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北京能源國際控股有限公司

Beijing Energy International Holding Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**” or the “**Directors**”) of Beijing Energy International Holding Co., Ltd. (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”), together with the comparative audited figures for the corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Diversification of Investment Locations and Portfolios

The Group, striving to be a leading global eco-development solutions provider, is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

Solar Power Plant Projects

During the Year, the Group focused its resources on managing its existing solar power business. As at 31 December 2020, the Group had 61 solar power plants (31 December 2019: 57 solar power plants) with aggregate installed capacity of approximately 2,070.4 megawatts (“**MW**”) (31 December 2019: approximately 1,895.4MW). As at 31 December 2020, all of the solar power plants were located in the People’s Republic of China (“**PRC**”). The Group has well-diversified its solar power plants in 17 different regions during the Year (31 December 2019: 17).

Almost all the solar power plants owned and controlled by the Group are ground-mounted, with a small portion of them being roof-top type. The Group strategically develops, constructs and acquires solar power plants to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of factors, including solar irradiation of the site, applicable feed-in tariffs (“**FITs**”), government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity.

Other Renewable Energy Projects

The Group owned development rights mainly in hydropower with an expected capacity of over 5 gigawatts (“**GW**”). The Company indirectly holds 75% of the equity interest in the project companies while the remaining 25% is indirectly held by the People’s Government of Tibet Autonomous Region. The Group is waiting for the planning of the PRC government’s ecological red line before the construction of any hydropower plants.

In the short run, the Group will focus on the development of solar and wind power businesses, while diversifying its renewable energy portfolios in order to supplement the multi-type energy supply in the long run.

Electricity Generation

During the Year, the total electricity generated by the power plants from the continuing operations of the Group has slightly increased from approximately 2,752,231 megawatt hours (“**MWh**”) in 2019 to approximately 2,795,834 MWh, or by approximately 1.58%. All these power plants are grid-connected and are generating electricity steadily.

Table 1: Summary of Power Plants from the Continuing Operations

	For the year ended 31 December							
	2020				2019			
	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)
Subsidiaries								
Solar power plants	61	2,070.4	2,795,834	1,311	57	1,895.4	2,686,470	1,401
Wind power plant ⁽ⁱ⁾	-	-	-	N/A	-	-	65,761	N/A
Total	<u>61</u>	<u>2,070.4</u>	<u>2,795,834</u>		<u>57</u>	<u>1,895.4</u>	<u>2,752,231</u>	

Note:

(i) The wind power plant was disposed during the year ended 31 December 2019.

The details of the electricity generated from each region for the Year are set out as below. For accounting purpose, the volume of electricity generated by the newly acquired or constructed solar power plants during the Year was only recorded starting from their respective completion dates of acquisition or construction, as the case may be.

Table 2: Power Plants Information by Resource Zone – Continuing Operations

Location	As at 31 December 2020		For the year ended 31 December 2020		
	Number of solar power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Revenue (RMB'million)	Average tariff per kWh (net of VAT) (RMB)
Subsidiaries					
(i) Zone 1					
Inner Mongolia, PRC	10	380.0	622,831	474	0.76
Ningxia, PRC	1	200.0	289,381	215	0.74
Gansu, PRC	1	100.0	151,874	109	0.72
Zone 1 sub-total	12	680.0	1,064,086	798	0.75
(ii) Zone 2					
Qinghai, PRC	4	200.0	289,517	233	0.81
Shanxi, PRC	2	150.0	233,872	173	0.74
Shandong, PRC	3	50.0	68,981	40	0.58
Xinjiang, PRC	7	120.2	181,888	143	0.79
Inner Mongolia, PRC	1	60.0	97,208	76	0.79
Yunnan, PRC	3	57.1	85,152	60	0.70
Hebei, PRC	2	37.3	53,210	42	0.78
Sichuan, PRC	3	50.0	85,833	57	0.67
Zone 2 sub-total	25	724.6	1,095,661	824	0.75
(iii) Zone 3					
Hubei, PRC	1	100.0	111,036	100	0.90
Shandong, PRC	2	60.0	55,024	49	0.89
Guangxi, PRC	1	60.0	63,179	54	0.86
Hunan, PRC	6	120.0	102,918	88	0.85
Guangdong, PRC	5	97.8	71,687	57	0.80
Zhejiang, PRC	1	3.0	2,971	3	0.84
Hebei, PRC	1	30.0	1,597	1	0.89
Anhui, PRC	1	100.0	113,842	75	0.66
Zone 3 sub-total	18	570.8	522,254	427	0.82
(iv) Others					
Tibet, PRC	6	95.0	113,833	100	0.88
Others sub-total	6	95.0	113,833	100	0.88
Total	61	2,070.4	2,795,834	2,149	0.77

Financing

The power generation business is capital intensive in nature. The Group has been exploring various financing channels to enhance its financing capability and reduce its finance costs. During the Year, the Group has raised funds by means of equity financing and debt financing. As at 31 December 2020, the effective interest rate for bank and other borrowings was approximately 4.70% (31 December 2019: approximately 5.43%).

Impact of Coronavirus Disease 2019 (“COVID-19”) to the Group

In January 2020, the outbreak of COVID-19 pandemic spread throughout the PRC. Under the effective measures by the Chinese government, the COVID-19 pandemic was gradually under control in the PRC and the economy recovered much sooner than expected. The Chinese economy became the only major economy in the world to achieve a positive economic growth during the Year.

The COVID-19 pandemic has certain impacts on the business operations of the Group in particular power generation and power plant construction in the PRC. However, the degree of the impact is considered insignificant to the Group due to the effective pandemic preventive measures imposed by Chinese government and the safety measures adopted by the Group. Apart from maintaining the power generation, the Group took responsible steps to protect the safety and health of the employees in various offices and power plants, including face masks distribution, temperature check, COVID-19 tests and flexible working arrangement where applicable.

Although the COVID-19 pandemic has been effectively controlled, there is still the risk of imported cases and localised outbreaks in the PRC, which may have certain impacts on the business operations of the Group. The Group will strictly implement COVID-19 precautionary and control measures and emergency plans as part of its normal operations in order to ensure that potential risks in relation to power generation and power plant construction are controllable and under control. For the benefit of the Group and all its stakeholders, the Group will also continue to assess and react actively to the impacts of COVID-19 pandemic on the business operations and the financial position of the Group by closely monitoring the COVID-19 situation in the PRC.

FINANCIAL REVIEW

During the Year, the Group recorded a net profit of approximately RMB262 million (2019: net loss of approximately RMB3,495 million).

Revenue and EBITDA

During the Year, the revenue and EBITDA from the continuing operations were approximately RMB2,149 million and RMB1,967 million respectively (31 December 2019: approximately RMB2,168 million and RMB1,920 million respectively). The average tariff per Kilowatt-hour (“**kWh**”) (net of VAT) for the Year was approximately RMB0.77. Table 2 summarises the details of the breakdown of revenue generated by each resource zone and provincial region.

Finance Costs

The total finance costs have dropped from approximately RMB1,239 million in 2019 to approximately RMB1,110 million during the Year, or a decrease of approximately 10.4%. The decrease was mainly attributable to the support from credit enhancement from our new single largest shareholder, Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司)(“**BEH**”). The Group has also taken various new financing or re-financing activities during the Year and has successfully lowered certain finance costs.

Share-Based Payment Expenses

Share-based payment expenses were relevant to the amortisation of the fair value of share options granted under the Company’s share option scheme. The decrease in the share-based payment expenses was attributable to the Group’s revised estimate of the number of options that were expected to vest based on the non-market vesting and service condition, as certain directors and staff of the Group had resigned during the Year.

Impairment Charge on Development Rights

The Group recognised development rights in relation to hydropower projects with an expected capacity of approximately 5.2GW in Tibet and Sichuan Province, the PRC, and 60MW solar power projects in 2017.

In June 2019, the People's Government of Tibet Autonomous Region further published the "Notice of the People's Government of the Tibet Autonomous Region on Lowering the Prices of Residential Electricity and Industrial and Commercial Electricity" (《西藏自治区人民政府關於降低居民生活用電和工商業用電價格的通知》). The FITs of the Group's hydropower projects has been subsequently reduced from RMB0.35/kWh to RMB0.341/kWh. Such policy is on temporary trial since 1 July 2019 until further notice.

Management of the Company (the "**Management**") performed impairment assessment to determine the recoverable amount of the development rights based on fair value less costs of disposal. In this connection, Management prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the above revision of government policies, probability as well as the estimated extent of the revision of FITs after 2020, construction costs and development plans. The Group engaged an external independent valuer to assess the recoverable amount of development rights. As a result of the impairment assessment, no impairment charge on development rights was recognised for the Year (31 December 2019: impairment charge of approximately RMB831 million).

Impairment Charge on Concession Rights

As at 31 December 2019, the Group had concession rights from a vendor to develop and operate various solar power plant projects which were due to expire by November 2020. Majority of these solar power plants projects under the concession rights, particularly those located in Shanxi, Hunan and Anhui, had been experiencing regional electricity curtailment due to low industry and household consumption in these provinces. It was speculated that this market condition may continue and may result in an adverse effect on the future revenue generated by such solar power plants.

Management performed impairment assessment in 2019 to determine the recoverable amount of the concession rights based on fair value less costs of disposal. In this connection, Management prepared cash flow forecasts of each of the concession rights taking into account of factors, including but not limited to, the revision of government policy, operational status of the solar power plants planned to be acquired and the probability to exercise the concession rights before its expiry. The Group engaged an external independent valuer to assess the recoverable amount of concession rights. As a result of the impairment assessment, an impairment charge of approximately RMB531 million on concession rights was recognised during the year ended 31 December 2019. There was no such impairment charge recorded during the Year. As the concession rights were due to expire by November 2020 and had been fully impaired as at 31 December 2019, Management wrote off the costs against the accumulated impairment during the Year.

Impairment Charge on Property, Plant and Equipment

As at 31 December 2020, the Group had 61 solar power plants (31 December 2019: 57 solar power plants) with an aggregated installed capacity of approximately 2,070.4MW (31 December 2019: approximately 1,895.4MW). Majority of these solar power plants are located in provinces in the northwestern part of the PRC. Certain of these plants, particularly those located in Gansu, Qinghai, Xinjiang and Ningxia, have been experiencing prolonged period of regional curtailment of renewable energy due to low industry and household consumption in these provinces whereby the actual sales of electricity output to the State Grid Corporation of China (“**State Grid**”) are persistently less than the output capacity of the Group’s power plants. While the Central Government has implemented measures to alleviate the national-wide curtailment rate of renewable energy, Management considers that this market condition may continue in the short to medium term and may result in an adverse effect on the future revenue to be generated by certain solar power plants of the Group.

Management performed impairment assessment on property, plant and equipment with impairment indicator as at 31 December 2020 and had reflected the latest market conditions and other relevant parameters in the assessment. The Group engaged an external independent valuer to assess the recoverable amount of property, plant and equipment. Accordingly, the Group recognised an impairment charge on property, plant and equipment of approximately RMB3 million (31 December 2019: approximately RMB797 million) during the Year. Included in property, plant and equipment was construction-in-progress of approximately RMB161 million in respect of hydropower construction in Tibet for the year ended 31 December 2019. The construction-in-progress of approximately RMB161 million had been fully impaired based on the impairment assessment on development rights mentioned above during the year ended 31 December 2019.

Write-back/(Write-off) on Other Receivables, Net

The Group assessed the recoverable amounts of its financial assets. During the Year, the Group recognised a write-back of approximately RMB5 million (31 December 2019: Nil) for a recovered receivable. Management was not optimistic about the recovery of certain financial assets and recognised a write-off of approximately RMB4 million (31 December 2019: approximately RMB39 million) during the Year.

Impairment Loss of Financial Assets

The Group had placed certain deposits and other receivables in 2017 to independent parties in order to secure potential projects in the future. There was no progress on project acquisitions to utilise the deposits over the past years. Management was uncertain about the progress of the project acquisitions or the ability of refund from these parties if the relevant project would not proceed. The Group has started legal procedures in order to recover the loss from these parties, including issuing legal letters to these parties. In May 2020, the Company has formed an independent investigation committee to investigate the fund flows underlying such prepayment of deposits. Details of the investigation can be referred to the Company's announcements dated 19 July 2020, 31 July 2020 and 28 September 2020 and the section titled "Information Update on the Incidents" in this announcement. Though Management has taken proactive actions to recover the amounts from these parties, full recovery of the relevant amounts from these parties was uncertain and hence Management was not optimistic on the recoverability. As a result, an impairment loss of approximately RMB1,094 million was recognised for the year ended 31 December 2019.

Apart from this, Management performed impairment assessment on other deposits and other receivables not related to above incidents and recognised an impairment loss of approximately RMB1 million for the Year.

Loss on Disposal of Subsidiaries

During the Year, the Group recognised a loss on disposal of subsidiaries of approximately RMB1 million mainly in relation to the deregistered subsidiaries without holding any power plants. During the year ended 31 December 2019, the Group completed the disposal of certain subsidiaries, including a subsidiary which owned wind power plants with aggregate installed capacity of 96MW in the PRC, and two subsidiaries which had investments in joint ventures holding solar power plants with aggregate installed capacity of 270MW in the PRC. The losses were mainly arising from the reversal of a non-cash purchase price allocation adjustments recognised at the time of acquisitions on the Group's level.

Income Tax

During the Year, the 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%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions (31 December 2019: Same).

Discontinued Operation

During the year ended 31 December 2019, the Group disposed its solar power plants located in the UK to an independent third party for approximately GBP34 million. The gain of approximately RMB4 million was calculated after netting off the consideration, transaction costs incurred, net assets of the portfolio and the transfer of the reserves under an interest rate swap contract. There was neither gain nor loss arising from discontinued operation recorded during the Year.

Trade, Bills and Tariff Adjustment Receivables

The trade and bills receivables will usually be settled within three to twelve months. For the tariff adjustment receivables in the PRC during the Year, there was a further delay in settlement in the Tariff Subsidy Project List or Others.

Table 3: Breakdown of Trade, Bills, Tariff Adjustment Receivables at Subsidiaries Level

	31 December 2020		31 December 2019	
	Installed capacity (MW)	RMB'million	Installed capacity (MW)	RMB'million
Trade and bills receivables		229		113
Tariff adjustment receivables				
PRC				
Tariff Subsidy Project List	1,785.7	3,846	1,685.7	3,518
Others (Note)	264.7	269	189.7	177
Total	<u>2,050.4</u>	<u>4,344</u>	<u>1,875.4</u>	<u>3,808</u>

Note: Representing the solar power plants to be enlisted on the Tariff Subsidy Project List.

Bank and Other Borrowings

The Group is actively seeking opportunities of financing/refinancing to lower the cost of funds and to improve liquidity.

As at 31 December 2020, the maturity and currency profile for the Group's bank and other borrowings are set out as follows:

	Within				Over	
	1 year	2nd year	3-5 years	6-10 years	10 years	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
RMB	3,743	1,615	6,067	2,888	390	14,703
US\$	1,620	1,563	–	–	–	3,183
	<u>5,363</u>	<u>3,178</u>	<u>6,067</u>	<u>2,888</u>	<u>390</u>	<u>17,886</u>
Less: Unamortised loan facilities fees	<u>(58)</u>	<u>(43)</u>	<u>(96)</u>	<u>(91)</u>	<u>(9)</u>	<u>(297)</u>
Carrying amount	<u><u>5,305</u></u>	<u><u>3,135</u></u>	<u><u>5,971</u></u>	<u><u>2,797</u></u>	<u><u>381</u></u>	<u><u>17,589</u></u>

Key Performance Indicators

The Group measures the delivery of its strategies and manages its business through regular measurements of several key performance indicators, particularly on the following ratios: EBITDA margin, debt to EBITDA ratio, funds from operations to net debt ratio and interest coverage ratio.

EBITDA Margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group's EBITDA margin has increased by approximately 3% from approximately 89% to approximately 92% for the Year. This was mainly due to effective cost control implemented during the Year and the synergies from the increased capacity of power plants.

Debt to EBITDA Ratio: Debt to EBITDA ratio is a measurement of the number of years that will take the Group to repay its debts assuming net debts and EBITDA are held constant. This ratio is calculated as the net debts divided by EBITDA. Net debts is calculated as total borrowings less cash deposits. Total borrowings include current and non-current bank and other borrowings and construction costs payables as shown in the consolidated statement of financial position. The ratio has decreased during the Year to approximately 7.7 (31 December 2019: approximately 8.3).

Funds from Operations to Net Debt Ratio: Funds from operations to debt ratio is a measurement of the Group's ability to pay its debts using its operating income alone. This ratio is calculated as the EBITDA net of cash interest paid divided by net debts. The ratio has increased from approximately 6.4% to approximately 7.6% for the Year.

Interest Coverage Ratio: Interest coverage ratio measures the Group's ability to pay interest on its interest-bearing debt. The ratio is calculated as EBITDA divided by net interest paid (actual interest paid minus actual interest income received during the Year). The ratio was approximately 2.41 for the Year (31 December 2019: approximately 2.15).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

As at 31 December 2020, the Group recorded current assets of approximately RMB9,722 million and current liabilities of approximately RMB7,757 million.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or issuance of new shares. Management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

The Group monitors its capital structure based on the gearing ratio. This ratio is calculated as net debts divided by total capital. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The capital structure (including its gearing ratio) as at 31 December 2020 was as follows:

	31 December 2020	31 December 2019
	<i>RMB'million</i>	<i>RMB'million</i>
Bank and other borrowings	17,589	18,301
Construction costs payables	441	574
	<hr/>	<hr/>
Total borrowings	18,030	18,875
Less: Cash deposits	(2,972)	(2,964)
	<hr/>	<hr/>
Net debts	15,058	15,911
Total equity	5,655	3,641
	<hr/>	<hr/>
Total capital	20,713	19,552
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	72.7%	81.4%
	<hr/> <hr/>	<hr/> <hr/>

The drop in gearing ratio was attributable to the issuance of new shares during the Year.

The Group will use its best endeavour to lower its gearing ratio in the future by deleveraging its liabilities, including but not limited to co-investing in power plants with strategic business partners to reduce the capital expenditure.

Except for certain bank and other borrowings with aggregate amounts of approximately RMB5,721 million which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2020, the cash deposits were denominated in the following currencies:

	Pledged deposits	Restricted cash	Cash and cash equivalents	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
RMB	1,353	13	1,087	2,453
HK\$	–	10	480	490
US\$	–	19	10	29
	<u>1,353</u>	<u>42</u>	<u>1,577</u>	<u>2,972</u>
Representing:				
Non-current portion	379	–	–	379
Current portion	<u>974</u>	<u>42</u>	<u>1,577</u>	<u>2,593</u>
	<u>1,353</u>	<u>42</u>	<u>1,577</u>	<u>2,972</u>

The Group did not have any financial instruments for hedging purposes.

As at 31 December 2020, the Group had capital commitment in respect of property, plant and equipment amounted to approximately RMB183 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group completed two acquisitions of subsidiaries with an aggregate installed capacity of 50MW. None of them is individually material to the Group.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

PERFORMANCE AND FUTURE PROSPECTS FOR SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group had no significant investment.

MATERIAL RELIANCE ON KEY CUSTOMERS

The key customers in the PRC for the sales of electricity were subsidiaries of the State Grid and Inner Mongolia Power (Group) Co., Ltd. (“**Inner Mongolia Power**”), which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 31 December 2020, the receivables from the subsidiaries of State Grid and Inner Mongolia Power were approximately 82.4% and 17.3% of the total trade, bills and tariff adjustment receivables, respectively.

CHARGE ON ASSETS

As at 31 December 2020, approximately 71% of bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and/or pledge over the shares/equity interest of certain subsidiaries of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 436 full-time employees (31 December 2019: 412). Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with regular remuneration review to reward and motivate individual performance. The Group offers competitive compensation and benefit packages to different levels of staff, including additional medical insurance, discretionary bonus, various training programmes, sponsorship for further study, as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total employee benefits cost (excluding share-based payment expenses of approximately RMB4 million) for the continuing operations for the Year amounted to approximately RMB101 million (31 December 2019: approximately RMB115 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK\$ and US\$. Since the exchange rate of US\$ against HK\$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will mainly arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, Management will enhance the monitoring on the Group's foreign currency exposure, should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liability.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE FINANCIAL PERIOD

(a) Acquisition of Entire Equity Interest in Companies owning 165MW Solar Power Plants in the PRC

On 29 January 2021, Beijing United Rongbang New Energy Technology Co., Ltd.* (北京聯合榮邦新能源科技有限公司) (“**Beijing United Rongbang**”) (an indirect wholly-owned subsidiary of the Company) (as the purchaser), Inner Mongolia Yuanhai New Energy Co., Ltd.* (內蒙古源海新能源有限責任公司) (“**Inner Mongolia Yuanhai**”) (as the vendor) and Wulate Houqi Banner Yuanhai New Energy Co., Ltd.* (烏拉特後旗源海新能源有限責任公司) (“**Wulate Houqi**”) entered into an equity transfer agreement, pursuant to which Beijing United Rongbang conditionally agreed to purchase, and Inner Mongolia Yuanhai conditionally agreed to sell, the entire equity interest in Wulate Houqi. Upon completion of this acquisition, Wulate Houqi will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcement dated 29 January 2021.

On 8 February 2021, Beijing United Rongbang, Inner Mongolia Xingbang United New Energy Co., Ltd.* (內蒙古興邦聯合光伏新能源有限公司) (“**Inner Mongolia Xingbang**”), and together with Beijing United Rongbang, the “**Purchasers**”) (both are indirect wholly-owned subsidiaries of the Company), Zhongming Capital Holdings Group Co., Ltd.* (中明資本控股集團有限公司) (“**Vendor 1**”), Inner Mongolia Weiheng Industry and Trade Co., Ltd.* (內蒙古偉恒工貿有限公司) (“**Vendor 2**”, and together with Vendor 1, the “**Vendors**”) and Inner Mongolia Minghua New Energy Co., Ltd.* (內蒙古明華新能源股份有限公司) (“**Inner Mongolia Minghua**”) entered into an equity transfer agreement, pursuant to which, the Purchasers conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the entire equity interest in Inner Mongolia Minghua at an aggregate consideration of approximately RMB301 million. Upon completion of this acquisition, Inner Mongolia Minghua will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company’s announcement dated 8 February 2021.

(b) Deemed Disposal of Certain Equity Interest in a Subsidiary

On 25 February 2021, United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司) (“**UP Changzhou**”) (an indirect wholly-owned subsidiary of the Company), Qinqdao ICBC Shengjing Equity Investment Fund Co., Ltd.* (青島工融盛景股權投資基金有限責任公司) (“**Investor 1**”), ICBC Financial Investment No. 3 (Tianjin) Equity Investment Partnership (Limited Partnership)* (工融金投三號(天津)股權投資合夥企業(有限合夥)) (“**Investor 2**”, and together with Investor 1, the “**Investors**”), United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司) (“**UP Shenzhen**”) and New Light Technology Limited (both are indirect wholly-owned subsidiaries of the Company) entered into the capital increase agreement (the “**Capital Increase Agreement**”), pursuant to which, Investor 1 conditionally agreed to inject RMB1,000 million into UP Changzhou by way of cash contribution in return for approximately RMB794 million in the registered capital of UP Changzhou, which accounts for approximately 12.21% of the enlarged equity interest in UP Changzhou (the “**Capital Increase**”). Parties also agreed that the Investors are entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2,000 million within six months after the effective date of the Capital Increase Agreement in return for approximately RMB1,588 million in the registered capital of UP Changzhou (the “**Subsequent Capital Increase**”). After completion of the Capital Increase and the potential Subsequent Capital Increase, the Investors will be interested in an aggregate of not more than 29.43% of the enlarged equity interest in UP Changzhou and UP Changzhou will become an indirect non wholly-owned subsidiary of the Company. Therefore, the Group’s interest in UP Changzhou will be diluted from 100% to not less than 70.57% after the completion of the Capital Increase and the potential Subsequent Capital Increase. Details of the deemed disposal of certain equity interest in a subsidiary are set out in the Company’s announcement dated 25 February 2021.

(c) Repurchase of Senior Notes

On 26 February 2021, the Company has repurchased approximately US\$112 million 8% guaranteed senior notes due 2022 (the “Notes”) in the aggregate principal amount of US\$33 million at a total consideration of approximately US\$34 million (including accrued and unpaid interest) in the open market. The repurchased Notes represent approximately 29.38% of the initial principal amount of the Notes and have been or will be cancelled (as the case may be) in accordance with the terms and conditions of the Notes. Details of the Notes repurchase are set out in the Company’s announcement dated 26 February 2021.

(d) Sales and Leaseback

On 26 March 2021, Yantai Jishun Photovoltaic Power Technology Co., Ltd.* (烟台吉順光電科技有限公司) (“Yantai Jishun”) (an indirect non wholly-owned subsidiary of the Company) and Shenzhen Jingneng Financial Leasing Co., Ltd.* (深圳京能融資租賃有限公司) (“Shenzhen Jingneng Leasing”) (a subsidiary of BEH) entered into the sales and leaseback agreement, pursuant to which, Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for eight years, from 26 March 2021 to 25 March 2029 (the “Sales and Leaseback”). Details of the Sales and Leaseback are set out in the Company’s announcement dated 26 March 2021.

(e) Settlements with NEX Group

On 29 March 2021, the Group entered into an agreement with NEX Group in respect of the NEX Settlements (NEX Group and NEX Settlements are defined below).

INFORMATION UPDATE ON THE INCIDENTS

In May 2020, the Board was informed by the predecessor auditor of certain findings during the audit of the Company’s consolidated financial statements for the year ended 31 December 2019. As a result, the Board established an independent investigation committee which had engaged an external independent professional advisor to conduct an independent investigation (the “Investigation”) on certain matters brought to the attention of the Board. Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to New Energy Exchange Limited (“NEX”) and its related entities, including Renewable Energy (Hong Kong) Trade Board Limited (“EBODHK”), which is a subsidiary of NEX, of HK\$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and China Merchants New Energy Group Limited, a related company of NEX Group (as defined below), of totalling HK\$88 million (equivalent to approximately RMB72 million); (2) deposits were made to Shenzhen Zhiyuan Renewable Energy Company Limited (“SZZY”) of RMB500 million; and (3) certain payments of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen Venture Investment Centre Limited Partnership, a then joint venture of the Group. The amount of RMB303.7 million was recorded as an amount due from NEX Group and included in the outstanding amounts due from NEX Group as at 31 December 2019. Further details of the Investigation, financial impact and responses by the Board are described in the Company’s 2019 annual report and announcements dated 12 May 2020, 13 May 2020, 9 June 2020, 20 July 2020, 31 July 2020 and 28 September 2020.

During the year ended 31 December 2019, impairment loss of approximately RMB1,094 million was recognised in the profit or loss in respect of the abovementioned deposits to NEX and its subsidiaries (collectively the “**NEX Group**”) and related entities and SZZY and amounts due from EBODHK and China Merchants New Energy Group Limited as described in items (1) and (2) above.

On 28 September 2020, in light of the limitations encountered during the Investigation, the significant sums involved and the findings in the Investigation, after consulting with the legal advisers, the Company reported the incidents of prepayment of the deposits to the Commercial Crime Bureau of the Hong Kong Police Force (“**CCB**”). For the purpose of the investigation of the incidents of prepayment of the deposits, the Company will provide assistance to CCB.

In respect of item (3) above, on 29 March 2021, the Group entered into an agreement with NEX Group, which was an extension of the settlement agreement between the Group and NEX Group signed on 24 August 2020 (details are set out in the Company’s 2019 annual report), on certain new and revised settlement arrangements in relation to the outstanding net balances due from NEX Group of approximately RMB296 million as at 31 December 2020 (“**Revised Settlement Agreement**”). Pursuant to the Revised Settlement Agreement, NEX Group agreed to transfer (1) equity interests of its certain companies operating in the PRC in which the fair value of those equity interests amounted to approximately RMB35 million; (2) a debenture of the Company held by NEX Group with maturity date on 17 April 2021 amounted to approximately RMB161 million (including both principal and interest); (3) cash of approximately RMB10 million; (4) cash of approximately RMB38 million upon settlement of certain trade and other receivables from independent third parties; and (5) approximately 274 million shares of the Company held by NEX Group in which the fair value of these shares amounted to approximately RMB60 million as at 29 March 2021, to the Group for full settlement of the net balances due from NEX Group (“**NEX Settlements**”). The NEX Settlements are expected to complete on or before 31 December 2021. In addition, NEX Group agreed to pledged approximately 460 million shares (including approximately 274 million shares as mentioned in (5) above) of the Company held by NEX Group as collaterals to the NEX Settlements to cover any remaining unsettled balance.

The Company commits to keep its shareholders and the public informed of all material information to appraise the Company’s position by way of announcements on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company, including but not limited to market updates of all material information where applicable.

PROSPECTS

Year 2020, an extraordinary year, was the year when the “13th Five-Year Plan” would end and the first year that the Company started for splendid performance. At the beginning of the year 2020, the Company introduced the state-owned enterprise, Beijing Energy Holding Co., Ltd., as the largest shareholder of the Company. Leveraging its strong shareholder background and financing advantages, the Company firmly grasped the opportunity of rapid development of renewable energy and quickly started a new journey of sustainable and healthy development around the four main lines of work: solving inherited problems, reshaping strategic planning, promoting system and mechanism reform, and strengthening production and operation management. In the past year, the Company has overcome the impact of the COVID-19 pandemic, comprehensively optimized the corporate governance structure, management authorization and professional manager mechanism construction, established the awareness of operation in accordance with laws and regulations, effectively solved difficult problems, fully expanded the business scale, continuously enhanced the development momentum, quickly reversed the business situation and continuously improved the management level of various businesses.

2021 is the first year of the “14th Five-Year Plan”, and is also a year of accelerated transformation of energy structure and rapid development of green energy. China has made it clear that vigorously developing renewable energy sources such as wind power and photovoltaic power generation is an important support for China to promote clean and low-carbon energy development and accelerate the construction of ecological civilization. China also puts forward the goal of “carbon peak and carbon neutrality” successively, and expressly set the target that the installed capacity of photovoltaic power generation and wind power would reach more than 1.2 billion kilowatts by 2030, and to accelerate the promotion of favorable measures that promote the development of new energy industry, such as the construction of a new power system based on new energy. Recently, five ministries and commissions of China jointly issued the “Notice on Guiding and Increasing Financial Support to Promote Healthy and Orderly Development of Wind Power and Photovoltaic Power Generation Industries” (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), further providing strong support for the development of the industry from the financial policy level.

Looking into the future, the trend of carbon reduction is unstoppable. Firmly aiming at “a first-class international clean energy ecological investment operator”, the Company will reform the old practices, strengthen the construction of system and mechanism, advance with changes under control, activate high-quality development momentum, adhere to value creation and innovative development, follow the situation, and work together to start a new journey for leapfrog development.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 RMB'million	2019 RMB'million
CONTINUING OPERATIONS			
Sales of electricity		664	629
Tariff adjustment		1,485	1,539
Revenue	3	2,149	2,168
Other income	6	64	50
Employee benefits expenses (excluding share-based payment expenses)		(101)	(115)
Land use tax		(8)	(8)
Legal and professional fees		(31)	(19)
Maintenance costs		(42)	(47)
Other expenses		(64)	(109)
EBITDA#		1,967	1,920
Depreciation of property, plant and equipment		(575)	(581)
Depreciation of right-of-use assets		(29)	(26)
Bargain purchase gain arising from business combinations		1	–
Loss on debt extinguished by issuing equity instruments		–	(32)
Fair value losses on financial assets at fair value through profit or loss	4	–	(168)
Fair value gain on financial liabilities at fair value through profit or loss	5	–	13
Finance income	7	80	77
Finance costs	8	(1,110)	(1,239)
Impairment charge on concession rights		–	(531)
Impairment charge on development rights	9	–	(831)
Impairment charge on property, plant and equipment	10	(3)	(958)
Impairment charge on right-of-use assets	10	–	(18)
Write-back/(write-off) on other receivables, net		1	(39)
Impairment loss of financial assets		(1)	(1,094)
Share-based payment expenses		(4)	(6)
Share of profits of investments accounted for using equity method		21	36
Loss on termination of leases		(1)	–
Loss on disposal of property, plant and equipment		(2)	–
Loss on disposal of subsidiaries		(1)	(302)
Profit/(loss) before income tax		344	(3,779)
Income tax (expense)/credit	11	(82)	280
Profit/(loss) for the year from continuing operations		262	(3,499)

	Note	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
DISCONTINUED OPERATION			
Profit for the year from discontinued operation		—	4
PROFIT/(LOSS) FOR THE YEAR		262	(3,495)
PROFIT/(LOSS) ATTRIBUTABLE TO			
Equity holders of the Company			
Continuing operations		241	(3,279)
Discontinued operation		—	4
		241	(3,275)
Non-controlling interests			
Continuing operations		21	(220)
		262	(3,495)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (<i>RMB cents</i>)	13		
Continuing operations		1.12	(23.40)
Discontinued operation		—	0.03
		1.12	(23.37)

EBITDA represents earnings before depreciation, finance income, finance costs, income tax (expense)/credit, fair value adjustments, non-cash items, non-recurring items, bargain purchase gain arising from business combinations, loss on debt extinguished by issuing equity instruments, impairment charges on non-financial assets, impairment loss of financial assets, (write-back)/write-off on other receivables, share-based payment expenses and share of profits of investments accounted for using equity method, loss on termination of leases, loss on disposal of property, plant and equipment and loss on disposal of subsidiaries. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by the other companies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
PROFIT/(LOSS) FOR THE YEAR	<u>262</u>	<u>(3,495)</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Release of other reserve in relation to discontinued operation	–	11
Currencies translation differences	175	(14)
Release of currencies translation differences in relation to discontinued operation	–	(1)
<i>Item that will not be reclassified to profit or loss</i>		
Fair value changes of financial assets at fair value through other comprehensive income	<u>–</u>	<u>(231)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>175</u>	<u>(235)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>437</u>	<u>(3,730)</u>
Total comprehensive income/(loss) for the year attributable to		
Equity holders of the Company	416	(3,452)
Non-controlling interests	<u>21</u>	<u>(278)</u>
	<u>437</u>	<u>(3,730)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO		
Equity holders of the Company		
Continuing operations	416	(3,466)
Discontinued operation	<u>–</u>	<u>14</u>
	<u>416</u>	<u>(3,452)</u>
Non-controlling interests		
Continuing operations	21	(278)
Discontinued operation	<u>–</u>	<u>–</u>
	<u>21</u>	<u>(278)</u>
	<u>437</u>	<u>(3,730)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'million	2019 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment		14,097	14,246
Right-of-use assets		325	307
Intangible assets		869	869
Investments accounted for using equity method		263	297
Other receivables, deposits and prepayments		406	540
Pledged deposits		379	1,265
Deferred tax assets		27	27
Total non-current assets		16,366	17,551
Current assets			
Financial assets at fair value through profit or loss		42	42
Trade, bills and tariff adjustment receivables	14	4,344	3,808
Other receivables, contract assets, deposits and prepayments		2,743	2,356
Pledged deposits		974	1,440
Restricted cash		42	20
Cash and cash equivalents		1,577	239
Total current assets		9,722	7,905
Total assets		26,088	25,456
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		1,924	1,285
Reserves		3,393	2,039
		5,317	3,324
Non-controlling interests		338	317
Total equity		5,655	3,641

	<i>Note</i>	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	<i>15</i>	12,284	10,677
Lease liabilities		123	107
Deferred government grant		1	5
Deferred tax liabilities		268	256
Other payables		–	8
		<hr/>	<hr/>
Total non-current liabilities		12,676	11,053
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Other payables and accruals		2,442	3,124
Lease liabilities		10	14
Bank and other borrowings	<i>15</i>	5,305	7,624
		<hr/>	<hr/>
Total current liabilities		7,757	10,762
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		20,433	21,815
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total equity and liabilities		26,088	25,456
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The ordinary shares of the Company are listed on the Main Board of the Stock Exchange.

Beijing Energy Investment Holding (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by BEH, is a direct controlling shareholder holding approximately 32% of the issued share capital of the Company. BEH is a state-owned company in the PRC indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

The Group are principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

These consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest million (“**million**”), unless otherwise stated.

2 BASIS OF PREPARATION

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss, which were carried at fair values. The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) **Investigation**

In May 2020, the Board was informed by the predecessor auditor of certain findings during the audit of the Company's consolidated financial statements for the year ended 31 December 2019. As a result, the Board established an independent investigation committee which had engaged an external independent professional advisor to conduct an independent investigation (the "**Investigation**") on certain matters brought to the attention of the Board. Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to New Energy Exchange Limited ("**NEX**") and its related entities, including Renewable Energy (Hong Kong) Trade Board Limited ("**EBODHK**"), which is a subsidiary of NEX, of HK\$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and China Merchants New Energy Group Limited, a related company of NEX Group (as defined below), of totalling HK\$88 million (equivalent to approximately RMB72 million); (2) deposits were made to Shenzhen Zhiyuan Renewable Energy Company Limited ("**SZZY**") of RMB500 million; and (3) certain payments of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen Venture Investment Centre Limited Partnership, a then joint venture of the Group. The amount of RMB303.7 million was recorded as an amount due from NEX Group and included in the outstanding amounts due from NEX Group as at 31 December 2019. Further details of the Investigation, financial impact and responses by the Board are described in the Company's 2019 annual report and announcements dated 12 May 2020, 13 May 2020, 9 June 2020, 20 July 2020, 31 July 2020 and 28 September 2020.

During the year ended 31 December 2019, impairment loss of approximately RMB1,094 million was recognised in the profit or loss in respect of the abovementioned deposits to NEX and its subsidiaries (collectively the "**NEX Group**") and related entities and SZZY and amounts due from EBODHK and China Merchants New Energy Group Limited as described in items (1) and (2) above.

On 28 September 2020, in light of the limitations encountered during the Investigation, the significant sums involved and the findings in the Investigation, after consulting with the legal advisers, the Company reported the incidents of prepayment of the deposits to the Commercial Crime Bureau of the Hong Kong Police Force ("**CCB**"). For the purpose of the investigation of the incidents of prepayment of the deposits, the Company will provide assistance to CCB.

In respect of item (3) above, on 29 March 2021, the Group entered into an agreement with NEX Group, which was an extension of the settlement agreement between the Group and NEX Group signed on 24 August 2020 (details are set out in the Company's 2019 annual report), on certain new and revised settlement arrangements in relation to the outstanding net balances due from NEX Group of approximately RMB296 million as at 31 December 2020 ("**Revised Settlement Agreement**"). Pursuant to the Revised Settlement Agreement, NEX Group agreed to transfer (1) equity interests of its certain companies operating in the PRC in which the fair value of those equity interests amounted to approximately RMB35 million; (2) a debenture of the Company held by NEX Group with maturity date on 17 April 2021 amounted to approximately RMB161 million (including both principal and interest); (3) cash of approximately RMB10 million; (4) cash of approximately RMB38 million upon settlement of certain trade and other receivables from independent third parties; and (5) approximately 274 million shares of the Company held by NEX Group in which the fair value of these shares amounted to approximately RMB60 million as at 29 March 2021, to the Group for full settlement of the net balances due from NEX Group ("**NEX Settlements**"). The NEX Settlements are expected to complete on or before 31 December 2021. In addition, NEX Group agreed to pledged approximately 460 million shares (including approximately 274 million shares as mentioned in (5) above) of the Company held by NEX Group as collaterals to the NEX Settlements to cover any remaining unsettled balance.

The Company commits to keep its shareholders and the public informed of all material information to appraise the Company's position by way of announcements on the websites of the Stock Exchange and the Company, including but not limited to market updates of all material information where applicable.

(b) Changes in Accounting Policy and Disclosures

(i) Amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(ii) Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19 - Related Rent Concessions ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020 ³
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁷

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 not yet 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 common control combinations that occur on or after the beginning of the first annual period beginning on or after 1 January 2022

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

The amendments update the reference to the latest version of “Conceptual Framework for Financial Reporting” issued in March 2018, and add an exception to the requirement for an entity to refer to “Conceptual Framework for Financial Reporting” to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) – Int 21 “Levies” if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC) – Int 21 respectively (instead of the “Conceptual Framework for Financial Reporting”) to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKFRS 3 are 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 and apply prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in HKFRS Standards. The directors of the Company expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current”

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities are current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Company expect that the amendments have no material impact on the consolidated financial statements.

Except for mentioned above, the directors of the Company anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Group’s consolidated financial statements.

3 SEGMENT INFORMATION

The Chief Operation Decision-Maker (“CODM”) has been identified as the Board of Directors. CODM reviews the Group’s internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group is pursuing expansion and involvement in clean energy technologies, including solar power and hydropower. During the years ended 31 December 2020 and 2019, the Group has one reportable segment which is solar energy segment. No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower segment as it is still under development stage and therefore CODM does not regard hydropower as a reportable segment. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Accordingly, reconciliation of segment profit to the Group’s profit is not separately presented.

For the years ended 31 December 2020 and 2019, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group’s revenue was derived in the PRC. During the year ended 31 December 2019, the Group completed the disposal of its business in the UK (the “**Disposed Business**”). Accordingly, the financial results of the Disposed Business are presented in the consolidated statement of profit or loss as discontinued operation.

The Group’s non-current assets other than financial instruments and deferred tax assets by geographical area from continuing operations is as follows:

	2020 <i>RMB’million</i>	2019 <i>RMB’million</i>
The PRC	15,557	15,722
Hong Kong	<u>11</u>	<u>6</u>
	<u><u>15,568</u></u>	<u><u>15,728</u></u>

For the year ended 31 December 2020, there were three (2019: four) customers which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2020	2019
	<i>RMB'million</i>	<i>RMB'million</i>
Continuing operations		
Customer A	473	436
Customer B	233	255
Customer C	215	220
Customer D	N/A ¹	245
	<u> </u>	<u> </u>

¹ This customer did not contribute over 10% of total revenue of the Group in 2020.

4 FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	<i>RMB'million</i>	<i>RMB'million</i>
Continuing operations		
Call options in relation to acquisition of investments accounted for using equity method	–	7
Guaranteed electricity output	–	11
Unlisted investments	–	150
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	–	168

5 FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	<i>RMB'million</i>	<i>RMB'million</i>
Continuing operations		
Contingent consideration payables	–	13
	<u> </u>	<u> </u>

6 OTHER INCOME

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
Continuing operations		
Government grant (<i>Note</i>)	8	11
Operation and maintenance service income	7	14
Compensation income from vendors	1	17
Over-accrual of construction costs payables	24	1
Over-provision of land use tax in prior years	23	–
Others	1	7
	<u>64</u>	<u>50</u>

Note: Government grants are provided by the government in respect of the Group's effort to facilitate the city development and such grants are unconditional.

7 FINANCE INCOME

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
Interest income on bank balances and deposits	32	38
Amortisation of imputed interest income on pledged deposits	48	39
	<u>80</u>	<u>77</u>

8 FINANCE COSTS

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
In relation to bank and other borrowings		
Interest expenses	961	1,121
Loan facilities fees	143	113
	<u>1,104</u>	<u>1,234</u>
In relation to lease liabilities		
Interest expenses	6	5
	<u>6</u>	<u>5</u>
Total finance costs	<u>1,110</u>	<u>1,239</u>

9 IMPAIRMENT CHARGE ON DEVELOPMENT RIGHTS

Management performed impairment assessment to determine the recoverable amount of the development rights based on fair value less costs of disposal. In this connection, Management prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the prevailing government policies, probability as well as the estimated extent of the revision of FIT after year 2020, construction costs and development plans. The Group engaged an external independent valuer to assess the recoverable amount of development rights. As a result of the impairment assessment, no impairment charge on development rights was recognised for the Year (31 December 2019: impairment charge of approximately RMB831 million).

10 IMPAIRMENT CHARGE ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Management performed impairment assessment on property, plant and equipment and right-of-use assets with impairment indicator as at 31 December 2020 and 2019 and reflected the latest market conditions and other relevant parameters in the assessment. Each solar power plant is identified as a cash generating unit. The estimated recoverable amounts of solar power plants are determined based on value-in-use calculations using discounted cash flow approach. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment and right-of-use assets in relation to the relevant solar power plants. The Group engaged an external independent valuer to assess the recoverable amount of property, plant and equipment and right-of-use assets. As a result of the impairment assessment, the Group recognised an impairment charge on property, plant and equipment of approximately RMB3 million (2019: property, plant and equipment of approximately RMB958 million (including construction-in-progress) and right-of-use assets of approximately RMB18 million) for the year ended 31 December 2020.

11 INCOME TAX (EXPENSE)/CREDIT

During the Year, the Group's operations in the PRC are subject to the PRC Corporate Income Tax. The standard PRC Corporate Income Tax rate is 25%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions (31 December 2019: Same).

12 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2020 (31 December 2019: Nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share was calculated by dividing profit/(loss) from continuing operations and discontinued operation attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
Profit/(loss)		
Profit/(loss) attributable to the equity holders of the Company		
Continuing operations	241	(3,279)
Discontinued operation	–	4
	<u>241</u>	<u>(3,275)</u>
Weighted average number of ordinary shares in issue <i>(million shares)</i>	<u>21,487</u>	<u>14,013</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Basic and diluted earnings/(loss) per share		
Continuing operations	1.12	(23.40)
Discontinued operation	–	0.03
	<u>1.12</u>	<u>(23.37)</u>

(b) Diluted

Diluted earnings/(loss) per share was calculated based on profit/(loss) from continuing operations and discontinued operation attributable to the equity holders of the Company and by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2020, the Group has one (2019: two) categories of potential ordinary shares including share options (2019: share options and warrants).

For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended 31 December 2020. For the year ended 31 December 2019, share options and warrants were not assumed to be exercised as they would have an anti-dilutive impact to the loss attributable to the equity holders of the Company. Diluted earnings/(loss) per share for the years ended 31 December 2020 and 2019 for both continuing operations and discontinued operation are same as that of basic earnings/(loss) per share.

14 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
Trade receivables	63	49
Tariff adjustment receivables	<u>4,115</u>	<u>3,695</u>
Trade and tariff adjustment receivables	4,178	3,744
Bills receivables	<u>166</u>	<u>64</u>
Trade, bills and tariff adjustment receivables	<u><u>4,344</u></u>	<u><u>3,808</u></u>

As at 31 December 2020, trade receivables of approximately RMB63 million (31 December 2019: approximately RMB49 million) represented receivables from sales of electricity and are usually settled within three to twelve months.

Tariff adjustment receivables mainly represented the central government subsidies on renewable energy projects to be received from the State Grid and Inner Mongolia Power based on the respective electricity sale and purchase agreements for each of the Group's solar power plants and prevailing nationwide government policies.

The Board considers that the expected credit losses for trade, bills and tariff adjustment receivables is insignificant as at 31 December 2020 and 2019.

The ageing analysis by invoice date, which approximates revenue recognition date, of trade and tariff adjustment receivables was as follows:

	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>
Unbilled (<i>Note</i>)	4,074	3,625
1 – 30 days	29	17
31 – 60 days	–	–
61 – 90 days	1	–
91 – 180 days	7	2
181 – 365 days	–	–
Over 365 days	<u>67</u>	<u>100</u>
	<u><u>4,178</u></u>	<u><u>3,744</u></u>

Note: As at 31 December 2020 and 2019, the amount represents unbilled tariff adjustment receivables. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, were as follows:

	2020	2019
	<i>RMB'million</i>	<i>RMB'million</i>
1 – 30 days	180	161
31 – 60 days	132	131
61 – 90 days	141	141
91 – 180 days	433	466
181 – 365 days	770	861
Over 365 days	2,418	1,865
	4,074	3,625

15 BANK AND OTHER BORROWINGS

	2020			2019		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Bank borrowings	3,741	8,333	12,074	2,643	6,181	8,824
Loans from financial institutions	1,260	3,403	4,663	756	4,464	5,220
Senior notes	–	753	753	2,506	–	2,506
Corporate bonds	–	–	–	1,530	–	1,530
Medium-term notes	300	–	300	32	300	332
Other loans	62	34	96	237	30	267
	5,363	12,523	17,886	7,704	10,975	18,679
Unamortised loan facilities fees	(58)	(239)	(297)	(80)	(298)	(378)
	5,305	12,284	17,589	7,624	10,677	18,301

AUDIT OPINION

An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT OPINION" below.

EXTRACT OF THE AUDITOR'S REPORT OPINION

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As disclosed in Note 2.1(a) to the Company's consolidated financial statements, the Board of Directors of the Company (the "**Board**") established an independent investigation committee which had engaged an external independent professional advisor to conduct an independent investigation on certain matters (the "**Investigated Matters**") that had brought to the attention of the Board by the predecessor auditor in May 2020.

Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to New Energy Exchange Limited ("**NEX**") and its related entities, including Renewable Energy (Hong Kong) Trade Board Limited ("**EBODHK**"), which is a subsidiary of NEX, of HK\$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and China Merchants New Energy Group Limited, a related company of NEX Group (as defined below), of totalling HK\$88 million (equivalent to approximately RMB72 million); (2) deposits were made to Shenzhen Zhiyuan Renewable Energy Company Limited ("**SZZY**") of RMB500 million; and (3) certain payments of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen Venture Investment Centre Limited Partnership, a then joint venture of the Group. Impairment loss of financial assets of approximately RMB1,094 million, representing the above item (1) certain deposits to NEX and its subsidiaries (collectively the "**NEX Group**") of approximately RMB522 million and certain other payments to EBODHK and China Merchants New Energy Group Limited of approximately RMB72 million and (2) deposits made to SZZY of RMB500 million, were recognised in consolidated statement of profit or loss of the Group during the year ended 31 December 2019. More details about the Investigated Matters were disclosed in the predecessor auditors' report in the Company's 2019 annual report as well as the notes to the consolidated financial statements of the Group for the year ended 31 December 2019.

The predecessor auditor issued disclaimer of opinion on the consolidated financial statements of the Group for year ended 31 December 2019 due to the scope limitation on the audit of transactions in relation to the Investigated Matters of following reasons:

- the management were unable to provide the predecessor auditor with sufficient documentary evidence and satisfactory explanation about the nature, business rationale and commercial substance of the Investigated Matters;
- the predecessor auditor had requested but were unable to obtain corroborative evidence from the counterparties, including performing interviews with these counterparties, the former directors and certain former employees of the Group to ascertain the nature, rationale and underlying intention of these payments, arrangements and transactions as well as their relationship with the Group in relation with the Investigated Matters;
- the management was unable to provide predecessor auditor with adequate and appropriate documentary evidence to support the significant impairment loss of approximately RMB1,094 million made to the consolidated statement of profit or loss of the Group for year ended 31 December 2019.

Because of the scope limitation, there were no alternative audit procedures that predecessor auditors could perform to satisfy themselves as to the business rationale and commercial substance, legitimacy, existence, occurrence, accuracy, completeness, classification, presentation and disclosures in relation to the Investigated Matters, whether the impairment loss of approximately RMB1,094 million were fairly stated as well as the accuracy and completeness of the disclosures in the Group's consolidated financial statements for year ended 31 December 2019 in respect of contingent liability, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in relation to the Investigated Matters.

We also encountered similar scope limitation in relation to items (1) and (2) of the Investigated Matters as mentioned above and were not able to perform satisfactory audit work and there were no alternative audit procedures on whether the impairment loss of approximately RMB1,094 million recognised in consolidated statement of profit or loss of the Group for the year ended 31 December 2019 were fairly stated and accordingly, we were not able to express an audit opinion on the other receivables, deposits and prepayments included in the Group's consolidated financial position as at 31 December 2019, and the consolidated loss and consolidated cash flows for the year ended 31 December 2019 as well as the accuracy and completeness of the disclosures in respect of contingent liability, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in relation to the Investigated Matters. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures as at 31 December 2019 and for the year ended 31 December 2019 as well as the disclosures in these statements.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

In February 2021, the Company repurchased certain senior notes, which would be due in 2022, in the aggregate principal amount of US\$33 million at a total consideration of approximately US\$34 million (including accrued and unpaid interest) in the open market. Please refer to the Company’s announcement dated 26 February 2021 for further details.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to protect the interests of the Company and the shareholders of the Company as a whole. The Company believes that rigorous standards of corporate governance enhance the sustainability of the Company. To this end, the Company has maintained a framework of corporate governance policies and practices to apply the principles of good corporate governance in daily operation. This framework is built upon principles of accountability and integrity.

The Company has applied the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Year, the Company has complied with all applicable code provisions under the CG Code, except for the following:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the Year, Mr. Lu Zhenwei and Ms. Zhong Hui were the Chairman of the Board and the chief executive officer of the Company (the “**Chief Executive Officer**”) respectively till 21 February 2020. Upon their resignations from the relevant positions, Mr. Zhang Ping was appointed as the Chairman of the Board and the Chief Executive Officer with effect from 21 February 2020.

From 18 September 2020, Mr. Zhang Ping resigned from the position as the Chief Executive Officer, while continues to act as the Chairman of the Board and executive Director. On the same date, Mr. Zhu Jun was appointed as the Chief Executive Officer. The positions of the Chairman of the Board and Chief Executive Officer are held separately and fulfills the requirement under the code provision A.2.1 of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently consists of three members, including two independent non-executive directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who possesses relevant professional qualification and expertise in financial reporting matters. The Audit Committee acts as an important link between the Board and the Company’s auditors. It is responsible for making recommendations to the Board on the appointment and re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor. It is empowered to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, financial reporting system, internal control procedures and compliance issues. The Audit Committee has reviewed with Management the accounting policies and practices adopted by the Group and discussed internal control, risk management and financial reporting matters including the review of the annual report and audited annual results for the Year before the annual results were submitted to the Board for approval. The audited annual results as set out in this announcement have been reviewed and agreed by the Board (including the independent non-executive Directors) and the Audit Committee.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year.

PUBLICATION OF RESULTS ANNOUNCEMENT, ANNUAL REPORT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This announcement is required to be published on the website of the Stock Exchange at <http://www.hkexnews.com> and on the website of the Company at <http://www.bjei.com>. The annual report containing all the information required under Appendix 16 to the Listing Rules and the Group's Environmental, Social and Governance Report will be published on the Stock Exchange's website in due course.

APPRECIATION

The Board would like to take this opportunity to thank every stakeholder of the Group for their contributions to the Group during the Year.

For and on behalf of
Beijing Energy International Holding Co., Ltd.
Zhang Ping
Chairman of the Board

Hong Kong, 30 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman), Mr. Lu Zhenwei and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Sui Xiaofeng, Mr. Zhao Bing, Mr. Li Hao and Ms. Xie Yi; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Chen Hongsheng and Ms. Jin Xinbin.

* *For the purpose of identification only*