for the three years thereafter.

According to the requirements of applying the income approach to evaluate the enterprise, the valuers determine that the assumptions provided by the management are valid on the valuation benchmark date, and infer corresponding valuation conclusions based on these assumptions. If there are major changes in the future economic environment or other assumptions are overturned, the valuers will not be liable for the possibility of deriving different valuation results due to the changes in the assumptions.

(V) Restrictive Assumptions

1. This valuation report assumes that the legal documents, technical data, and business information provided by the entrusting parties are true and credible. We are also not liable for any legal responsibilities related to the property rights of the assets involved in the valuation.

2. Unless otherwise stated, this valuation report assumes that the survey results of the tangible assets within the valuation scope through their visible appearance are basically consistent with their actual economic lifetime. This valuation did not conduct special technical inspections on the technical data, technical status, structure, attachments of these assets.

II. VALUATION METHODOLOGY

According to the purpose, target, type of value of this valuation, combined with the data collected and the application conditions of the three basic valuation approaches, the valuation approaches selected for this valuation are the asset-based approach and the income approach, for which the specific reasons are as follows:

This valuation is based on the premise of the open market, and the assumption that the appraised entity will maintain its original business mode and profit-making model in future production and operation, and future income and risks can be predicted. Therefore, this valuation can be conducted by adopting the income approach.

The appraised entity has complete financial data and assets management information available, and the source of relevant data and information of the assets construction cost are relatively multiple, so the asset-based approach can be used in this valuation.

The appraised entity specializes in the power generation industry, in which there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. Therefore, the conditions for adopting the comparative method of listed companies are not met.

The asset-based approach and the income approach consider from different perspectives. The asset-based approach considers from the perspective of the reconstruction of assets and reflects the replacement value of the company's existing assets. The income approach considers from the perspective of the company's future profitability and reflects the comprehensive profitability of the company's assets.

The income approach is an approach of calculating and determining the appraised value on the basis of predicting the future revenue of the target company, which can better reflect the overall growth and profitability of the company and can most reasonably reflect the total equity value of the appraised entity.

Therefore, from the perspective of objective value, the valuation result of the income approach would be better reflecting the true value of the valuated company. In summary, this valuation selects the valuation result through income approach as the final result of the total equity value of shareholders of the valuated company.

III. VALUATION CONCLUSION

The valuation result through income approach is adopted as the valuation conclusion of this valuation report. On the valuation benchmark date, the carrying value of the net assets of Huadian Hubei Power Generation Co., Ltd., Wuhan Photovoltaic Power Generation Branch. is RMB37,088,600. Under the assumptions and restrictions listed in this report and applying the income approach, the total equity value of shareholders of Huadian Hubei Power Generation Co., Ltd., Wuhan Photovoltaic Power Generation Branch is RMB16,200,000, a decrease of RMB20,888,600 over the carrying value of the net assets, with a depreciation rate of 56.32%. The assets valuation conclusion shall be valid for a term within one year from the valuation benchmark date (namely from 31 December 2020 to 30 December 2021).

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ASSET PROJECT IN HUANGSHI PHOTOVOLTAIC POWER GENERATION BRANCH OWNED BY HUADIAN HUBEI POWER GENERATION CO., LTD.

Entrusting parties: Huadian Power International Corporation Limited and Huadian Fuxin Energy Development Co., Ltd.

Appraised entity: Huadian Hubei Power Generation Co., Ltd., Huangshi Photovoltaic Power Generation Branch

Valuation purpose: Disposal of assets

Valuation target: The market value of the asset group of the equity holder as of the valuation benchmark date

Valuation scope: All audited assets and liabilities owned by the equity holder as at the valuation benchmark date

I. VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Transaction Assumption: It assumes that the valuation target is being transacted, and the valuers make valuations by simulating a market transaction with benchmark to, among others, transaction conditions of the target to be valued. The valuation result is an estimate of the most likely transaction price of the valuation target.

2. Open Market Assumption: It assumes that the valuation target and the assets involved are traded in the open market, in which, buyers and sellers are on an equal position with each other, and both have opportunity and time to obtain sufficient market information. The transaction between buyers and sellers are carried out on voluntary, sensible, and non-compulsory conditions.

3. Assumption of Going Concern: It is an valuation assumption made with the overall assets of the company as the valuation target, that is, the current and future operation and management team of the company (as the main body of operation), under external environment, will perform their duties and responsibilities diligently, and there will be no material non-compliance that will caused impact on the company's development and income realization, and its management team will continue to maintain the existing business model for continuous operation.

(II) Macroeconomic Environment-Related Assumptions

1. There is no material change in the prevailing economic policies of the State;

2. There is no material change in bank credit rate, exchange rate, and tax rate;

3. There is no material change in the socio-economic environment of the region where the appraised entity locates;

4. The development trend of the industry where the appraised entity operates is sound, and the prevailing laws, regulations, and economic policies related to the production and operation of the appraised entity remain stable.

(III) Assumptions Related to the Status of the Valuation Target on the Valuation Benchmark Date

1. As far as the valuers' knowledge is concerned, it is assumed that the purchase, construction or development process of the valuation target and the assets involved are in compliance with relevant national laws and regulations.

2. As far as the valuers' knowledge is concerned, it is assumed that neither the valuation target nor the assets involved have incidental rights defects, liabilities and restrictions that affect its value. It is also assumed that the consideration, taxes, and other various payables in relation to the valuation target and the assets involved have been settled fully.

3. As far as the valuers' knowledge is concerned, it is assumed that the valuation target and the equipment and other tangible assets involved have no major technical failures that affect their continued use, and there are no harmful substances that adversely affect its value. The location of these assets is free from hazardous materials and other harmful environmental conditions that adversely affect the value of these assets.

(IV) FORECASTING ASSUMPTIONS OF INCOME APPROACH

1. General Assumptions

(1) It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

(2) There are no unforeseen major changes in the product price of the appraised entity;

(3) It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the valuation benchmark date, without taking account of the impact of the operating capability of its future owner on its future revenue;

(4) There is no major change in the company's accounting policies and accounting methods;

(5) The company's cash flow is balanced in each period of profit making;

(6) The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

(7) The contracts entered into by the company in previous and current years are valid and should be executed;

(8) This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

(9) There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

2. Special Assumptions and Main Parameters

(1) Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

(2) All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

(3) The various business plans formulated by the valuated company can be implemented orderly;

(4) It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

(5) The state subsidy tariffs receivable by the appraised entity in previous years will be fully recovered in 2024, and that such tariffs receivable after 2024 will be recovered in the following year;

(6) According to the Supplementary Notice on Several Opinions of on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No.426) jointly issued by the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration, tariff subsidy should be calculated according to the reasonable utilization hours amid the lifetime of the power station project since it is put into operation. It is assumed that there will be no change in the subsidy policy in the following years under this valuation;

(7) It is assumed that the benchmark tariff and tariff subsidy implemented by the local government of the place the appraised entity locates on the benchmark date will remain unchanged during the forecast period.

(8) According to the Article 27 (2) of the Enterprise Income Tax Law of the People's Republic of China ("PRC") by the Order No. 63 of the President of the PRC, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax ("EIT") for the first three years from its commencement of operations and a 50% reduction for the three years thereafter.

In this valuation, we have conducted the valuation on the basis of the above preferential tax in the period from the valuation benchmark date to 2023. Subsequent after 2023, we have conducted the valuation on the basis of an EIT at the statutory rate of 25%.

According to the requirements of applying the income approach to evaluate the enterprise, the valuers determine that the assumptions provided by the management are valid on the valuation benchmark date, and infer corresponding valuation conclusions based on these assumptions. If there are major changes in the future economic environment or other assumptions are overturned, the valuers will not be liable for the possibility of deriving different valuation results due to the changes in the assumptions.

(V) Restrictive Assumptions

1. This valuation report assumes that the legal documents, technical data, and business information provided by the entrusting parties are true and credible. We are also not liable for any legal responsibilities related to the property rights of the assets involved in the valuation.

2. Unless otherwise stated, this valuation report assumes that the survey results of the tangible assets within the valuation scope through their visible appearance are basically consistent with their actual economic lifetime. This valuation did not conduct special technical inspections on the technical data, technical status, structure, attachments of these assets.

II. VALUATION METHODOLOGY

According to the purpose, target, type of value of this valuation, combined with the data collected and the application conditions of the three basic valuation approaches, the valuation approaches selected for this valuation are the asset-based approach and the income approach, for which the specific reasons are as follows:

This valuation is based on the premise of the open market, and the assumption that appraised entity will maintain its original business mode and profit-making model in future production and operation, and future income and risks can be predicted. Therefore, this valuation can be conducted by adopting the income approach.

The appraised entity has complete financial data and assets management information available, and the source of relevant data and information of the assets construction cost are relatively multiple, so the asset-based approach can be used in this valuation.

The appraised entity specializes in the power generation industry, in which there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. Therefore, the conditions for adopting the comparative method of listed companies are not met.

Through the above analysis, this valuation is carried out under the income approach and the asset-based approach respectively. These two valuation approaches consider from different perspectives. The asset-based approach considers from the perspective of the reconstruction of assets and reflects the replacement value of the company's existing assets. The income approach considers from the perspective of the company's future profitability and reflects the comprehensive profitability of the company's assets. The income approach is an approach of calculating and determining the appraised value on the basis of predicting the future revenue of the target company, which can better reflect the overall growth and profitability of the company and can most reasonably reflect the total equity value of the appraised entity.

Therefore, from the perspective of objective value, the valuation result of the income approach would be better reflecting the true value of the valuated company. In summary, this valuation selects the valuation result through income approach as the final result of the total equity value of shareholders of the valuated company.

III. VALUATION CONCLUSION

The valuation result through income approach is adopted as the valuation conclusion of this valuation report. On the valuation benchmark date, the carrying value of the net assets of Huadian Hubei Power Generation Co., Ltd., Huangshi Photovoltaic Power Generation Branch is RMB33,843,100. Under the assumptions and restrictions listed in this report and applying the income approach, the total equity value of shareholders of Huadian Hubei Power Generation Co., Ltd., Huangshi Photovoltaic Power Generation Branch is RMB19,500,000, a decrease of RMB14,343,100 over the audited carrying value of the net assets, with a depreciation rate of 42.38%.

The assets valuation conclusion shall be valid for a term within one year from the valuation benchmark date (namely from 31 December 2020 to 30 December 2021).

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDERS' INTEREST IN HEBEI HUADIAN COMPLEX PUMPING-STORAGE HYDROPOWER COMPANY LIMITED, ZANHUANG NEW ENERGY BRANCH OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Alliance Appraisal Co., Ltd., as entrusted by the Company, valued the market value of the entire shareholders' interest in Hebei Huadian Complex Pumping-storage Hydropower Company Limited, Zanhuang New Energy Branch as of the Valuation Benchmark Date by adopting the recognized valuation methods, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures and principles. The summary of the Valuation Report is as follows:

Valuation purpose: To provide value benchmark for the proposed disposal of certain long-term equity investment held by Huadian Power International Corporation Limited.

Valuation target: The entire shareholders' interest in Hebei Huadian Complex Pumping-storage Hydropower Company Limited, Zanhuang New Energy Branch.

Valuation scope: All assets and liabilities of Hebei Huadian Complex Pumping-storage Hydropower Company Limited, Zanhuang New Energy Branch, including current assets, fixed assets, construction in progress, right-of-use assets, intangible assets, long-term deferred expense, deferred income tax assets, other non-current assets, current liabilities and non-current liabilities.

I. VALUATION ASSUMPTION

(I) General Assumptions

1. Transaction assumption: It is assumed that all assets to be valued are in the course of transaction and the assets appraiser carries out the valuation with benchmark to simulated market based on the conditions for transaction of the assets to be valued.

2. Open market assumption: It is assumed that both parties to the transaction of the assets to be traded or proposed to be traded in the market are in equal positions, and have opportunities and time to acquire adequate market information so as to make rational judgments on the functions, purposes and considerations of the assets.

3. Going concern assumption: It is assumed that the appraised entity is in full compliance with all relevant laws and regulations, and will operate continually in the foreseeable future.

(II) Specific Assumptions

1. This valuation takes the specific valuation purposes set out in this assets valuation report as its basic assumption premises;

2. There is no material change in the relevant existing laws and regulations of the country, or in the macroeconomic conditions of the country, and there is no unforeseeable and material change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, as well as policy-related levies;

3. This valuation assumes the appraised entity's operation and management team in the future will be accountable, and will maintain the existing operation and management mode. The scope and mode of operation will be consistent with the current direction;

4. This valuation assumes the appraised assets are in continuous use according to the current purposes and way of use, size, frequency and environment, without taking into account the respective optimal use of each asset;

5. It is assumed that there will be no material adverse impact on the enterprise arising from other force majeure and unforeseeable factors based on the current management methods and standards of the enterprise;

6. The relevant basic information and financial information provided by the appraised entity and the entrusting party are true, accurate and complete;

7. The financial report and transaction data of the comparable company relied by the appraiser are true and reliable;

8. The valuation scope is only based on the declaration form for valuation provided by the entrusting party and the appraised entity, without taking into account the possible contingent assets and contingent liabilities out of the list provided by the entrusting party and the appraised entity;

9. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows;

10. It is assumed that the construction in progress of the appraised entity could be connected to the grid for power generation on 1 April 2021 based on the plan of the enterprise;

11. It is assumed that the capital expenditure of the appraised entity could be implemented subject to the estimated amount on feasibility study;

12. This valuation assumes the enterprise has balanced net cash flows in the year.

(III) Valuation Limitations

1. This valuation conclusion estimates the market value of the valuation target on the basis of the purpose of this valuation and under the assumption of open market, without considering the impact on the appraised value caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the assets value caused by changes of the macro-economic environment, the natural force and other force majeure.

2. The Valuation Benchmark Date adopted by the Valuation Report has been stated above, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the Valuation Benchmark Date.

The valuation conclusion of this report is based on the aforesaid assumptions and limitations. When events that are inconsistent with the aforesaid assumptions and limitations occur, this valuation result will generally be invalid.

II. VALUATION METHOD

According to the Basic Rules for Assets Appraisal, the valuation methods to determine the assets value include three basic approaches, namely the market approach, the income approach and the cost approach, and their derivative approaches. Valuation methods selected in this valuation are the income approach and the asset-based approach. Reasons for selecting such methods are as follows:

Reasons for not selecting the market approach for valuation: the principal business of the appraised entity is power business, with a relatively small business scale. It is hard to find sufficient comparable corporate transactions that are the same as or similar to the valuation target in the capital market and the equity transaction market. Therefore, the market approach is not applicable.

Reasons for selecting the income approach for valuation: the future income period and the amount of income of the appraised entity can be predicted and can be measured in the monetary terms. The risk of exposure for obtaining the expected income can also be quantified. Therefore, this valuation adopts the approach of income.

Reasons for selecting the asset-based approach for valuation: assets and liabilities of Zanhuang New Energy stated in the balance sheet and off-balance sheet as at the Valuation Benchmark Date are identifiable and can be appraised individually by using appropriate methods. Therefore, this valuation adopts the asset-based approach.

Considering that generally, the asset-based approach only gives the value of an enterprise's assets, rather than a fully and reasonable view of the corporate value as a whole. Established in 2017, Zanhuang New Energy has established its own operation concepts, strategies and methods after three years of development. The appraisers, after looking into the financial position and analyzing the historical business performance of Zanhuang New Energy, according to the standards on assets appraisal and based on the value type applicable to the target of the assets valuation and the fact that Zanhuang New Energy has achieved profits in historical years, believe that the result of the income approach gives a more comprehensive and reasonable view of the value of the shareholders' interest in the appraised entity. Based on the above analysis, the result of the income approach is more prudent and achievable. As a result, the valuation result of the income approach was adopted as the final valuation conclusion.

III. VALUATION CONCLUSION

The income approach was adopted in the valuation of the entire shareholders' interest in Zanhuang New Energy and the specific conclusion is as follows:

Table of Assets Valuation Result Summary

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change% D=C/A×100
Current assets	1	5,050.12	–	–	–
Non-current assets	2	89,680.89	–	–	–
Including: Long-term equity investment	3	–	–	–	–
Investment properties	4	–	–	–	–
Fixed assets	5	10,785.99	–	–	–
Construction in progress	6	70,888.86	–	–	–
Intangible assets	7	46.25	–	–	–
Including: Land use rights	8	38.34	–	–	–
Other non-current assets	9	7,959.79	–	–	–
Total assets	10	94,731.01	–	–	–
Current liabilities	11	35,836.65	–	–	–
Non-current liabilities	12	24,516.15	–	–	–
Total liabilities	13	60,352.80	–	–	–
Net assets (Equity attributable to owners)	14	34,378.21	20,951.88	-13,426.33	-39.05

The audited carrying value of assets, liabilities and net assets of Zanhuang New Energy as of the Valuation Benchmark Date (namely 31 December 2020) was RMB947,310,100, RMB603,528,000 and RMB343,782,100, respectively. Under the assumptions and limitations listed in this report, the value of the entire shareholders' equity appraised by using the income approach is RMB209,518,800, representing a depreciation of 39.05%.

The validity period of the valuation conclusion: The validity period of the valuation conclusion disclosed in the Assets Valuation Report is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE VALUE OF THE RELEVANT ASSETS GROUP INVOLVED IN THE PROPOSED DISPOSAL OF LECHANG WIND POWER PROJECT OF SHAOGUAN CITY PINGSHI ELECTRIC POWER PLANT COMPANY LIMITED (PLANT B) OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd., as entrusted by Huadian Power International Corporation Limited and Huadian Fuxin Energy Development Co., Ltd., valued the market value of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As Huadian Power International Corporation Limited proposed to dispose the relevant assets group involved in the project of Lechang Wind Power of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), it has to appraise the value of the assets group under Lechang Wind Power of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), so as to provide value benchmark for the above-mentioned economic activity.

Valuation target: The value of the asset group under Lechang Wind Power of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B).

Valuation scope: The asset group under Lechang Wind Power of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B).

Assets include current assets and construction in progress while liabilities include current liabilities and long-term borrowings.

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon the following assumptions:

(I) General Assumptions

1. It is assumed that the appraised entity will continue to operate as a going concern after the Valuation Benchmark Date till the end of the revenue forecast period;

2. It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the appraised entity is located after the Valuation Benchmark Date;

3. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

4. It is assumed that there will be no material changes to the interest rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

5. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

6. It is assumed that the appraised entity will fully comply with all relevant laws and regulations;

7. It is assumed that there will be no force majeure that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted in the preparation of this Assets Valuation Report;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

The valuation methods adopted in the valuation are: the asset-based approach and the income approach. Reasons for the adoption of such valuation methods are as follows:

The wind power plant of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch has been under construction on the Valuation Benchmark Date with complete verification, approval, feasibility study report, estimation and other documents, which meets the conditions for valuation under the income approach.

It is hard to find comparable listed companies or transaction cases with Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch. Therefore, the market approach was not adopted.

As of the Valuation Benchmark Date, all assets and liabilities of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch can be identified separately with access to detailed information, it adopted the asset-based approach in the valuation.

The asset-based approach valued and summed all individual assets and it cannot completely reflect the contribution of all individual assets to the whole company after grouping. The overall profitability of an enterprise is a result of all external conditions and internal factors of the enterprise. Taking into account the purpose of this evaluation, the income approach may reflect the corporate value of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) Lechang Wind Power Branch Company more completely and reasonably. Accordingly, the valuation result under the income approach was adopted as its valuation conclusion.

III. VALUATION CONCLUSION

The valuation conclusion of this Assets Valuation Report adopts the valuation result under the income approach.

The carrying value of total assets, total liabilities and net assets of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) Lechang Wind Power Branch Company on the Valuation Benchmark Date are RMB709,631,500, RMB576,507,400 and RMB133,124,100, respectively. The corporate value under the income approach is RMB149,365,700, the value-added amount is RMB16,241,600, and the value-added rate is 12.20%.

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDERS' INTEREST IN THE EQUITY PROJECT OF HUBEI HUADIAN SUIXIAN YINDIAN PHOTOVOLTAIC POWER GENERATION CO., LTD. OWNED BY HUADIAN HUBEI POWER GENERATION CO., LTD.

Entrusting parties: Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited

Valuation purpose: Equity disposal

Valuation target: The total equity value of shareholders of the appraised entity as of the valuation benchmark date

Valuation scope: all audited assets and liabilities owned by the appraised entity as at the valuation benchmark date

I. VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Transaction Assumption: It assumes that the valuation target is being transacted, and the valuers make evaluations by simulating a market transaction with benchmark to, among others, transaction conditions of the target to be valued. The valuation result is an estimate of the most likely transaction price of the valuation target.

2. Open Market Assumption: It assumes that the valuation target and the assets involved are traded in the open market, in which, buyers and sellers are on an equal position with each other, and both have opportunity and time to obtain sufficient market information. The transaction between buyers and sellers are carried out on voluntary, sensible, and non-compulsory conditions.

3. Assumption of Going Concern: It is an valuation assumption made with the overall assets of the company as the valuation target, that is, the current and future operation and management team of the company (as the main body of operation), under external environment, will perform their duties and responsibilities diligently, and there will be no material non-compliance that will caused impact on the company's development and income realization, and its management team will continue to maintain the existing business model for continuous operation.

(II) Macroeconomic Environment-Related Assumptions

1. There is no material change in the prevailing economic policies of the State;

2. There is no material change in bank credit rate, exchange rate, and tax rate;

3. There is no material change in the socio-economic environment of the region where the appraised entity locates;

4. The development trend of the industry where the appraised entity operates is sound, and the prevailing laws, regulations, and economic policies related to the production and operation of the appraised entity remain stable.

(III) Assumptions Related to the Status of the Valuation Target on the Valuation Benchmark Date

1. As far as the valuers' knowledge is concerned, it is assumed that the purchase, construction or development process of the valuation target and the assets involved are in compliance with relevant national laws and regulations.

2. As far as the valuers' knowledge is concerned, it is assumed that neither the valuation target nor the assets involved have incidental rights defects, liabilities and restrictions that affect its value. It is also assumed that the consideration, taxes, and other various payables in relation to the valuation target and the assets involved have been settled fully.

3. As far as the valuers' knowledge is concerned, it is assumed that the valuation target and the equipment and other tangible assets involved have no major technical failures that affect their continued use, and there are no harmful substances that adversely affect its value. The location of these assets is free from hazardous materials and other harmful environmental conditions that adversely affect the value of these assets.

(IV) Forecasting Assumptions of Income Approach

1. General Assumptions

(1) It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

(2) There are no unforeseen major changes in the product price of the appraised entity;

(3) It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the valuation benchmark date, without taking account of the impact of the operating capability of its future owner on its future revenue;

(4) There is no major change in the company's accounting policies and accounting methods;

(5) The company's cash flow is balanced in each period of profit making;

(6) The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

(7) The contracts entered into by the company in previous and current years are valid and should be executed;

(8) This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

(9) There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

2. Special Assumptions and Main Parameters

(1) Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

(2) All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

(3) The various business plans formulated by the valuated company can be implemented orderly;

(4) It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

(5) It is assumed that the state subsidy tariffs receivable by the appraised entity in previous years will be fully recovered in 2023, and that such tariffs receivable after 2023 will be recovered in the following year;

(6) According to the Supplementary Notice on Several Opinions of on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426) jointly issued by the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration, tariff subsidy should be calculated according to the reasonable utilization hours amid the lifetime of the power station project since it is put into operation. It is assumed that there will be no change in the subsidy policy in the following years under this valuation;

(7) It is assumed that the benchmark tariff and tariff subsidy implemented by the local government of the place where the appraised entity locates on the benchmark date will remain unchanged during the forecast period;

(8) According to the Article 27 (2) of the Enterprise Income Tax Law of the People's Republic of China ("PRC") by the Order No. 63 of the President of the PRC, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax ("EIT") for the first three years from its commencement of operations and a 50% reduction for the three years thereafter. The company enjoys an EIT rated at 12.5% from 1 January 2019 to 31 December 2021.

In this valuation, we have conducted the valuation on the basis of the above preferential tax in the period from the valuation benchmark date to 2021. Subsequent after 2021, we have conducted the valuation on the basis of an EIT at the statutory rate of 25%.

According to the requirements of applying the income approach to evaluate the enterprise, the valuers determine that the assumptions provided by the management are valid on the valuation benchmark date, and infer a corresponding evaluation conclusions based on these assumptions. If there are major changes in the future economic environment or other assumptions are overturned, the valuers will not be liable for the possibility of deriving different valuation results due to the changes in the assumptions.

(V) Restrictive Assumptions

1. This valuation report assumes that the legal documents, technical data, and business information provided by the entrusting parties are true and credible. We are also not liable for any legal responsibilities related to the property rights of the assets involved in the valuation.

2. Unless otherwise stated, this valuation report assumes that the survey results of the tangible assets within the valuation scope through their visible appearance are basically consistent with their actual economic lifetime. This valuation did not conduct special technical inspections on the technical data, technical status, structure, attachments of these assets.

II. VALUATION METHODOLOGY

According to the purpose, target, type of value of this valuation, combined with the data collected and the application conditions of the three basic valuation approaches, the valuation approaches selected for this valuation are the asset-based approach and the income approach, for which the specific reasons are as follows:

This valuation is based on the premise of the open market, and the assumption that appraised entity will maintain its original business mode and profit-making model in future production and operation, and future income and risks can be predicted. Therefore, this valuation can be conducted by adopting the income approach.

The appraised entity has complete financial data and assets management information available, and the source of relevant data and information of the assets contruction cost are relatively multiple, so the asset-based approach can be used in this valuation.

The appraised entity specializes in the power generation industry, in which there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. Therefore, the conditions for adopting the comparative method of listed companies are not met.

The appraised entity is mainly engaged in the solar power generation industry, in which it has certain advantages in power station operation and cost management. In the income approach valuation, the appraised entity's market share and future development will also be considered, so as to reflect the impact of various assets of the valuated company on the company value more reasonably.

Therefore, from the perspective of objective value, the valuation result of the income approach would be better reflecting the true value of the valuated company. In summary, this valuation selects the valuation result through income approach as the final result of the total equity value of shareholders of the valuated company.

III. VALUATION CONCLUSION

The valuation result through income approach is adopted as the valuation conclusion of this valuation report. On the valuation benchmark date, the carrying value of the net assets of Hubei Huadian Suixian Yindian Photovoltaic Power Generation Co., Ltd. is RMB241,670,100. Under the assumptions and restrictions listed in this report and applying the income approach, the total equity value of shareholders of Hubei Huadian Suixian Yindian Photovoltaic Power Generation Co., Ltd. is RMB301,100,000, an increase of RMB59,429,800 over the carrying value of the net assets, with an appreciation rate of 24.59%.

The assets valuation conclusion shall be valid for a term within one year from the valuation benchmark date (namely from 31 December 2020 to 30 December 2021).

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDERS' INTEREST IN THE EQUITY PROJECT OF HUBEI HUADIAN WUXUE NEW ENERGY POWER GENERATION CO., LTD. OWNED BY HUADIAN HUBEI POWER GENERATION CO., LTD.

Entrusting parties: Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited

Appraised entity: Hubei Huadian Wuxue New Energy Power Co., Ltd.

Valuation purpose: Equity disposal

Valuation target: The total equity value of shareholders of the appraised entity as of the valuation benchmark date

Valuation scope: all audited assets and liabilities owned by the appraised entity as at the valuation benchmark date

I. VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Transaction Assumption: It assumes that the valuation target is being transacted, and the valuers make valuations by simulating a market transaction with benchmark to, among others, transaction conditions of the target to be valued. The valuation result is an estimate of the most likely transaction price of the valuation target.

2. Open Market Assumption: It assumes that the valuation target and the assets involved are traded in the open market, in which, buyers and sellers are on an equal position with each other, and both have opportunity and time to obtain sufficient market information. The transaction between buyers and sellers are carried out on voluntary, sensible, and non-compulsory conditions.

3. Assumption of Going Concern: It is an valuation assumption made with the overall assets of the company as the valuation target, that is, the current and future operation and management team of the company (as the main body of operation), under external environment, will perform their duties and responsibilities diligently, and there will be no material non-compliance that will caused impact on the company's development and income realization, and its management team will continue to maintain the existing business model for continuous operation.

(II) Macroeconomic Environment-Related Assumptions

1. There is no material change in the prevailing economic policies of the State;

2. There is no material change in bank credit rate, exchange rate, and tax rate;

3. There is no material change in the socio-economic environment of the region where the appraised entity locates;

4. The development trend of the industry where the appraised entity operates is sound, and the prevailing laws, regulations, and economic policies related to the production and operation of the appraised entity remain stable.

(III) Assumptions Related to the Status of the Valuation Target on the Valuation Benchmark Date

1. As far as the valuers' knowledge is concerned, it is assumed that the purchase, construction or development process of the valuation target and the assets involved are in compliance with relevant national laws and regulations.

2. As far as the valuers' knowledge is concerned, it is assumed that neither the valuation target nor the assets involved have incidental rights defects, liabilities and restrictions that affect its value. It is also assumed that the consideration, taxes, and other various payables in relation to the valuation target and the assets involved have been settled fully.

3. As far as the valuers' knowledge is concerned, it is assumed that the valuation target and the equipment and other tangible assets involved have no major technical failures that affect their continued use, and there are no harmful substances that adversely affect its value. The location of these assets is free from hazardous materials and other harmful environmental conditions that adversely affect the value of these assets.

(IV) Forecasting Assumptions of Income Approach

1. General Assumptions

(1) It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

(2) There are no unforeseen major changes in the product price of the appraised entity;

(3) It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the valuation benchmark date, without taking account of the impact of the operating capability of its future owner on its future revenue;

(4) There is no major change in the company's accounting policies and accounting methods;

(5) The company's cash flow is balanced in each period of profit making;

(6) The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

(7) The contracts entered into by the company in previous and current years are valid and should be executed;

(8) This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

(9) There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

2. Special Assumptions and Main Parameters

(1) Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

(2) All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

(3) The various business plans formulated by the valuated company can be implemented orderly;

(4) It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

(5) The state subsidy tariffs receivable by the appraised entity in previous years will be fully recovered in 2023, and that such tariffs receivable after 2023 will be recovered in the following year;

(6) According to the Supplementary Notice on Several Opinions of on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426) jointly issued by the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration, tariff subsidy should be calculated according to the reasonable utilization hours amid the lifetime of the power station project since it is put into operation. It is assumed that there will be no change in the subsidy policy in the following years under this valuation;

(7) It is assumed that the benchmark tariff and tariff subsidy implemented by the local government of the place the appraised entity locates on the benchmark date will remain unchanged during the forecast period;

(8) According to the Article 27 (2) of the Enterprise Income Tax Law of the People's Republic of China ("PRC") by the Order No. 63 of the President of the PRC, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax ("EIT") for the first three years from its commencement of operations and a 50% reduction for the three years thereafter.

According to the requirements of applying the income approach to evaluate the enterprise, the valuers determine that the assumptions provided by the management are valid on the valuation benchmark date, and infer corresponding valuation conclusions based on these assumptions. If there are major changes in the future economic environment or other assumptions are overturned, the valuers will not be liable for the possibility of deriving different valuation results due to the changes in the assumptions.

(V) Restrictive Assumptions

1. This valuation report assumes that the legal documents, technical data, and business information provided by the entrusting parties are true and credible. We are also not liable for any legal responsibilities related to the property rights of the assets involved in the valuation.

2. Unless otherwise stated, this valuation report assumes that the survey results of the tangible assets within the valuation scope through their visible appearance are basically consistent with their actual economic lifetime. This valuation did not conduct special technical inspections on the technical data, technical status, structure, attachments of these assets.

II. VALUATION METHODOLOGY

According to the purpose, target, type of value of this valuation, combined with the data collected and the application conditions of the three basic valuation approaches, the valuation approaches selected for this valuation are the asset-based approach and the income approach, for which the specific reasons are as follows:

This valuation is based on the premise of the open market, and the assumption that appraised entity will maintain its original business mode and profit-making model in future production and operation, and future income and risks can be predicted. Therefore, this valuation can be conducted by adopting the income approach.

The appraised entity has complete financial data and assets management information available, and the source of relevant data and information of the assets construction cost are relatively multiple, so the asset-based approach can be used in this valuation.

The appraised entity specializes in the power generation industry, in which there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. Therefore, the conditions for adopting the comparative method of listed companies are not met.

Through the above analysis, this valuation is carried out under the income approach and the asset-based approach respectively. The appraised value is determined with analyzing the reasons for the differences on the basis of comparing the valuation conclusion obtained by these two valuation approaches.

The appraised entity is mainly engaged in the solar power generation industry, in which industry it has certain advantages in power station operation and cost management. In the income approach valuation, the appraised entity's market share and future development will also be considered, so as to reflect the impact of various assets of the valuated company on the company value more reasonably.

Therefore, from the perspective of objective value, the valuation result of the income approach would be better reflecting the true value of the valuated company. In summary, this valuation selects the valuation result through income approach as the final result of the total equity value of shareholders of the valuated company.

III. VALUATION CONCLUSION

The valuation result through income approach is adopted as the valuation conclusion of this valuation report. On the valuation benchmark date, the carrying value of the net assets of Hubei Huadian Wuxue New Energy Power Co., Ltd. is RMB464,629,300. Under the assumptions and restrictions listed in this report and applying the income approach, the total equity value of shareholders of Hubei Huadian Wuxue New Energy Power Co., Ltd. is RMB489,400,000, an increase of RMB24,770,700 over the carrying value of the net assets, with an appreciation rate of 5.33%.

The assets valuation conclusion shall be valid for a term within one year from the valuation benchmark date (namely from 31 December 2020 to 30 December 2021).

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDERS' INTEREST IN THE EQUITY PROJECT OF HUBEI HUADIAN ZAOYANG PHOTOVOLTAIC POWER GENERATION CO.. LTD. OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Entrusting parties: Huadian Fuxin Energy Development Co., Ltd. and Huadian Power International Corporation Limited

Appraised entity: Hubei Huadian Zaoyang Photovoltaic Power Generation Co., Ltd.

Valuation purpose: Equity disposal

Valuation target: The total equity value of shareholders of the appraised entity as of the valuation benchmark date

Valuation scope: all audited assets and liabilities owned by the appraised entity as at the valuation benchmark date

I. VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Transaction Assumption: It assumes that the valuation target is being transacted, and the valuers make evaluations by simulating a market transaction with benchmark to, among others, transaction conditions of the target to be valued. The valuation result is an estimate of the most likely transaction price of the valuation target.

2. Open Market Assumption: It assumes that the valuation target and the assets involved are traded in the open market, in which, buyers and sellers are on an equal position with each other, and both have opportunity and time to obtain sufficient market information. The transaction between buyers and sellers are carried out on voluntary, sensible, and non-compulsory conditions.

3. Assumption of Going Concern: It is an valuation assumption made with the overall assets of the company as the valuation target, that is, the current and future operation and management team of the company (as the main body of operation), under external environment, will perform their duties and responsibilities diligently, and there will be no material non-compliance that will caused impact on the company's development and income realization, and its management team will continue to maintain the existing business model for continuous operation.

(II) Macroeconomic Environment-Related Assumptions

1. There is no material change in the prevailing economic policies of the State;

2. There is no material change in bank credit rate, exchange rate, and tax rate;

3. There is no material change in the socio-economic environment of the region where the appraised entity locates;

4. The development trend of the industry where the appraised entity operates is sound, and the prevailing laws, regulations, and economic policies related to the production and operation of the appraised entity remain stable.

(III) Assumptions Related to the Status of the Valuation Target on the Valuation Benchmark Date

1. As far as the valuers' knowledge is concerned, it is assumed that the purchase, construction or development process of the valuation target and the assets involved are in compliance with relevant national laws and regulations.

2. As far as the valuers' knowledge is concerned, it is assumed that neither the valuation target nor the assets involved have incidental rights defects, liabilities and restrictions that affect its value. It is also assumed that the consideration, taxes, and other various payables in relation to the valuation target and the assets involved have been settled fully.

3. As far as the valuers' knowledge is concerned, it is assumed that the valuation target, the equipment and other tangible assets involved have no major technical failures that affect their continued use, and there are no harmful substances that adversely affect its value. The location of these assets is free from hazardous materials and other harmful environmental conditions that adversely affect the value of these assets.

(IV) Forecasting Assumptions of Income Approach

1. General Assumptions

(1) It is assumed that the enterprise involved in the valuation will continue to operate in accordance with the original business purpose and mode after the purpose of the valuation is realized, and its income can be predicted;

(2) There are no unforeseen major changes in the product price of the appraised entity;

(3) It is assumed that the enterprises involved in the valuation will continue to operate with maintaining the current management level (or that of general market participants) as at the valuation benchmark date, without taking account of the impact of the operating capability of its future owner on its future revenue;

(4) There is no major change in the company's accounting policies and accounting methods;

(5) The company's cash flow is balanced in each period of profit making;

(6) The company's current and future operation and management team will perform their duties and responsibilities diligently, there will be no material non-compliance that will caused impact on the company's development and income realization, and its management will continue to maintain the existing business model for continuous operations;

(7) The contracts entered into by the company in previous and current years are valid and should be executed;

(8) This valuation assumes that the accounting policies adopted in the financial information provided by the company over the years and the accounting policies and accounting methods used in the income forecast are basically the same (or have been adjusted to be consistent) in important respects;

(9) There are no other unpredictable and force majeure factors that cause significant impacts on the operation of the appraised entity.

2. *Special Assumptions and Main Parameters*

(1) Predictions under this valuation are made with benchmark to the overall business model provided by the management of the appraised entity on the premise of continuous operation during the life of the equipment;

(2) All disputes about bad, false assets, property rights, and creditor's rights that may exist in the appraised entity on the valuation benchmark date have been properly handled, and will not affect the normal production and operation of the profit forecast period;

(3) The various business plans formulated by the valuated company can be implemented orderly;

(4) It is assumed that the valuated company can conduct normal and continuous production and operation in accordance with the business scale, capacity, operating conditions, scope, and policies planned by the management of the company;

(5) For power generation projects of the appraised entities that have been included in the state subsidy catalogue as of the Valuation Benchmark Date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2024, and the state subsidy tariffs receivable for 2024 and subsequent years will be received in the following year; for power generation projects that have not been included in the subsidy catalogue as of the Valuation Benchmark Date, it is assumed that the state subsidy tariffs receivable in previous years will be fully recovered by 2025, and the state subsidy tariffs receivable for 2025 and subsequent years will be received in the following year;

(6) According to the Supplementary Notice on Several Opinions of on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426) jointly issued by the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration, tariff subsidy should be calculated according to the reasonable utilization hours amid the lifetime of the power station project since it is put into operation. It is assumed that there will be no change in the subsidy policy in the following years under this valuation;

(7) It is assumed that the benchmark tariff and tariff subsidy implemented by the local government of the place the appraised entity locates on the benchmark date will remain unchanged during the forecast period;

(8) According to the Article 27 (2) of the Enterprise Income Tax Law of the People's Republic of China ("PRC") by the Order No. 63 of the President of the PRC, the income from the investment and operation of key public infrastructure projects supported by the state is entitled to the preferential tax policy of a regular exemption from the enterprise income tax ("EIT") for the first three years from its commencement of operations and a 50% reduction for the three years thereafter.

In this valuation, we have conducted the valuation on the basis of the above preferential tax in the period from the valuation benchmark date to 2030. Subsequent after 2030, we have conducted the valuation on the basis of an EIT at the statutory rate of 25%.

According to the requirements of applying the income approach to evaluate the enterprise, the valuers determine that the assumptions provided by the management are valid on the valuation benchmark date, and infer corresponding evaluation conclusions based on these assumptions. If there are major changes in the future economic environment or other assumptions are overturned, the valuers will not be liable for the possibility of deriving different valuation results due to the changes in the assumptions.

(V) Restrictive Assumptions

1. This valuation report assumes that the legal documents, technical data, and business information provided by the entrusting parties are true and credible. We are also not liable for any legal responsibilities related to the property rights of the assets involved in the valuation.

2. Unless otherwise stated, this valuation report assumes that the survey results of the tangible assets within the valuation scope through their visible appearance are basically consistent with their actual economic lifetime. This valuation did not conduct special technical inspections on the technical data, technical status, structure, attachments of these assets.

II. VALUATION METHODOLOGY

According to the purpose, target, type of value of this valuation, combined with the data collected and the application conditions of the three basic valuation approaches, the valuation approaches selected for this valuation are the asset-based approach and the income approach, for which the specific reasons are as follows:

This valuation is based on the premise of the open market, and the assumption that appraised entity will maintain its original business mode and profit-making model in future production and operation, and future income and risks can be predicted. Therefore, this valuation can be conducted by adopting the income approach.

The appraised entity has complete financial data and assets management information available, and the source of relevant data and information of the assets construction cost are relatively multiple, so the asset-based approach can be used in this valuation.

The appraised entity specializes in the power generation industry, in which there are a certain number of similar listed companies in the domestic securities market, but there are large differences in their scale, business proportion, capital structure, etc., so the value of the appraised entity cannot be measured through the correction of the relevant ratio multiplier. Therefore, the conditions for adopting the comparative method of listed companies are not met.

Through the above analysis, this valuation is carried out under the income approach and the asset-based approach respectively. The appraised value is determined with analyzing the reasons for the differences on the basis of comparing the valuation conclusion obtained by these two valuation approaches.

The appraised entity is mainly engaged in the solar power generation industry, in which industry it has certain advantages in power station operation and cost management. In the income approach valuation, the appraised entity's market share and future development will also be considered, so as to reflect the impact of various assets of the valuated company on the company value more reasonably.

Therefore, from the perspective of objective value, the valuation result of the income approach would be better reflecting the true value of the valuated company. In summary, this valuation selects the valuation result through income approach as the final result of the total equity value of shareholders of the valuated company.

III. VALUATION CONCLUSION

The valuation result through income approach is adopted as the valuation conclusion of this valuation report. On the valuation benchmark date, the carrying value of the net assets of Hubei Huadian Zaoyang Photovoltaic Power Generation Co., Ltd. is RMB333,491,400. Through applying the income approach, the total equity value of shareholders of Hubei Huadian Zaoyang Photovoltaic Power Generation Co., Ltd. is RMB465,500,000, an increase of RMB132,008,600 over the carrying value of the net assets, with an appreciation rate of 39.58%.

The assets valuation conclusion shall be valid for a term within one year from the valuation benchmark date (namely from 31 December 2020 to 30 December 2021).

SUMMARY OF THE ASSETS VALUATION REPORT ON PROPOSED DISPOSAL OF THE ENTIRE SHAREHOLDERS' INTEREST IN HEBEI HUADIAN YUZHOU WIND POWER COMPANY LIMITED OWNED BY HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Beijing China Alliance Appraisal Co., Ltd., as entrusted by the Company, valued the market value of the entire shareholders' interest in Hebei Huadian Yuzhou Wind Power Company Limited as of the Valuation Benchmark Date by adopting the recognized valuation methods, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures and principles. The summary of the Valuation Report is as follows:

Valuation purpose: To provide value benchmark for the proposed disposal of certain long-term equity investment held by Huadian Power International Corporation Limited.

Valuation target: The entire shareholders' interest in Hebei Huadian Yuzhou Wind Power Company Limited.

Valuation scope: All assets and liabilities of Hebei Huadian Yuzhou Wind Power Company Limited, including current assets, fixed assets, construction in progress, intangible assets, current liabilities and non-current liabilities.

I. VALUATION ASSUMPTION

(I) General Assumptions

1. Transaction assumption: It is assumed that all assets to be valued are in the course of transaction and the assets appraiser carries out the valuation with benchmark to simulated market based on the conditions for transaction of the assets to be valued.

2. Open market assumption: It is assumed that both parties to the transaction of the assets to be traded or proposed to be traded in the market are in equal positions, and both have opportunity and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and considerations of the assets.

3. Going concern assumption: It is assumed that the appraised entity is in full compliance with all relevant laws and regulations, and will operate continually in the foreseeable future.

(II) Specific Assumptions

1. This valuation takes the specific valuation purposes set out in this assets valuation report as its basic assumption premises;

2. There is no material change in the relevant existing laws and regulations of the country, or in the macroeconomic conditions of the country, and there is no unforeseeable and material change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, as well as policy-related levies;

3. This valuation assumes the appraised entity's operation and management team in the future will be accountable, and will maintain the existing operation and management mode. The scope and mode of operation will be consistent with the current direction;

4. This valuation assumes the appraised assets are in continuous use according to the current purposes and way of use, size, frequency and environment, without taking into account the respective optimal use of each asset;

5. It is assumed that there will be no material adverse impact on the enterprise arising from other force majeure and unforeseeable factors based on the current management method and standard of the enterprise;

6. The relevant basic information and financial information provided by the appraised entity and the entrusting party are true, accurate and complete;

7. The financial report and transaction data of the comparable company relied by the appraiser are true and reliable;

8. The valuation scope is only based on the declaration form for valuation provided by the entrusting party and the appraised entity, without taking into account the possible contingent assets and contingent liabilities out of the list provided by the entrusting party and the appraised entity;

9. This valuation assumes the enterprise has balanced net cash flows in the year;

10. It is assumed that the deferred years and achievability of tariff subsidies are consistent with the forecasted cash flows.

II. VALUATION METHOD

According to the Basic Rules for Assets Appraisal, the valuation methods to determine the assets value include three basic approaches, namely the market approach, the income approach and the cost approach, and their derivative approaches. Valuation methods selected in this valuation are the income approach and the asset-based approach. Reasons for selecting such methods are as follows:

Reasons for not selecting the market approach for valuation: the principal business of the appraised entity is power business, with a relatively small business scale. It is hard to find sufficient comparable corporate transactions that are the same as or similar to the valuation target in the capital market and the equity transaction market. Therefore, the market approach is not applicable.

Reasons for selecting the income approach for valuation: the future income period and the amount of income of the appraised entity can be predicted and can be measured in monetary terms. The risk exposure for obtaining the expected income can also be quantified. Therefore, this valuation adopts the income approach.

Reasons for selecting the asset-based approach for valuation: assets and liabilities of Yuzhou Wind Power stated in the balance sheet and off-balance sheet as at the Valuation Benchmark Date are identifiable and can be appraised individually by using appropriate methods. Therefore, this valuation adopts the asset-based approach.

Considering that generally, the asset-based approach only gives the value of an enterprise's assets, rather than a fully and reasonable view of the corporate value as a whole. Established in 2010, Yuzhou Wind Power has established its own operation concepts, strategies and methods after nine years of development. The appraisers, after looking into the financial position and analyzing the historical business performance of Yuzhou Wind Power, according to the standards on assets appraisal and based on the value type applicable to the target of the assets valuation and the fact that Yuzhou Wind Power has achieved profits in historical years, believe that the result of the income approach gives a more comprehensive and reasonable view of the value of the shareholders' interest in the appraised entity.

Based on the above analysis, the result of the income approach is more prudent and achievable. As a result, the valuation result of the income approach was adopted as the final valuation conclusion.

III. VALUATION CONCLUSION

The income approach was adopted in the valuation of the entire shareholders' interest in Yuzhou Wind Power and the specific conclusion is as follows:

Table of Assets Valuation Result Summary

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change% D=C/A×100
Current assets	1	11,418.54	–	–	–
Non-current assets	2	58,756.26	–	–	–
Including: Long-term equity investment	3	–	–	–	–
Investment properties	4	–	–	–	–
Fixed assets	5	42,337.10	–	–	–
Construction in progress	6	16,324.11	–	–	–
Intangible assets	7	95.05	–	–	–
Including: Land use rights	8	–	–	–	–
Other non-current assets	9	–	–	–	–
Total assets	10	70,174.80	–	–	–
Current liabilities	11	5,671.14	–	–	–
Non-current liabilities	12	1,930.00	–	–	–
Total liabilities	13	7,601.14	–	–	–
Net assets (Equity attributable to owners)	14	62,573.66	64,070.00	1,496.34	2.39

The audited carrying value of assets, liabilities and net assets of Yuzhou Wind Power as of the Valuation Benchmark Date (namely 31 December 2020) was RMB701,748,000, RMB76,011,400 and RMB625,736,600, respectively. Under the assumptions and limitations listed in this report, the value of the entire shareholders' equity appraised by using the income approach is RMB640,700,000, representing an appreciation rate of 2.39%.

The validity period of the valuation conclusion: The validity period of the valuation conclusion disclosed in the Assets Valuation Report is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE PROJECT OF VALUE OF THE ENTIRE SHAREHOLDERS' INTEREST IN HUNAN HUADIAN CHANGSHA POWER GENERATION COMPANY LIMITED AS INVOLVED IN THE PROPOSED TRANSFER OF ITS EQUITY INTEREST BY CHINA HUADIAN CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd.*, as entrusted by the Company, valued the market value of the entire shareholders' interest in Hunan Huadian Changsha Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As China Huadian Corporation Limited proposes to transfer the equity interest in Hunan Huadian Changsha Power Generation Company Limited, it has to appraise the value of the entire shareholders' interest in Hunan Huadian Changsha Power Generation Company Limited as of the Valuation Benchmark Date and provide value benchmark for the above-mentioned economic activity.

Valuation target: The entire shareholders' interest in Hunan Huadian Changsha Power Generation Company Limited.

Valuation scope: All assets and liabilities of Hunan Huadian Changsha Power Generation Company Limited.

Assets include current assets, financial assets available for sale, long-term equity investment, fixed assets, construction in progress, intangible assets, long-term deferred expenses and deferred income tax assets. Liabilities include current liabilities and non-current liabilities.

Valuation Benchmark Date: 31 December 2020

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon following assumptions:

(I) General Assumptions

1. It is assumed that there will be no material changes in the current laws, regulations, policies and the macro-economic environment of the country, and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

2. It is assumed that the enterprise will continue to operate as a going concern based on the actual conditions of assets on the Valuation Benchmark Date;

3. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

4. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

5. It is assumed that the company will fully comply with all relevant laws and regulations;

6. It is assumed that there will be no force majeure or unforeseeable factors that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted when this Assets Valuation Report is prepared;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date;

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

As stated in the Practice Guidelines for Assets Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic assets valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods. If different valuation methods are suitable for any appraisal of enterprise value, assets valuation professionals should adopt two or more valuation methods in their valuation.

The asset-based approach and the income approach were adopted in the valuation on the following grounds:

Income approach: The company is principally engaged in the sales of power and heat. Based on the operating environment of the appraised entity and the operating results and future development forecast of the company, the appraisers believe that the revenue sources of the appraised entity are reliable with future revenue can be estimated and measured in currency. The risks it assumes can also be measured in currency. It meets the conditions for adopting the income approach. Accordingly, it is appropriate to adopt the income approach in the valuation.

Market approach: The market approach includes the listed company comparison method and the transaction cases comparison method. As it is hard to find listed companies in the thermal power industry with same or similar business structure, business scale, operation stage and financial risks as Hunan Huadian Changsha Power Generation Company Limited in the capital market and cannot obtained sufficient comparable transaction cases in the equity transaction market, the market approach was not adopted in the valuation.

Asset-based approach: As all assets and liabilities of Hunan Huadian Changsha Power Generation Company Limited can be identified and separately appraised by adopting appropriate methods, the asset-based approach was adopted in the valuation.

The valuation result under the asset-based approach was adopted as the valuation conclusion for the valuation with the following grounds: The valuation conclusion under the income approach is the judgment on the value of the enterprise at the Valuation Benchmark Date based on that various assumptions and conditions can be realized as scheduled in the following estimation years and the valuation result is subject to the comprehensive influence of revenue, costs, the discount rate and other parameters and factors. With the market-based reform of the power market, the electricity price will be gradually transformed from being set by governmental authorities to market-based electricity price. The fluctuation of coal and crude prices in cost estimation will affect the profit forecast. As a result, the adoption of the income approach has certain uncertainties on the estimation of future revenue.

III. VALUATION CONCLUSION

This Assets Valuation Report adopts the valuation result under the asset-based approach as the valuation conclusion. Please refer to the following table of assets valuation result summary under the asset-based approach:

Table of Assets Valuation Result Summary under the Asset-based Approach

Unit: RMB'0,000

Item			Carrying value A	Appraised value B	Increase or decrease C=B-A	Change% D=C/A×100%
I.	Current assets	1	58,403.80	59,522.70	1,118.90	1.92
II.	Non-current assets	2	248,654.03	326,131.49	77,477.46	31.16
	Including: Long-term equity investment	3	3,000.00	6,890.46	3,890.46	129.68
	Fixed assets	5	223,196.09	246,869.41	23,673.32	10.61
	Intangible assets	8	10,694.66	53,953.53	43,258.87	404.49
	Including: Land use rights	9	9,687.53	52,433.06	42,745.53	441.24
	Other non-current assets	10	9,972.57	16,627.38	6,654.81	66.73
	Total assets	11	307,057.83	385,654.19	78,596.36	25.60
III.	Current liabilities	12	110,332.69	110,332.69	0.00	0.00
IV.	Non-current liabilities	13	35,459.73	34,885.43	-574.30	-1.62
	Total liabilities	14	145,792.42	145,218.12	-574.30	-0.39
	Net assets	15	161,265.41	240,436.07	79,170.66	49.09

The carrying value, appraised value and value-added amount of total assets of Hunan Huadian Changsha Power Generation Company Limited is RMB3,070,578,300, RMB3,856,541,900 and RMB785,963,600, respectively, representing a value-added rate of 25.60%. The carrying value, appraised value and depreciation amount of total liabilities of Hunan Huadian Changsha Power Generation Company Limited is RMB1,457,924,200, RMB1,452,181,200 and RMB5,743,000, respectively, representing a depreciation rate of 0.39%. The carrying value of net assets of Hunan Huadian Changsha Power Generation Company Limited is RMB1,612,654,100 and the appraised value under the asset-based approach is RMB2,404,360,700 and the value-added amount is RMB791,706,600, representing a value-added rate of 49.09%.

This Assets Valuation Report is only to provide value benchmark for the economic activities described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE PROJECT OF VALUE OF THE ENTIRE SHAREHOLDERS' INTEREST IN HUNAN HUADIAN CHANGDE POWER GENERATION COMPANY LIMITED AS INVOLVED IN THE PROPOSED TRANSFER OF ITS EQUITY INTEREST BY CHINA HUADIAN CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd.*, as entrusted by the Company, valued the market value of the entire shareholders' interest in Hunan Huadian Changde Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As China Huadian Corporation Limited proposes to transfer the equity interest in Hunan Huadian Changde Power Generation Company Limited, it has to appraise the value of the entire shareholders' interest in Hunan Huadian Changde Power Generation Company Limited as of the Valuation Benchmark Date and provide value benchmark for the above-mentioned economic activity.

Valuation target: The entire shareholders' interest in Hunan Huadian Changde Power Generation Company Limited.

Valuation scope: All assets and liabilities of Hunan Huadian Changde Power Generation Company Limited.

Assets include current assets, long-term equity investment, fixed assets, construction in progress, intangible assets and other non-current assets. Liabilities include current liabilities and non-current liabilities.

Valuation Benchmark Date: 31 December 2020

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon following assumptions:

(I) General Assumptions

1. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

2. It is assumed that the enterprise will continue to operate as a going concern based on the actual conditions of assets on the Valuation Benchmark Date;

3. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

4. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

5. It is assumed that the company will fully comply with all relevant laws and regulations unless otherwise stated;

6. It is assumed that there will be no force majeure or unforeseeable factors that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted when this Assets Valuation Report is prepared;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date.

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

As stated in the Practice Guidelines for Assets Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic assets valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods. If different valuation methods are suitable for any appraisal of enterprise value, assets valuation professionals should adopt two or more valuation methods in their valuation.

The asset-based approach and the income approach were adopted in the valuation on the following grounds:

Income approach: The company is principally engaged in the sales of power and heat. Based on the operating environment of the appraised entity and the operating results and future development forecast of the company, the appraisers believe that the revenue sources of the appraised entity are reliable with future revenue can be estimated and measured in currency. The risks it assumes can also be measured in currency. It meets the conditions for adopting the income approach. Accordingly, it is appropriate to adopt the income approach in the valuation.

Market approach: The market approach includes the listed company comparison method and the transaction cases comparison method. As it is hard to find listed companies in the thermal power industry with same and similar business scale and operation stage as Hunan Huadian Changde Power Generation Company Limited in the capital market and cannot obtain sufficient comparable transaction cases in the equity transaction market, the market approach was not adopted in the valuation.

Asset-based approach: As all assets and liabilities of Hunan Huadian Changde Power Generation Company Limited can be identified and separately appraised by adopting appropriate methods, the asset-based approach was adopted in the valuation.

The valuation result under the asset-based approach was adopted as the valuation conclusion for the valuation with the following grounds: The valuation conclusion under the income approach is the judgment on the value of the enterprise at the Valuation Benchmark Date based on that various assumptions and conditions can be realized as scheduled in the following estimation years and the valuation result is subject to the comprehensive influence of revenue, costs, the discount rate and other parameters and factors. With the market-based reform of the power market, the electricity price will be gradually transformed from being set by governmental authorities to market-based electricity price. The fluctuation of coal and crude prices in cost estimation will affect the profit forecast. As a result, the adoption of the income approach has certain uncertainties on the estimation of future revenue.

III. VALUATION CONCLUSION

This Assets Valuation Report adopts the valuation result under the asset-based approach as the valuation conclusion. Please refer to the following table of assets valuation result summary under the asset-based approach:

Table of Assets Valuation Result Summary under the Asset-based Approach

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change% D=C/A×100%
I. Current assets	1	51,839.86	52,160.31	320.45	0.62
II. Non-current assets	2	352,345.73	401,062.50	48,716.77	13.83
Including: Long-term equity investment	3	1,138.00	1,138.00	0.00	0.00
Investment properties	4	0.00	0.00	0.00	0.00
Fixed assets	5	331,896.29	372,297.83	40,401.54	12.17
Construction in progress	6	878.98	879.90	0.92	0.10
Oil and gas assets	7	0.00	0.00	0.00	0.00
Intangible assets	8	16,950.45	25,264.76	8,314.31	49.05
Including: Land use rights	9	15,967.98	24,068.78	8,100.80	50.73
Other non-current assets	10	1,482.01	1,482.01	0.00	0.00
Total assets	11	404,185.59	453,222.81	49,037.22	12.13
III. Current liabilities	12	138,624.39	138,624.39	0.00	0.00
IV. Non-current liabilities	13	105,260.00	105,260.00	0.00	0.00
Total liabilities	14	243,884.39	243,884.39	0.00	0.00
Net assets	15	160,301.20	209,338.42	49,037.22	30.59

The carrying value, appraised value and value-added amount of total assets of Hunan Huadian Changde Power Generation Company Limited is RMB4,041,855,900, RMB4,532,228,100 and RMB490,372,200, respectively, representing a value-added rate of 12.13%. The carrying value, appraised value and value-added amount of total liabilities of Hunan Huadian Changde Power Generation Company Limited is RMB2,438,843,900, RMB2,438,843,900 and RMB0.00, respectively, representing a value-added rate of 0.00%. The carrying value of net assets of Hunan Huadian Changde Power Generation Company Limited is RMB1,603,012,000 and the appraised value under the asset-based approach is RMB2,093,384,200 and the value-added amount is RMB490,372,200, representing a value-added rate of 30.59%.

This Assets Valuation Report is only to provide value benchmark for the economic activity described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

SUMMARY OF THE ASSETS VALUATION REPORT ON THE PROJECT OF VALUE OF THE ENTIRE SHAREHOLDERS' INTEREST IN HUNAN HUADIAN PINGJIANG POWER GENERATION COMPANY LIMITED AS INVOLVED IN THE PROPOSED TRANSFER OF ITS EQUITY INTEREST BY CHINA HUADIAN CORPORATION LIMITED

Beijing China Enterprise Appraisal Co., Ltd.*, as entrusted by the Company, valued the market value of the entire shareholders' interest in Hunan Huadian Pingjiang Power Generation Company Limited as of the Valuation Benchmark Date, pursuant to relevant laws, administrative regulations and assets valuation standards under necessary valuation procedures independently, objectively and fairly. The summary of the Assets Valuation Report is as follows:

Valuation purpose: As China Huadian Corporation Limited proposes to transfer the equity interest in Hunan Huadian Pingjiang Power Generation Company Limited, it has to appraise the value of the entire shareholders' interest in Hunan Huadian Pingjiang Power Generation Company Limited as of the Valuation Benchmark Date and provide value benchmark for the above-mentioned economic activities.

Valuation target: The entire shareholders' interest in Hunan Huadian Pingjiang Power Generation Company Limited.

Valuation scope: All assets and liabilities of Hunan Huadian Pingjiang Power Generation Company Limited.

Assets include current assets, fixed assets, construction in progress, long-term deferred expenses and other non-current assets. Liabilities include current liabilities and non-current liabilities.

Valuation Benchmark Date: 31 December 2020

I. VALUATION ASSUMPTION

Analysis and estimation in this Assets Valuation Report are conditional upon following assumptions:

(I) General Assumptions

1. It is assumed that there will be no material changes in the current laws, regulations and policies and the macro-economic environment of the country and there will be no material changes in the political, economic and social environment of the region in which all parties to the transaction are located;

2. It is assumed that the enterprise will continue to operate as a going concern based on the actual conditions of assets on the Valuation Benchmark Date;

3. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the Valuation Benchmark Date;

4. It is assumed that the management of the appraised entity will be responsible, stable, and capable of assuming their duties after the Valuation Benchmark Date;

5. It is assumed that the company will fully comply with all relevant laws and regulations unless otherwise stated;

6. It is assumed that there will be no force majeure or unforeseeable factors that may have material adverse impact on the appraised entity after the Valuation Benchmark Date.

(II) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the appraised entity after the Valuation Benchmark Date will be consistent in key aspects with the accounting policies adopted when this Assets Valuation Report is prepared;

2. It is assumed that the business scope and practice of the appraised entity will, after the Valuation Benchmark Date, remain consistent with what they are currently based on its existing management practice and management level;

3. It is assumed that the appraised entity will have even cash inflow and cash outflow after the Valuation Benchmark Date.

The valuation conclusion of this Assets Valuation Report is established at the Valuation Benchmark Date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning assets appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

II. VALUATION METHOD

As stated in the Practice Guidelines for Assets Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic assets valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods. If different valuation methods are suitable for any appraisal of enterprise value, assets valuation professionals should adopt two or more valuation methods in their valuation.

The asset-based approach was adopted in the valuation on the following grounds:

Income approach: The valuation conclusion under the income approach is the judgment on the value of the enterprise at the Valuation Benchmark Date based on that various assumptions and conditions can be realized as scheduled in the following estimation years. As the project of the appraised entity is currently in the early stage, its management is also unable to determine the annual amount of future investment as well as the specific completion time, the market price of electricity after commissioning and the annual utilization hours of thermal power units. With the market-based reform of the power market, the electricity price will be gradually transformed from being set by governmental authorities to market-based electricity price. The fluctuation of coal and crude prices in cost estimation will affect the profit forecast, resulting in failure of the appraised entity to provide a reasonable profit forecast. Therefore, it does not meet the conditions for adopting the income approach. Accordingly, it is not appropriate to adopt the income approach in the valuation.

Market approach: The market approach includes the listed company comparison method and the transaction cases comparison method. As it is hard to find listed companies in the thermal power industry with same or similar business structure, business scale, operation stage and financial risks as Hunan Huadian Pingjiang Power Generation Company Limited in the capital market and cannot obtained sufficient comparable transaction cases in the equity transaction market, the market approach was not adopted in the valuation.

Asset-based approach: As all assets and liabilities of Hunan Huadian Pingjiang Power Generation Company Limited can be identified and separately appraised by adopting appropriate methods, the asset-based approach was adopted in the valuation.

III. VALUATION CONCLUSION

This Assets Valuation Report adopts the valuation result under the asset-based approach as the valuation conclusion. Please refer to the following table of assets valuation result summary under the asset-based approach:

Table of Assets Valuation Result Summary under the Asset-based Approach

Unit: RMB'0,000

Item		Carrying value A	Appraised value B	Increase or decrease C=B-A	Change% D=C/A×100%
I. Current assets	1	6,674.99	6,674.99	0.00	0.00
II. Non-current assets	2	111,989.90	118,665.88	6,675.98	5.96
Including: Long-term equity investment	3	0.00	0.00	0.00	0.00
Fixed assets	5	101.80	188.87	87.07	85.53
Intangible assets	8	0.00	0.00	0.00	0.00
Including: Land use rights	9	0.00	0.00	0.00	0.00
Other non-current assets	10	6,363.81	6,363.81	0.00	0.00
Total assets	11	118,664.89	125,340.87	6,675.98	5.63
III. Current liabilities	12	33,041.89	33,041.89	0.00	0.00
Total liabilities	14	83,520.89	83,520.89	0.00	0.00
Net assets	15	35,144.00	41,819.98	6,675.98	19.00

The carrying value, appraised value and value-added amount of total assets of Hunan Huadian Pingjiang Power Generation Company Limited is RMB1,186,648,900, RMB1,253,408,700 and RMB66,759,800, respectively, representing a value-added rate of 5.63%. The carrying value, appraised value and value-added amount of total liabilities of Hunan Huadian Pingjiang Power Generation Company Limited is RMB835,208,900, RMB835,208,900 and RMB0.00, respectively, representing a value-added rate of 0.00%. The carrying value of net assets of Hunan Huadian Pingjiang Power Generation Company Limited is RMB351,440,000 and the appraised value under the asset-based approach is RMB418,199,800 and the value-added amount is RMB66,759,800, representing a value-added rate of 19.00%.

This Assets Valuation Report is only to provide value benchmark for the economic activities described in the Assets Valuation Report. The validity period of the valuation conclusion is one year from the Valuation Benchmark Date.

INDEPENDENT ASSURANCE REPORT ON THE ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF CERTAIN ASSETS AND EQUITY INTERESTS HELD BY THE COMPANY OR ITS SUBSIDIARIES (THE "DISPOSAL GROUP") AND OF HUADIAN FUXIN ENERGY DEVELOPMENT COMPANY LIMITED AND ITS SUBSIDIARIES BEFORE THE PROPOSED MAJOR AND CONNECTED TRANSACTIONS (THE "FUXIN DEVELOPMENT GROUP")

To the Board of Directors of Huadian Power International Corporation Limited (the "Company")

We refer to the discounted future cash flows on which the valuation as set out in appendix to this report (the "Valuation") with respect to the valuation of the Disposal Group and the Fuxin Development Group as at 31 December 2020 is based. The Valuation is prepared based in part on discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Cash Flows

The directors of the Company (the "Directors") are solely responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors and set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based, and to report, as required by paragraph 14.62(2) of the Listing Rules, on the arithmetical accuracy of the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Conclusion

In our opinion, so far as the arithmetical accuracy of the calculations is concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other Matters

Without modifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Disposal Group and the Fuxin Development Group or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

BDO Limited
Certified Public Accountants
Hong Kong, 4 June 2021

APPENDIX

A. List of valuation of equity interests held by the Company and its subsidiaries (the "Group") as at 31 December 2020 determined by applying the income approach

No.	Company	Valuer	Valuation report date
1	Huadian Huzhou New Energy Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
2	Huadian Ningbo New Energy Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
3	Huadian Henan New Energy Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
4	Huadian Taiqian Photovoltaic Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
5	Huadian Laizhou Wind Power Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
6	Huadian Laizhou Wind Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
7	Huadian Laizhou Wind Energy Power Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
8	Huadian Longkou Wind Power Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
9	Longkou Dongyi Wind Power Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
10	Huadian Shandong New Energy Generation Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
11	Huadian Xuwen Wind Power Company Limited	China Enterprise Appraisals Co., Ltd	30 April 2021
12	Huadian Xiaxian Wind Power Company Limited	Yinxin Appraisal Co., Ltd	30 April 2021
13	Shanxi Huadian Pinglu New Energy Company Limited	Yinxin Appraisal Co., Ltd	30 April 2021
14	Shanxi Huadian Ying County New Energy Company Limited	Yinxin Appraisal Co., Ltd	30 April 2021
15	Zezhou County Huadian Wind Power Company Limited	Yinxin Appraisal Co., Ltd	30 April 2021
16	Shaanxi Huadian Xunyi Wind Power Company Limited	Yinxin Appraisal Co., Ltd	30 April 2021

No.	Company	Valuer	Valuation report date
17	Hebei Huadian Guyuan Wind Power Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
18	Hebei Huadian Kangbao Wind Power Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
19	Huadian Zhangjiakou Saibei New Energy Generation Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
20	Huadian Power International Ningxia New Energy Power Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
21	Huadian Ningxia Ningdong Shangde Solar Power Generation Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
22	Huadian Kezuozhongqi Wind Power Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021
23	Huadian Wengniuteqi Wind Power Company Limited	China United Assets Appraisal Group Co., Ltd.	30 April 2021

B. List of valuation of assets and equity interests held by the Group as at 31 December 2020 determined by applying the income approach

No.	Company	Valuer	Valuation scope	Valuation report date
1	Hangzhou Huadian Banshan Power Generation Company Limited	China Enterprise Appraisals Co., Ltd	Assets group of distributed photovoltaic projects on the roof	30 April 2021
2	Huadian Zhejiang Longyou Thermal Company Limited	China Enterprise Appraisals Co., Ltd	Assets group of distributed photovoltaic projects on the roof	30 April 2021
3	Wuhan Photovoltaic Power Generation Branch of Huadian Hubei Power Generation Company Limited	Yinxin Appraisal Co., Ltd	100% equity interests	30 April 2021
4	Huangshi Photovoltaic Power Generation Branch of Huadian Hubei Power Generation Company Limited	Yinxin Appraisal Co., Ltd	100% equity interests	30 April 2021

No.	Company	Valuer	Valuation scope	Valuation report date
5	Zanhuang New Energy Branch of Hebei Huadian Complex Pumping-storage Hydropower Company Limited	China Alliance Appraisal Co., Ltd.	Assets and liabilities of Zanhuang Branch	30 April 2021
6	Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited	Yinxin Appraisal Co., Ltd	100% equity interests	30 April 2021
7	Hubei Huadian Wuxue New Energy Company Limited	Yinxin Appraisal Co., Ltd	100% equity interests	30 April 2021
8	Hubei Huadian Zaoyang Photovoltaic Power Generation Company Limited	Yinxin Appraisal Co., Ltd	100% equity interests	30 April 2021
9	Hebei Huadian Yuzhou Wind Power Company Limited	China Alliance Appraisal Co., Ltd.	100% equity interests	30 April 2021
10	Lechang Wind Power Branch of Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B)	China Enterprise Appraisals Co., Ltd	100% equity interests	30 April 2021

C. List of valuation of the Fuxin Development Group as at 31 December 2020 determined by applying the income approach

No.	Company	Valuer	Valuation report date
1	Huadian Fuxin Energy Development Company Limited and its subsidiaries	China United Assets Appraisal Group Co., Ltd.	30 April 2021

To: Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central,
Hong Kong

Dear Sir/Madam,

Company: Huadian Power International Corporation Limited* (the "**Company**")

Re: Profit forecasts – Confirmation letter under the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**")

Reference is made to the announcement of the Company dated 24 May 2021 in relation to, among other things, the asset valuation reports (the "**Valuation Reports**") on Fuxin Development Group, certain New Energy Companies and certain New Energy Assets and Equity prepared by CEA, China Alliance, China Appraisal and Yinxin Appraisal (the "**Valuers**") using the income approach.

The board of directors (the "**Board**") of the Company has reviewed and discussed the basis and assumptions of the valuation with the Valuers. The Board has also considered the report issued by BDO Limited, the reporting accountant of the Company, on the arithmetical accuracy of the profit forecasts contained in the Valuation Reports.

Pursuant to the requirements of the Hong Kong Listing Rules, the Board has confirmed that the profit forecasts used in the Valuation Reports have been made after due and careful enquiry.

The Board of Huadian Power International Corporation Limited*
4 June 2021

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

2. DISCLOSURE OF INTERESTS

(1) Interests of Directors, Supervisors, Chief Executive and Senior Management

As at the Latest Practicable Date, so far as the Company is aware, none of the Directors, supervisors, chief executive or members of the senior management of the Company and their respective associates had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the Directors).

Mr. Ding Huande, Mr. Peng Xingyu, Mr. Zhang Zhiqiang and Mr. Li Pengyun, the Directors of the Company, held positions in China Huadian. Save as disclosed above, as at the Latest Practicable Date, none of the other Directors, proposed Directors or supervisors of the Company was also a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(2) Interests of Substantial Shareholders

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the senior management of the Company, had an interest or short position as at the Latest Practicable Date in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 5% or more of any class of issued share capital of the Company as at the Latest Practicable Date, or was a substantial Shareholder (as defined in the Hong Kong Listing Rules)) of the Company as at the Latest Practicable Date.

Shareholder	Class of shares	Number of shares held	Approximate percentage of the total number of shares of the Company in issue	Approximate percentage of the total number of A shares of the Company in issue	Approximate percentage of the total number of H shares of the Company in issue	Capacity
China Huadian	A Shares	4,534,199,224(L)	45.97%	55.66%	–	Beneficial owner
	H Shares	85,862,000(L)(Note)	0.87%	–	5.00%	Interests in a controlled corporation
Shandong Development & Investment Holding Group Co., Ltd	A Shares	757,226,729(L)	7.68%	9.30%	–	Beneficial owner
Brown Brothers Harriman & Co.	H Shares	86,462,341(L)	0.88%	–	5.03%	Agent
		86,462,341(P)	0.88%	–	5.03%	Agent

(L) = long position

(P) = lending pool

Note: So far as the Directors are aware or are given to understand, these 85,862,000 H shares were held directly by a wholly-owned subsidiary of China Huadian, namely, China Huadian Hong Kong Company Limited through CCASS in the name of HKSCC Nominees Limited.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date, no other person (other than the Directors, supervisors, chief executive or members of senior management of the Company) had any interest or short position in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial Shareholder (as defined in the Hong Kong Listing Rules) of the Company.

3. CONSENTS AND QUALIFICATION OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this supplemental circular:

Name	Qualification
Gram Capital	Type 6 (advising on corporate finance) regulated activity as defined under the SFO
BDO Limited	Certified Public Accountants
Ernst & Young	Certified Public Accountants
Grant Thornton Hong Kong Limited	Certified Public Accountants
China Appraisal	Independent and duly qualified valuer in the PRC
China Alliance	Independent and duly qualified valuer in the PRC
Yinxin Appraisal	Independent and duly qualified valuer in the PRC
CEA	Independent and duly qualified valuer in the PRC

As at the Latest Practicable Date, each of Gram Capital, BDO Limited, Ernst & Young, Grant Thornton Hong Kong Limited, China Alliance, Yinxin Appraisal, China Appraisal and CEA did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Gram Capital, BDO Limited, Ernst & Young, Grant Thornton Hong Kong Limited, China Appraisal, Yinxin Appraisal, China Alliance and CEA has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, each of Gram Capital, Grant Thornton Hong Kong Limited, BDO Limited, Ernst & Young, China Appraisal, Yinxin Appraisal, China Alliance and CEA did not have any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into or was proposing to enter into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors or their respective close associates (as defined under the Hong Kong Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them was treated as a controlling Shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors, proposed Directors or supervisors of the Company had any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, certain members of the Enlarged Group were a party to certain litigations arising from the ordinary course of business or assets acquisition. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Enlarged Group believes that any possible legal liability which may result from the aforesaid cases will not have a material adverse effect on the financial position and operating results of the Enlarged Group. Save as disclosed, as at the Latest Practicable Date, no other material litigation or claims were pending or threatened or made against the Enlarged Group so far as the Directors are aware.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this supplemental circular and are, or may be, material:

(1) the Capital Increase Agreement;

(2) the Assets and Equity Disposal Agreements;

(3) the Equity Acquisition Agreements;

(4) the equity acquisition agreement and the supplemental agreement respectively entered into between the Company (as the purchaser) and CCB Financial Asset Investment Company Limited (as the seller) on 25 March 2021 and 29 April 2021 in relation to the acquisition of 45.15% equity interests in Inner Mongolia Huadian Mengdong Energy Company Limited with a consideration of RMB1,000.0103 million, details of which please refer to the announcements of the Company dated 25 March 2021 and 29 April 2021, and the supplemental circular of the Company dated 6 May 2021;

(5) the equity acquisition agreement and the supplemental agreement respectively entered into between the Company (as the purchaser) and BOC Financial Assets Investment Co., Ltd. (as the seller) on 25 March 2021 and 29 April 2021 in relation to the acquisition of 36.86% equity interests in Tianjin Huadian Fuyuan Thermal Power Company Limited with a consideration of RMB500.1523 million, details of which please refer to the announcements of the Company dated 25 March 2021 and 29 April 2021, and the supplemental circular of the Company dated 6 May 2021;

(6) the transfer agreement entered into between the Company (as the transferor) and China Huadian (as the transferee) on 26 February 2021 in relation to the disposal of 53% equity interests in Ningxia Huadian Heating Corporation Limited with a

consideration of RMB2,822,503,971.45, details of which please refer to the announcement of the Company dated 26 February 2021 and the supplemental circular of the Company dated 31 March 2021;

(7) the transfer agreement entered into between the Company (as the transferor) and China Huadian (as the transferee) on 26 February 2021 in relation to the disposal of 65% equity interests in Huadian Ningxia Lingwu Power Generation Company Limited and the dividend receivable arising therefrom with a consideration of RMB1,249,728,234, details of which please refer to the announcement of the Company dated 26 February 2021 and the supplemental circular of the Company dated 31 March 2021;

(8) the capital contribution agreement entered into among the Company, CCB Financial Asset Investment Company Limited and Inner Mongolia Huadian Mengdong Energy Company Limited on 27 December 2019 in relation to the capital contribution RMB1.0 billion by CCB Financial Asset Investment Company Limited to Inner Mongolia Huadian Mengdong Energy Company Limited, details of which please refer to the announcement of the Company dated 27 December 2019; and

(9) the capital contribution agreement entered into among the Company, ABC Financial Asset Investment Co., Ltd. and Huadian Power International Ningxia New Energy Power Company Limited on 27 December 2019 in relation to the capital contribution RMB1.0 billion by ABC Financial Asset Investment Co., Ltd. to Huadian Power International Ningxia New Energy Power Company Limited, details of which please refer to the announcement of the Company dated 27 December 2019.

10. MISCELLANEOUS

(1) The registered office of the Company is situated at No. 14800, Jingshi Road, Jinan City, Shandong Province, the PRC.

(2) The business office of the Company is situated at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC.

(3) The Hong Kong H share registrar of the Company is Hong Kong Registrars Limited situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) None of the websites appearing in or referred to in this supplemental circular or any of the information contained on any such websites forms part of this supplemental circular. Neither the Company nor any Director take any responsibility for any information contained on such websites or its accuracy.

(5) The company secretary of the Company is Mr. Zhange Gelin, who is a senior engineer and an affiliated person of the Hong Kong Institute of Chartered Secretaries.

(6) The English text of this supplemental circular shall prevail over its Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Toppan Merrill Limited, 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this supplemental circular up to and including 29 June 2021:

(1) the articles of association of the Company;

(2) the Capital Increase Agreement, the Assets and Equity Disposal Agreements and the Equity Acquisition Agreements;

(3) the annual reports of the Company for the two financial years ended 31 December 2019 and 2020;

(4) the letter from the Independent Board Committee, the text of which is set out on page 58 of this supplemental circular;

(5) the letter from Gram Capital, the text of which is set out on pages 59 to 95 of this supplemental circular;

(6) the accountants' report of Fuxin Development, the text of which is set out in Appendix III to this supplemental circular;

(7) the accountants' report of Changsha Group, the text of which is set out in Appendix IV to this supplemental circular;

(8) the accountants' report of Changde Company, the text of which is set out in Appendix V to this supplemental circular;

(9) the accountants' report of Pingjiang Company, the text of which is set out in Appendix VI to this supplemental circular;

(10) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix VII to this supplemental circular;

(11) the summary of valuation reports from China Appraisal, Yinxin Appraisal, China Alliance and CEA, the text of which is set out on Appendices VIII-XI to this supplemental circular;

(12) the letter from BDO Limited on valuation reports, the text of which is set out on Appendix XII to this supplemental circular;

(13) the letter on profit forecasts from the Board, the text of which is set out on Appendix XIII to this supplemental circular;

(14) the written consents of the experts as referred to in the section headed "Consents and Qualifications of Experts" in this appendix;

(15) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(16) the circulars dated 29 January 2021 and 31 March 2021 issued by the Company pursuant to the requirements set out in Chapters 14 and 14A of the Hong Kong Listing Rules; and

(17) this supplemental circular.

華電國際電力股份有限公司
Huadian Power International Corporation Limited*

*(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "**PRC**"))*

(Stock Code: 1071)

SUPPLEMENTAL NOTICE OF THE ANNUAL GENERAL MEETING

REFERENCE IS MADE TO the notice of the annual general meeting of Huadian Power International Corporation Limited* (the "**Company**") dated 28 May 2021 (the "**Notice of AGM**"), which sets out the time and venue of the annual general meeting (the "**AGM**") to be held at 2:00 p.m. on Wednesday, 30 June 2021 at Huabin International Hotel, No. 4 Xuanwumennei Street, Xicheng District, Beijing, the PRC and the resolutions (the "**Original Resolutions**") to be proposed at the AGM for approval by the shareholders of the Company (the "**Shareholders**").

Due to the business reason of Huabin International Hotel, the venue of the AGM is changed to **Oriental Garden Hotel, No. 6 Dongzhimen South Street, Dongcheng District, Beijing, the PRC**.

In addition, subsequent to the despatch of the Notice of AGM, the Board received from China Huadian Corporation Limited ("**China Huadian**"), the controlling Shareholder of the Company which holds more than 3% of the issued share capital of the Company, a notice of its intention to propose two additional resolutions to be submitted to the AGM for consideration and approval, in accordance with the relevant requirements of the articles of association of the Company (the "**Articles of Association**") as well as the laws and regulations of the PRC.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN THAT the AGM will be held at the time as set out in the Notice of AGM at Oriental Garden Hotel, No. 6 Dongzhimen South Street, Dongcheng District, Beijing, the PRC, and in addition to the Original Resolutions, the following resolutions will be included as newly-added resolutions numbered 9 and 10 for approval by the Shareholders by way of ordinary resolutions at the AGM:

ORDINARY RESOLUTIONS

9. To consider and approve the Equity Acquisition Agreements entered into by the Company with China Huadian dated 24 May 2021 in relation to its proposed acquisitions of relevant assets of China Huadian in Hunan; and the transactions contemplated thereunder.

10. To consider and approve (i) the Capital Increase Agreement entered into by the Company with Huadian Fuxin Energy Corporation Limited ("**Huadian Fuxin**") and Huadian Fuxin Energy Development Company Limited ("**Fuxin Development**") dated 24 May 2021 in relation to its proposed capital increase in Fuxin Development by way of (a) a transfer of its equity interests in the new energy companies and (b) a cash payment, (ii) the Assets and Equity Disposal Agreements entered into by certain subsidiaries and branches of the Company with certain subsidiaries of Fuxin Development dated 24 May 2021 in relation to its proposed disposals of the new energy assets and the equity interest in new energy companies; and the transactions contemplated thereunder.

By order of the Board
Huadian Power International Corporation Limited*
Zhang Gelin
Secretary to the Board

As at the date of this notice, the Board comprises:

Ding Huande (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Peng Xingyu (Non-executive Director), Luo Xiaoqian (Executive Director), Zhang Zhiqiang (Non-executive Director), Li Pengyun (Non-executive Director), Wang Xiaobo (Non-executive Director), Feng Rong (Executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director), Feng Zhenping (Independent Non-executive Director) and Li Xingchun (Independent Non-executive Director).

Beijing, the PRC
15 June 2021

* *For identification purpose only*

Notes:

1. PROXY

This supplemental notice is enclosed with a new proxy form for use at the AGM (the "**New Proxy Form**"), which sets out the abovementioned resolutions.

IMPORTANT NOTICE: the New Proxy Form supersedes the proxy form for use at the AGM of the Company dated 28 May 2021 (the "Original Proxy Form"). Shareholders who have duly completed and returned the Original Proxy Form should note that the Original Proxy Form is no longer applicable to the AGM.

Shareholders who intend to appoint a proxy to attend the AGM and to vote on the resolutions set out in the Notice of AGM and this supplemental notice are requested to complete and return the New Proxy Form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the New Proxy Form will not prevent you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

2. MISCELLANEOUS

(1) Each of the Shareholders (or his/her proxy) shall exercise his/her voting rights according to the number of shares with voting rights represented by him/her and shall be entitled to one vote for each share held.

(2) The AGM is expected to take about half a day. Shareholders who attend the AGM shall be responsible for their own travel and accommodation expenses.

(3) The office address of the Company and the contact details of the Secretarial Office of the Board are as follows:

No. 2 Xuanwumennei Street, Xicheng District, Beijing, the People's Republic of China
Tel No.: (86)10 8356 7903
Fax No.: (86)10 8356 7963

(4) The address and contact details of Hong Kong Registrars Limited are as follows:

Shops 1712-1716, 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel No.: (852) 2862 8628
Fax No.: (852) 2865 0990/2529 6087

3. PRECAUTIONS ON COVID-19

Shareholders who attend the meeting on-site must pay attention in advance and abide by the regulations and requirements of health status declaration, quarantine and observation as required by relevant government department of the venue where the meeting is held during the epidemic containment period. The Company will strictly follow the epidemic containment requirements of relevant government departments and take epidemic containment measures such as body temperature monitoring for the Shareholders who attend the meeting on-site under the guidance and supervision of relevant government departments. Shareholders who have fever and other symptoms or are not wearing masks as required or do not comply with the relevant epidemic containment regulations and requirements may not be admitted to the venue of the meeting. If the number of Shareholders who attend the meeting on-site reached the upper limit stipulated under the epidemic containment requirements of the relevant government departments on the date of the meeting, Shareholders present at the venue will have to enter into the venue on a "first sign in, first enter" basis, and Shareholders who sign in later may not be able to enter into the venue of the meeting. Shareholders who may not enter the site will participate in the meeting through the remote conference system provided by the Company.