



華電國際電力股份有限公司
HUADIAN POWER INTERNATIONAL CORPORATION LIMITED *

Stock Code: 1071



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* For identification purposes only

Interim Report
2020

The board of directors (the “**Board**”) of Huadian Power International Corporation Limited* (the “**Company**”) hereby announces the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The Group’s interim financial report for the Period is unaudited, but has been reviewed by BDO Limited, the overseas auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The unmodified review report addressed by the BDO Limited to the Board is set out on page 27. The audit committee of the Company (the “**Audit Committee**”) has also reviewed the 2020 interim report and the relevant financial information of the Group.

BUSINESS REVIEW

During the Period, the turnover of the Group amounted to approximately RMB40,943 million, representing a decrease of approximately 5.36% over the corresponding period in 2019; the profit for the Period attributable to equity holders of the Company amounted to approximately RMB2,411 million; the profit for the Period attributable to equity shareholders of the Company amounted to approximately RMB1,975 million; the basic earnings per share were approximately RMB0.200.

INTERIM DIVIDEND

The Board of the Company did not recommend declaring any interim dividends for the Period.

MAJOR ASSETS

The Group is one of the largest comprehensive energy companies in the People’s Republic of China (“**China**” or the “**PRC**”), primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects. The Group’s power generating assets are located in 14 provinces, autonomous regions and municipalities across the PRC at the prime location, mainly in the electricity and heat load centres or regions with abundant coal resources. As at the date of this report, the Group had a total of 62 controlled power plants which have commenced operations involving a total of 56,953.3 MW controlled installed capacity, with a total of 43,235 MW attributable to coal-fired generating units, 6,878.1 MW attributable to gas-fired generating units and 6,840.2 MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units.

MAJOR ASSETS (CONTINUED)

Details of the Group's major power generating assets which have commenced operations as at the date of this report are as follows:

(1) Details of controlled coal- and gas-fired generating units are as follows:

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|---|----------------------------------------------------------------------|----------------------------|-------------------------------------|--------------------------------------------|
| 1 | Zouxian Plant | 2,575 | 100% | 1 x 635 MW + 1 x 600 MW + 4 x 335 MW |
| 2 | Shiliquan Plant | 2,120 | 100% | 2 x 660 MW + 2 x 330 MW + 1 x 140 MW |
| 3 | Laicheng Plant | 1,200 | 100% | 4 x 300 MW |
| 4 | Shuozhou Thermal Power Branch Company | 700 | 100% | 2 x 350 MW |
| 5 | Fengjie Plant | 1,200 | 100% | 2 x 600 MW |
| 6 | Shenzhen Company | 365 | 100% | 1 x 120 MW + 2 x 82 MW + 1 x 81 MW |
| 7 | Huadian Zouxian Power Generation Company Limited ("Zouxian Company") | 2,000 | 69% | 2 x 1,000 MW |
| 8 | Huadian Laizhou Power Generation Company Limited ("Laizhou Company") | 4,001.1 | 75% | 4 x 1,000 MW + 1.1 MW |
| 9 | Huadian Weifang Power Generation Company Limited ("Weifang Company") | 2,002.4 | 45% | 2 x 670 MW + 2 x 330 MW + 2.4 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|--------------------------------------------------------------------------------|----------------------------|-------------------------------------|--------------------------------------------|
| 10 | Huadian Qingdao Power Generation Company Limited ("Qingdao Company") | 1,220 | 55% | 1 x 320 MW + 3 x 300 MW |
| 11 | Huadian Zibo Thermal Power Company Limited ("Zibo Company") | 950 | 100% | 2 x 330 MW + 2 x 145 MW |
| 12 | Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company") | 925 | 87.5% | 1 x 335 MW + 1 x 300 MW + 2 x 145 MW |
| 13 | Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company") | 930 | 93.26% | 2 x 315 MW + 2 x 150 MW |
| 14 | Huadian Longkou Power Generation Company Limited ("Longkou Company") | 880 | 84.31% | 4 x 220 MW |
| 15 | Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company") | 3,320 | 65% | 2 x 1,060 MW + 2 x 600 MW |
| 16 | Sichuan Guang'an Power Generation Company Limited ("Guang'an Company") | 2,400 | 80% | 2 x 600 MW + 4 x 300 MW |
| 17 | Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company") | 1,320 | 90% | 2 x 660 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|----------------------------------------------------------------------------------------|----------------------------|-------------------------------------|----------------------------------------|
| 18 | Huadian Luohe Power Generation Company Limited ("Luohe Company") | 660 | 75% | 2 x 330 MW |
| 19 | Huadian Qudong Power Generation Company Limited ("Qudong Company") | 660 | 90% | 2 x 330 MW |
| 20 | Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company") | 1,260 | 56.07% | 2 x 630 MW |
| 21 | Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company") | 2,320 | 65% | 1 x 1,000 MW + 2 x 660 MW |
| 22 | Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company") | 1,320 | 95% | 2 x 660 MW |
| 23 | Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company") | 2,415.7 | 64% | 3 x 415 MW + 3 x 390 MW + 0.7 MW |
| 24 | Hangzhou Huadian Xiasha Thermal Power Company Limited ("Xiasha Company") | 246 | 56% | 1 x 88 MW + 2 x 79 MW |
| 25 | Hangzhou Huadian Jiangdong Thermal Power Company Limited ("Jiangdong Company") | 960.5 | 70% | 2 x 480.25 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|----------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|------------------------------------------------------------|
| 26 | Huadian Zhejiang Longyou Thermal Power Company Limited (" Longyou Company ") | 417 | 100% | 2 x 127.6 MW + 1 x 130.3 MW + 1 x 19.5 MW + 12 MW |
| 27 | Hebei Huadian Shijiazhuang Thermal Power Company Limited (" Shijiazhuang Thermal Power Company ") | 928.6 | 82% | 1 x 453.6 MW + 2 x 200 MW + 3 x 25 MW |
| 28 | Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited (" Yuhua Company ") | 600 | 100% | 2 x 300 MW |
| 29 | Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited (" Luhua Company ") | 660 | 90% | 2 x 330 MW |
| 30 | Shijiazhuang Huadian Heat Corporation Limited (" Shijiazhuang Heat Corporation ") | 4 | 100% | 2 x 2 MW |
| 31 | Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) (" Pingshi Power Company ") | 600 | 100% | 2 x 300 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 32 | Guangdong Huadian Shaoguan Thermal Power Company Limited ("Shaoguan Thermal Power Company") | 700 | 100% | 2 x 350 MW |
| 33 | Huadian Foshan Energy Company Limited ("Foshan Energy Company") | 165.5 | 100% | 2 x 59 MW + 47.5 MW |
| 34 | Huadian Guangdong Shunde Energy Company Limited ("Shunde Energy Company") | 163.5 | 90% | 2 x 59 MW + 45.5 MW |
| 35 | Tianjin Huadian Fuyuan Thermal Power Company Limited ("Fuyuan Thermal Power Company") | 400 | 63.14% | 2 x 200 MW |
| 36 | Tianjin Huadian Nanjiang Thermal Power Company Limited ("Nanjiang Thermal Power Company") | 930 | 65% | 2 x 315 MW + 1 x 300 MW |
| 37 | Huadian Hubei Power Generation Company Limited ("Hubei Company") (Note) | 6,944.4 | 82.56% | 2 x 680 MW + 2 x 660 MW + 2 x 640 MW + 6 x 330 MW + 1 x 300 MW + 2 x 185 MW + 40 x 2 MW + 254.4 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

Note: Details of the installed generating units of Hubei Company are as follows:

| Power generation enterprise | Installed capacity (MW) | Shareholding percentage of Hubei Company | Generating units |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------------------|--------------------------------------------|
| Huadian Hubei Power Generation Company Limited Huangshi Thermal Power Plant (" Huangshi Thermal Power Plant ") | 330 | 100% | 1 x 330 MW |
| Hubei Xisaishan Power Generation Company Limited (" Xisaishan Company ") | 660 | 50% | 2 x 330 MW |
| Hubei Huadian Xisaishan Power Generation Company Limited (" Huadian Xisaishan Company ") | 1,360 | 50% | 2 x 680 MW |
| Hubei Huadian Xiangyang Power Generation Company Limited (" Xiangyang Company ") | 2,570 | 60.10% | 2 x 640 MW + 3 x 330 MW + 1 x 300 MW |
| Hubei Huadian Jiangling Power Generation Company Limited (" Jiangling Company ") | 1,320 | 100% | 2 x 660 MW |
| Hubei Huadian Wuchang Thermal Power Company Limited (" Wuchang Thermal Power ") | 370 | 100% | 2 x 185 MW |
| Hubei Huadian Wuxue New Energy Company Limited (" Wuxue New Energy Company ") | 120 | 100% | 40 x 2 MW + 40 MW |
| Hubei Huadian Zaoyang Photovoltaic Power Generation Company Limited (" Zaoyang Photovoltaic Power Generation Company ") | 100 | 100% | 100 MW |

MAJOR ASSETS (CONTINUED)

(1) Details of controlled coal- and gas-fired generating units are as follows: (Continued)

| Power generation enterprise | Installed capacity (MW) | Shareholding percentage of Hubei Company | Generating units |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|------------------|
| Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited (“ Suixian Photovoltaic Power Generation Company ”) | 100 | 100% | 100 MW |
| Huadian Hubei Power Generation Company Limited Huangshi Photovoltaic Power Generation Branch Company (“ Huangshi Photovoltaic Power Generation Company ”) | 6.4 | 100% | 6.4 MW |
| Huadian Hubei Power Generation Company Limited Wuhan Photovoltaic Power Generation Branch Company (“ Wuhan Photovoltaic Power Generation Company ”) | 8 | 100% | 8 MW |

MAJOR ASSETS (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows:

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|---|------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|--------------------------------------------------------------------|
| 1 | Sichuan Huadian Luding Hydropower Company Limited (" Luding Hydropower Company ") | 920 | 100% | 4 x 230 MW |
| 2 | Sichuan Huadian Zagunao Hydroelectric Development Company Limited (" Zagunao Hydroelectric Company ") | 591 | 64% | 3 x 65 MW + 3 x 56 MW + 3 x 46 MW + 3 x 30 MW |
| 3 | Lixian Xinghe Power Company Limited (" Lixian Company ") | 67 | 100% | 3 x 11 MW + 4 x 8.5 MW |
| 4 | Sichuan Liangshan Shuiluohe Hydropower Development Company Limited (" Shuiluohe Company ") | 648 | 57% | 3 x 70 MW + 3 x 62 MW + 3 x 46 MW + 3 x 38 MW |
| 5 | Hebei Huadian Complex Pumping-storage Hydropower Company Limited (" Hebei Hydropower Company ") | 83.4 | 100% | 1 x 16 MW + 2 x 15 MW + 1 x 11 MW + 2 x 3.2 MW + 20 MW |
| 6 | Inner Mongolia Huadian Mengdong Energy Company Limited (" Mengdong Energy Company ") | 399 | 54.85% | 262 x 1.5 MW + 2 x 3 MW |
| 7 | Huadian Kezuozhongqi Wind Power Company Limited (" Kezuozhongqi Wind Power Company ") | 49.5 | 100% | 33 x 1.5 MW |

MAJOR ASSETS (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|-----------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|----------------------------------------------------------|
| 8 | Huadian Power International Ningxia New Energy Power Company Limited ("Ningxia New Energy Company") | 1,481.5 | 63.92% | 40 x 2.1 MW + 155 x 2 MW + 665 x 1.5 MW + 90 MW |
| 9 | Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company") | 290.5 | 61.87% | 167 x 1.5 MW + 40 MW |
| 10 | Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company") | 379.5 | 100% | 72 x 2 MW + 137 x 1.5 MW + 30 MW |
| 11 | Hebei Huarui Energy Group Corporation Limited ("Huarui Company") | 99 | 100% | 48 x 2 MW + 2 x 1.5 MW |
| 12 | Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Power Company") | 40.5 | 55% | 27 x 1.5 MW |
| 13 | Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Company") | 48 | 55% | 24 x 2 MW |
| 14 | Huadian Laizhou Wind Energy Power Company Limited ("Laizhou Wind Energy Company") | 149.4 | 55% | 72 x 2 MW + 3 x 1.8 MW |

MAJOR ASSETS (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|-------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|-------------------------------------------------------------------------|
| 15 | Huadian Longkou Wind Power Company Limited ("Longkou Wind Power Company") | 99.3 | 65% | 23 x 1.5 MW + 6 x 2.5 MW + 24 x 2 MW + 1 x 1.8 MW |
| 16 | Longkou Dongyi Wind Power Company Limited ("Longkou Dongyi Wind Power Company") | 80 | 55% | 20 x 1.5 MW + 25 x 2 MW |
| 17 | Huadian Shandong New Energy Company Limited ("Shandong New Energy Company") | 613 | 100% | 213 x 2 MW + 3 x 1.9 MW + 1 x 1.8 MW + 33 x 1.5 MW + 130 MW |
| 18 | Huadian Xuwen Wind Power Company Limited ("Xuwen Wind Power Company") | 99 | 100% | 48 x 2 MW + 2 x 1.5 MW |
| 19 | Huadian Xiaxian Wind Power Company Limited ("Xiaxian Wind Power Company") | 100 | 100% | 50 x 2 MW |
| 20 | Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company") | 10 | 60% | 10 MW |

MAJOR ASSETS (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows: (Continued)

| | Name of power plant/company | Installed capacity (MW) | Equity interest held by the Company | Generating units |
|----|--------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|---------------------------|
| 21 | Huadian Zhangjiakou Saibei New Energy Generation Company Limited ("Zhangjiakou Saibei New Energy Company") | 4 | 100% | 4 MW |
| 22 | Huadian Ningbo New Energy Generation Company Limited ("Ningbo New Energy Company") | 10 | 100% | 10 MW |
| 23 | Huadian Huzhou New Energy Power Generation Company Limited ("Huzhou New Energy Company") | 30 | 100% | 30 MW |
| 24 | Huadian Taiqian Photovoltaic Power Generation Company Limited ("Taiqian Photovoltaic Power Generation Company") | 100 | 50% | 100 MW |
| 25 | Zezhou County Huadian Wind Power Company Limited ("Zezhou Wind Power Company") | 98 | 100% | 40 x 2.2 MW + 5 x 2 MW |

NEWLY-ADDED INSTALLED CAPACITY

From 1 January 2020 up to the date of this report, the details of the Group's newly-added generating units are as follows:

| Projects | Category | Installed capacity (MW) |
|-----------------------------------|--------------------|------------------------------------|
| Shijiazhuang Heat Corporation | Gas-fired | 4 |
| Shuiluohu Company | Hydropower | 124 |
| Longkou Dongyi Wind Power Company | Wind power | 50 |
| Shandong New Energy Company | Wind power | 40 |
| Ningxia New Energy Company | Wind power | 100 |
| Ningxia New Energy Company | Photovoltaic power | 70 |
| Total | | 388 |

GENERATING UNITS UNDER CONSTRUCTION

As at the date of this report, the Group's major generating units under construction are as follows:

| Type of generating units | Planned installed capacity (MW) |
|-------------------------------------|--------------------------------------------|
| Coal-fired generating units | 510 |
| Gas-fired generating units | 1,629 |
| Hydropower generating units | 168 |
| Wind power generating units | 1,716.5 |
| Photovoltaic power generating units | 11.3 |
| Total | 4,034.8 |

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Macroeconomic conditions and electricity demand

According to the relevant information and statistics, in the first half of 2020, the gross domestic product of the PRC amounted to RMB45,661.4 billion, representing a decrease of 1.6% over the corresponding period in 2019 based on comparable prices. Power consumption of the entire society in the PRC totaled 3,354.7 million MWh, representing a decrease of 1.3% over the corresponding period in 2019. Specifically, consumption by the primary industry represented a year-on-year increase of 8.2%, consumption by the secondary industry represented a year-on-year decrease of 2.5% and consumption by the tertiary industry represented a year-on-year decrease of 4.0%, while the household consumption by urban and rural residents represented a year-on-year increase of 6.6%.

(2) Power generation

During the Period, the power generated by the Group amounted to approximately 92.98 million MWh, representing a decrease of approximately 8.66% over the corresponding period in 2019; the on-grid power sold amounted to approximately 87.06 million MWh, representing a decrease of approximately 8.53% over the corresponding period in 2019. Such decrease in the power generated and on-grid power sold was mainly attributable to COVID-19 and the increase in the amount of external power purchased by Shandong. The average utilisation hours of the generating units were 1,638 hours, among which the average utilisation hours of coal-fired generating units were 1,830 hours and the coal consumption for power supply was 288.52g/KWh that was remarkably lower than the national average.

(3) Turnover and profit

During the Period, the turnover of the Group amounted to approximately RMB40,943 million, representing a decrease of approximately 5.36% over the corresponding period in 2019, mainly due to the year-on-year decrease in the revenue of the Group generated from the sale of electricity. The revenue of the Group generated from the sale of electricity amounted to approximately RMB31,742 million, representing a decrease of approximately 7.76% over the corresponding period in 2019, mainly due to the decrease in the volume of on-grid power sold. The revenue generated from the sale of heat amounted to approximately RMB3,702 million, representing an increase of approximately 16.73% over the corresponding period in 2019, mainly due to the increase in the volume of heat sold. The revenue generated from the sale of coal amounted to approximately RMB5,499 million, representing a decrease of approximately 3.19% over the corresponding period in 2019, mainly due to the year-on-year decrease in coal price.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(3) Turnover and profit (Continued)

During the Period, the Group's operating profit amounted to approximately RMB5,182 million, representing an increase of approximately 20.59% over the corresponding period in 2019, mainly due to the decrease in coal price; the profit for the Period attributable to equity holders of the Company amounted to approximately RMB2,411 million, the profit for the Period attributable to equity shareholders of the Company amounted to approximately RMB1,975 million, and the basic earnings per share were approximately RMB0.200.

(4) Major operating expenses

Fuel costs are the major operating expense of the Group. During the Period, the fuel costs of the Group amounted to approximately RMB18,502 million, representing a decrease of approximately 14.96% over the corresponding period in 2019. This was mainly due to the year-on-year decrease in the volume of power generation and coal price.

During the Period, the cost of sales of the Group for coal amounted to approximately RMB4,962 million, representing a decrease of approximately 6.60% over the corresponding period in 2019. This was mainly due to the year-on-year decrease in coal price.

During the Period, the depreciation and amortization expenses of the Group amounted to approximately RMB5,832 million, representing an increase of approximately 5.03% over the corresponding period in 2019. This was mainly due to the commencement of operation of new generating units.

During the Period, the repairs, maintenance and inspection expenses of the Group amounted to approximately RMB1,872 million, representing an increase of approximately 0.82% over the corresponding period in 2019. This was mainly due to the commencement of operation of new generating units.

During the Period, the personnel costs of the Group amounted to approximately RMB2,852 million, representing a decrease of approximately 0.06% over the corresponding period in 2019. This was mainly due to the timing difference for inclusion in the cost.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(4) Major operating expenses (Continued)

During the Period, the administration expenses of the Group amounted to approximately RMB666 million, representing an increase of approximately 12.51% over the corresponding period in 2019. This was mainly due to the commencement of operation of new generating units.

During the Period, the tax and surcharges of the Group amounted to approximately RMB538 million, representing an increase of approximately 7.49% over the corresponding period in 2019. This was mainly due to the decrease in deducted input tax and increase in value added tax payables resulted by the decrease in coal price.

During the Period, the other operating expenses of the Group amounted to approximately RMB536 million, representing a decrease of approximately 1.09% over the corresponding period in 2019. This was mainly due to the year-on-year decrease in heat purchase charges and water charges.

(5) Other revenue and net income

During the Period, the other revenue and net income of the Group amounted to approximately RMB892 million, representing an increase of approximately 50.75% over the corresponding period in 2019. This was mainly due to the year-on-year increase in revenue from sales of by-products of power generation such as coal ash and gypsum.

(6) Finance costs

During the Period, the finance costs of the Group amounted to approximately RMB2,428 million, representing a decrease of approximately 8.39% over the corresponding period in 2019. This was mainly due to the year-on-year decrease in equity instruments issued, interest-bearing debt and the capital cost rate.

(7) Share of results of associates and joint ventures

During the Period, the share of results of associates and joint ventures of the Group amounted to approximately RMB250 million, representing a decrease of approximately 22.24% over the corresponding period in 2019. This was mainly due to the year-on-year decrease in income of coal mining enterprises invested by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(8) Income tax

During the Period, the income tax of the Group amounted to approximately RMB806 million, representing an increase of approximately 57.49% over the corresponding period in 2019. This was mainly due to the increase in the Group's profit.

(9) Pledge and mortgage of assets

As at 30 June 2020, the Company and its subsidiaries have pledged their income stream in respect of the sale of electricity and heat to secure loans amounting to approximately RMB17,589 million.

As at 30 June 2020, some subsidiaries of the Company have mortgaged their generating units and relevant equipment, land use rights and mining rights to secure loans amounting to approximately RMB4,162 million.

(10) Indebtedness

As at 30 June 2020, the total borrowings of the Group amounted to approximately RMB93,114 million, of which borrowings denominated in Euro amounted to approximately EUR9 million. The liabilities to assets ratio was approximately 61.14%, representing a decrease of 4 percentage points compared to that at the end of 2019. Borrowings of the Group were mainly at floating rates. In addition, the closing balance of super short-term debentures, medium-term notes payable (including the portion due within one year) and lease liabilities of the Group amounted to approximately RMB300 million, RMB12,489 million and RMB2,230 million, respectively.

(11) Contingent liabilities

As at 30 June 2020, Guang'an Company, a subsidiary of the Company, has provided guarantees to banks for loans amounting to RMB43.58 million which were granted to Sichuan Huayingshan Longtan Coal Company Limited, an associate of Guang'an Company.

(12) Cash and cash equivalents

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB6,044 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(13) Exchange rate fluctuation risk and related hedging

The Group mainly engages in business and obtains income in China, and has a relatively small amount of foreign currency borrowings. Therefore, the exchange rate fluctuation risk is relatively low. Based on the above consideration, the Group did not adopt relevant hedging measures.

Save as disclosed herein, information with respect to the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") (The Stock Exchange of Hong Kong Limited is referred to as the "**Hong Kong Stock Exchange**") has not changed materially from that included in the Company's 2019 annual report.

BUSINESS OUTLOOK

In the second half of the year, the Group will be confronted with a business environment where both opportunities and challenges co-exist. The periodical success in prevention and control of the COVID-19 epidemic in China and the quick restoration of the economic and social order have gradually stimulated the increase in electricity consumption, and the development trend of long-term economic upturn in China remains unchanged. Chinese government has strengthened the policies and measures for "six stabilizations" and "six guarantees", reinforced the counter-cyclical regulation on macro-policies, and continuously intensified tax cut and fee reduction, which have provided favorable conditions for the Group to improve quality and efficiency.

Meanwhile, the Group remains facing risks arising from the power market, coal market and environmental protection.

In terms of the power market, the export-driven growth slows down due to the spread of international COVID-19 epidemic and the rise of trade protectionism. In the second half of the year, the electricity power demand will be subject to uncertainty, and the Group will face great downward pressure on power generation. The external electricity purchased by Shandong, Hebei and Henan has occupied the power generation space by coal-fired generating units in these provinces, with serious conflicts caused, and the number of utilization hours of coal-fired generating units is also declining, which will exert certain impact on the Group. As the reform further deepens, the power generation and utilization plan will be fully liberalized, and the medium & long term market and the spot market will be expanded and popularized, thereby leading to fiercer competition at the power market, increasing proportion of traded electricity, and lower overall electricity price level. The Group will strengthen marketing and further enhance the ability to increase income. The Group will make analysis, research and judgment on the power market situation, grasp the opportunity in accelerating recovery of electricity demand, formulate competitive strategies for differentiated markets, and make every effort to improve the power utilization efficiency per KWh.

BUSINESS OUTLOOK (CONTINUED)

In terms of the coal market, China has continuously strengthened macro-control of the coal industry, increased the reduction of production capacity in major coal mines, and accelerated the concentration of resources in Shanxi, Inner Mongolia and Shaanxi and in leading enterprises by virtue of industry merger and restructuring and replacement of production capacity. The increasing proportion of long-distance electricity-coal transportation between regions, and the vulnerability of coal transportation to extreme weather and geological disasters along the railway lines have caused corresponding greater impacts on the coal market. As affected by the rebound of coal demand during the summer peak period and the limited supplement of the imported coal market, the electricity-coal market will show a tense situation during the summer peak period, which will somewhat restrict the Group from further improving its benefits. The Group will further enhance the analysis, research and judgment on the coal market situation, improve the market adaptability, scientifically formulate the procurement strategies, expand the procurement channels, optimize the coal intake structure, reasonably control the inventory, and make multiple measures to curb the rebound of coal price.

In terms of environmental protection, the newly revised Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes will come into effect from September 2020, pursuant to which waste solids will be managed more rigidly and vigorously. Enterprises will take more responsibilities and face stricter regulatory control, and may pay more expenses for environmental protection. The Group will resolutely carry out the deployment requirements of the national pollution prevention and control campaign, carefully implement the environmental protection policies, strengthen the operation of environmental protection facilities and the supervision of environmental protection indexes, strictly control the up-to-standard discharge of pollutants, follow up and supervise the rectification and reform of environmental protection issues in subsidiaries, and attach great importance to the control over eco-environmental protection.

SIGNIFICANT EVENTS

Resignation of the Director and Supervisor

On 25 March 2020, due to age, Mr. Tian Hongbao tendered his resignation as the vice chairman, an executive director and a member of the Nomination Committee of the eighth session of the Board of the Company and the general manager of the Company with effect from the same date. On 8 May 2020, due to work arrangement, Mr. Peng Xingyu tendered his resignation as a supervisor of the eighth session of the supervisory committee of the Company with effect from the same date.

For details, please refer to the announcements of the Company dated 25 March 2020 and 8 May 2020.

SIGNIFICANT EVENTS (CONTINUED)

Change of the Board and Supervisory Committee and Appointment of the General Manager

At the 2019 annual general meeting of the Company (the “AGM”) held on 30 June 2020, Mr. Wang Xuxiang, Mr. Luo Xiaoqian and Mr. Feng Rong were re-elected or elected as the executive directors of the ninth session of the Board of the Company; Mr. Ni Shoumin, Mr. Peng Xingyu, Mr. Gou Wei, Mr. Hao Bin and Mr. Wang Xiaobo were re-elected or elected as the non-executive directors of the ninth session of the Board of the Company; Mr. Wang Dashu, Mr. Zong Wenlong, Mr. Feng Zhenping and Mr. Li Xingchun were re-elected or elected as the independent non-executive directors of the ninth session of the Board of the Company; Ms. Chen Wei and Mr. Ma Jing’an were re-elected or elected as the supervisors of the ninth session of the supervisory committee of the Company. On 30 June 2020, according to the laws and regulations of the PRC and the Articles of Association, the employees of the Company democratically elected Mr. Zhang Peng as the employee representative supervisor of the ninth session of the supervisory committee of the Company.

On 30 June 2020, due to the expiry of their terms of office, Mr. Chen Cunlai ceased to serve as the executive director of the Company; Mr. Chen Haibin and Mr. Tao Yunpeng ceased to serve as the non-executive directors of the Company; Mr. Ding Huiping and Mr. Wang Chuanshun ceased to serve as the independent non-executive directors of the Company; Mr. Zha Jianqiu ceased to serve as the independent supervisor of the Company; and Ms. Yuan Yanan and Mr. Ma Jing’an ceased to serve as the employee representative supervisors of the Company.

At the first meeting of the ninth session of the Board of the Company held on 30 June 2020, Mr. Wang Xuxiang and Mr. Ni Shoumin were respectively re-elected as the chairman and vice chairman of the Company, and Mr. Luo Xiaoqian was appointed as the general manager of the Company. At the first meeting of the ninth session of the supervisory committee of the Company held on 30 June 2020, Ms. Chen Wei was re-elected as the chairman of the supervisory committee of the Company.

For details, please refer to the announcements of the Company dated 8 June 2020 and 30 June 2020, and the circular of the Company dated 15 May 2020.

Amendments to the Articles of Association and Its Appendices

In order to further improve corporate governance and strengthen regulated operations of the listed company, the Company has, upon approval at the 27th meeting of the eighth session of the Board and the AGM of the Company, amended the Articles of Association and its appendices, including the Rules of Procedures for General Meetings, the Rules of Procedures for the Board and the Rules of Procedures for the Supervisory Committee, in accordance with the Company Law of the People’s Republic of China (2018 Revision), the Guidelines on Articles of Associations of Listed Companies (2019 Revision), the Code of Corporate Governance for Listed Companies (2018 Revision) and other relevant laws and regulations. Such amendments involved provisions in relation to stock repurchase, election of the Board members, constitution of the supervisory committee, serving concurrent positions by senior management, etc.

SIGNIFICANT EVENTS (CONTINUED)

Amendments to the Articles of Association and Its Appendices (Continued)

For details, please refer to the announcements of the Company dated 25 March 2020 and 30 June 2020, and the circular of the Company dated 15 May 2020.

Renewal of Finance Lease Framework Agreement with Huadian Financial Leasing Company Limited (“Huadian Financial Leasing”)

On 8 May 2020, the Company entered into the Finance Lease Framework Agreement with Huadian Financial Leasing for a term of three years from 1 July 2020 to 30 June 2023, pursuant to which, Huadian Financial Leasing agreed to provide finance lease services including direct lease services and sale and leaseback services to the Group. For the three years ending 30 June 2023, the cap of the maximum financing balance obtained by the Group from Huadian Financial Leasing is RMB6 billion, and the annual cap for each of the direct lease services and sale and leaseback services is RMB1.5 billion and RMB0.5 billion, respectively.

Huadian Financial Leasing is a subsidiary of the Company’s controlling shareholder, i.e. China Huadian Corporation Limited (“**China Huadian**”), and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Finance Lease Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of the business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the percentage ratios in respect of the transactions under the Finance Lease Framework Agreement is more than 0.1% but less than 5%, the transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, such transactions are subject to the approval by the independent shareholders of the Company at the general meeting in accordance with the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Such transactions and the caps thereof have been approved by the independent shareholders of the Company at the AGM.

The finance leases under the Finance Lease Framework Agreement are expected to reduce the Company’s finance costs, improve its capital utilization rate and thereby promote its business development. In particular, the finance leases can provide stable, reliable and low-cost financial support for the Group’s clean energy power generation projects and lay a solid foundation for the Group’s future daily operations.

For details, please refer to the announcements of the Company dated 8 May 2020 and 30 June 2020, and the circular of the Company dated 15 May 2020.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position as at 30 June 2020 in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 30 June 2020, or was a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company as at 30 June 2020:

| Name of 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) <i>(Note 1)</i> | 0.87% | – | 5.00% | Interest of controlled corporation |
| Shandong Development Investment Holding Group Co., Ltd. | A shares | 800,766,729 (L) | 8.12% | 9.83% | – | Beneficial owner |
| Pzena Investment Management, LLC | H shares | 157,116,672 (L) | 1.59% | – | 9.15% | Investment manager |
| Pandanus Partners L.P. | H shares | 86,160,000 (L) <i>(Note 2)</i> | 0.87% | – | 5.02% | Interest of controlled corporation |
| Pandanus Associates Inc. | H shares | 86,160,000 (L) <i>(Note 2)</i> | 0.87% | – | 5.02% | Interest of controlled corporation |
| FIL Limited | H shares | 86,160,000 (L) <i>(Note 2)</i> | 0.87% | – | 5.02% | Interest of controlled corporation |

(L) = Long position

Note 1: So far as the directors of the Company 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.

Note 2: So far as the directors of the Company are aware or are given to understand, these 86,160,000 H shares were held in the name of HKSCC Nominees Limited. These 86,160,000 H shares were held by FIL Limited through its wholly-owned subsidiaries (namely FIL Asia Holdings Pte Limited, FIL Investment Management (Hong Kong) Limited, FIL Fund Management Limited, FIL Holdings (UK) Limited, FIL Investment Advisors (UK) Limited, FIL Investment Services (UK) Limited, FIL Investments International, FIL PENSIONS MANAGEMENT, FIL Life Insurance Limited and FIL Fund Management (Ireland) Limited). Pandanus Associates Inc. and Pandanus Partners L.P. were deemed to be interested in the same tranche of H shares through their direct or indirect control over FIL Limited.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Save as disclosed above and so far as the directors of the Company are aware, as at 30 June 2020, 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 would fall to be 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.

INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE OR MEMBERS OF SENIOR MANAGEMENT IN THE SECURITIES

As at 30 June 2020, the interests or short positions of the directors, supervisors, chief executive or members of senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

| Name | Position in the Company | Number of A shares of the Company held as personal interest | Capacity in A shares |
|---------|-------------------------|----------------------------------------------------------------------|----------------------|
| Gou Wei | Non-executive director | 10,000 <i>(Note)</i> | Beneficial owner |

Note: Accounted for approximately 0.0001% of the total issued A shares of the Company on 30 June 2020.

INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE OR MEMBERS OF SENIOR MANAGEMENT IN THE SECURITIES (CONTINUED)

Save as disclosed above, as at 30 June 2020, none of the directors, supervisors, chief executive or members of the senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (as defined in Part XV of the SFO) which was (i) 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 interest or short position which any such director, supervisor, chief executive or member of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (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 of the Company).

During the Period, the Company has adopted a code of conduct regarding transactions of the directors of the Company in the Company's securities on terms identical to those of the Model Code. Having made specific enquiries of all directors and supervisors of the Company, the Company understands that all of the directors and supervisors have complied with the required standards set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2020, the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

As of 30 June 2020, certain members of the Group were parties to certain litigations arising from the ordinary course of business or acquisition of assets. However, the management of the Group believes that any possible legal liability which incurred or may incur from the aforesaid litigations will not have any material adverse effect on the financial position and operating results of the Group.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements for the Period prepared under the International Accounting Standard 34 “Interim Financial Reporting” have been reviewed by the Audit Committee.

EMPLOYEE REMUNERATION POLICY FOR THE GROUP

As at 30 June 2020, the total number of employees of the Group was 26,922. The Group has always complied with the relevant requirements of the PRC, and determined the salary levels of employees according to its economic benefits. It has established an objective, impartial, scientific and effective remuneration distribution mechanism and staff performance appraisal mechanism, according to the talent concept of “identifying talents through performance, selecting talents through competition and awarding talents through remuneration”.

CORPORATE GOVERNANCE

The Company has always attached great importance to corporate governance and has continuously implemented management innovation. In strict compliance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Hong Kong Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved the structure of corporate governance, enhanced the level of the Company’s governance and endeavored to achieve the harmonious development between the growth of the Company and the interest of its shareholders.

The codes on corporate governance of the Company include, but not limited to, its Articles of Association, Rules of Procedures for General Meetings, Rules of Procedures for the Board, Rules of Procedures for the Supervisory Committee, the Terms of Reference for the Audit Committee under the Board, the Terms of Reference for the Remuneration and Appraisal Committee under the Board, and the Terms of Reference for the Nomination Committee under the Board, etc.

The Company has established and improved the standardised operating systems of the general meetings, meetings of the Board and supervisory committee of the Company and its subsidiaries. The independent directors, the Audit Committee and the supervisory committee have actively supervised the preparation of regular reports, whereas non-executive directors and supervisors have performed their duties by carrying out annual reviews and the supervisory committee has further improved its supervisory duties. The Company has upheld transparency and compliance with information disclosures. Trainings regarding corporate governance and regulatory operations were provided to the directors, supervisors and secretaries to the Board of the Company and its subsidiaries. In accordance with the relevant requirements of the risk management and internal control, regular assessments were made on the risk management and internal control of the Company.

CORPORATE GOVERNANCE (CONTINUED)

In the first half of the year, the Group complied with the environmental, social and governance requirements under the Hong Kong Listing Rules, and continuously tracked the performance indicators of the Group in terms of environmental protection, social responsibility and corporate governance. In accordance with the relevant revisions made to inside information in the Securities Law of the People's Republic of China and the Guidelines of Shanghai Stock Exchange on Insiders Reporting by Listed Companies, the Company has made corresponding revisions to the Registration and Management System for the Insiders with Inside Information.

The Board adheres to the principles of corporate governance in order to achieve prudent management and enhance value for shareholders. Transparency, accountability and independence are enshrined under these principles. The Board has reviewed the relevant requirements prescribed under the codes on corporate governance adopted by the Company and its actual operations, and has taken the view that the corporate governance practices of the Company during the Period have met the requirements under the code provisions in the Corporate Governance Code ("**Corporate Governance Code**") as contained in Appendix 14 to the Hong Kong Listing Rules. The Company has also adopted the board member diversity policy. In certain aspects, the corporate governance codes adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code, the major particulars of which are as follows:

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited for Directors and Supervisors and the Code on Trading in Securities of Huadian Power International Corporation Limited for Employees, which are on terms no less lenient than those set out in the Model Code.
- In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has established the Strategic Committee and has stipulated the Terms of Reference for the Strategic Committee.
- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors.

By order of the Board
Huadian Power International Corporation Limited*
Wang Xuxiang
Chairman

Beijing, the PRC
20 August 2020

Report on Review of Condensed Consolidated Financial Statements



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TO THE BOARD OF DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

華電國際電力股份有限公司

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 28 to 70 which comprise the condensed consolidated statement of financial position of Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**condensed consolidated financial statements**"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Amy, Yau Shuk Yuen

Practising Certificate no. P06095

Hong Kong, 20 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended 30 June 2020

| | Notes | Six months ended 30 June | |
|----------------------------------------------------------------------------------|-------|--------------------------|------------------------|
| | | 2020 | 2019 |
| | | RMB'000 (unaudited) | RMB'000 (unaudited) |
| Turnover | 4 | 40,942,846 | 43,263,433 |
| Operating expenses | | | |
| Fuel costs | | (18,501,595) | (21,755,169) |
| Cost of coal sold | | (4,962,286) | (5,312,664) |
| Depreciation and amortisation | | (5,831,713) | (5,552,552) |
| Repairs, maintenance and inspection | | (1,871,703) | (1,856,429) |
| Personnel costs | | (2,852,466) | (2,854,177) |
| Administration expenses | | (666,386) | (592,267) |
| Taxes and surcharges | | (538,282) | (500,789) |
| Other operating expenses | 7(b) | (536,102) | (542,011) |
| | | (35,760,533) | (38,966,058) |
| Operating profit | | 5,182,313 | 4,297,375 |
| Investment income | 5 | 23,174 | 7,971 |
| Other revenue and net income | | 892,239 | 591,860 |
| Interest income from bank deposits | | 48,552 | 43,814 |
| Fair value gain on financial liabilities at fair value through profit or loss | | – | 201 |
| Finance costs | 6 | (2,427,861) | (2,650,166) |
| Share of results of associates and joint ventures | | 249,790 | 321,242 |
| Profit before taxation | 7(a) | 3,968,207 | 2,612,297 |
| Income tax | 8 | (805,969) | (511,744) |
| Profit for the period | | 3,162,238 | 2,100,553 |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Six Months Ended 30 June 2020

| | Notes | Six months ended 30 June | |
|----------------------------------------------------------------------------------------|-------|--------------------------|------------------------|
| | | 2020 | 2019 |
| | | RMB'000 (unaudited) | RMB'000 (unaudited) |
| Other comprehensive income for the period (net of tax): | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Share of other comprehensive income of investees accounted for under the equity method | 9 | 2,595 | 22,187 |
| Total comprehensive income for the period | | 3,164,833 | 2,122,740 |
| Profit for the period attributable to: | | | |
| Equity holders of the Company | | 2,411,435 | 1,637,885 |
| Non-controlling interests | | 750,803 | 462,668 |
| | | 3,162,238 | 2,100,553 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the Company | | 2,414,030 | 1,659,329 |
| Non-controlling interests | | 750,803 | 463,411 |
| | | 3,164,833 | 2,122,740 |
| Basic earnings per share | 10 | RMB0.200 | RMB0.144 |

Condensed Consolidated Statement of Financial Position

At 30 June 2020

| | | At 30 June 2020 | At 31 December 2019 |
|----------------------------------------------------------|--------------|-------------------------------|-----------------------------|
| | <i>Notes</i> | <i>RMB'000</i> (unaudited) | <i>RMB'000</i> (audited) |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 158,134,297 | 159,729,585 |
| Right-of-use assets | | 7,977,192 | 8,252,067 |
| Construction in progress | 12 | 17,584,015 | 16,657,612 |
| Investment properties | | 32,518 | 32,752 |
| Intangible assets | | 4,127,970 | 4,232,732 |
| Goodwill | | 1,327,522 | 1,327,522 |
| Interests in associates and joint ventures | | 11,847,980 | 11,776,604 |
| Financial assets at fair value through profit or loss | | 292,170 | 279,439 |
| Other non-current assets | 13 | 2,715,530 | 2,661,438 |
| Deferred tax assets | | 554,631 | 614,436 |
| | | 204,593,825 | 205,564,187 |
| Current assets | | | |
| Inventories | | 3,101,479 | 3,222,936 |
| Trade debtors and bills receivable | 14 | 11,788,076 | 12,261,884 |
| Deposits, other receivables and prepayments | 15 | 4,293,246 | 4,475,544 |
| Tax recoverable | | 73,325 | 52,011 |
| Restricted deposits | 16 | 107,192 | 122,233 |
| Cash and cash equivalents | 17 | 6,044,048 | 6,465,560 |
| | | 25,407,366 | 26,600,168 |

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2020

| | Notes | At 30 June 2020 | At 31 December 2019 |
|---------------------------------------------------|-------|------------------------|---------------------------|
| | | RMB'000 (unaudited) | RMB'000 (audited) |
| Current liabilities | | | |
| Bank loans | | 26,518,643 | 29,454,795 |
| Loans from shareholders | | 200,000 | 400,000 |
| State loans | | 4,499 | 4,466 |
| Other loans | 18(a) | 3,719,747 | 4,701,694 |
| Short-term debentures payable | 18(b) | 300,283 | 3,541,337 |
| Long-term debentures payable – current portion | 18(c) | – | 1,998,796 |
| Amount due to the parent company | | 72,554 | 72,785 |
| Lease liabilities | | 847,709 | 738,666 |
| Trade creditors and bills payable | 19 | 16,154,246 | 17,636,233 |
| Other payables | 20 | 8,751,753 | 8,184,037 |
| Tax payable | | 580,391 | 596,975 |
| | | <u>57,149,825</u> | <u>67,329,784</u> |
| Net current liabilities | | <u>(31,742,459)</u> | <u>(40,729,616)</u> |
| Total assets less current liabilities | | <u>172,851,366</u> | <u>164,834,571</u> |

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2020

| | | At 30 June 2020 | At 31 December 2019 |
|-------------------------------------------------------------|--------------|-------------------------------|-----------------------------|
| | <i>Notes</i> | <i>RMB'000</i> (unaudited) | <i>RMB'000</i> (audited) |
| Non-current liabilities | | | |
| Bank loans | | 50,446,635 | 57,124,722 |
| Loans from shareholders | | 6,223,729 | 2,193,730 |
| State loans | | 52,838 | 52,881 |
| Other loans | 18(a) | 5,947,808 | 5,252,197 |
| Long-term debentures payable | 18(c) | 12,488,615 | 10,485,671 |
| Lease liabilities | | 1,381,822 | 2,060,661 |
| Long-term payables | | 256,523 | 313,791 |
| Provisions | | 170,821 | 127,532 |
| Deferred government grants | | 1,571,326 | 1,617,262 |
| Deferred income | 21 | 2,828,140 | 2,777,731 |
| Deferred tax liabilities | | 2,093,726 | 2,203,843 |
| Retirement benefit obligations | | 18,087 | 16,907 |
| | | 83,480,070 | 84,226,928 |
| Net assets | | | |
| | | 89,371,296 | 80,607,643 |
| Capital and reserves | | | |
| Share capital | | 9,862,977 | 9,862,977 |
| Perpetual capital securities | 23 | 20,945,954 | 16,129,055 |
| Reserves | | 37,360,534 | 36,609,706 |
| Equity attributable to equity holders of the Company | | | |
| | | 68,169,465 | 62,601,738 |
| Non-controlling interests | | | |
| | | 21,201,831 | 18,005,905 |
| Total equity | | | |
| | | 89,371,296 | 80,607,643 |

The condensed consolidated financial statements on pages 28 to 70 were approved and authorised for issue by the board of directors on 20 August 2020 and are signed on its behalf by:

Luo Xiaoqian
Director

Feng Rong
Director

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2020

| | Attributable to equity holders of the Company | | | | | | | | | | |
|----------------------------------------------------------------------------|-----------------------------------------------|-----------------|---------------------------|-------------------------------|---------------------|--------------------|------------------|------------------------------|-------------|---------------------------|--------------|
| | Share capital | Capital reserve | Statutory surplus reserve | Discretionary surplus reserve | Revaluation reserve | Fair value reserve | Retained profits | Perpetual capital securities | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 31 December 2019 (audited) | 9,862,977 | 15,149,644 | 3,571,847 | 68,089 | 44,726 | (19,410) | 17,794,810 | 16,129,055 | 62,601,738 | 18,005,905 | 80,607,643 |
| Profit for the period | - | - | - | - | - | - | 1,974,721 | 436,714 | 2,411,435 | 750,803 | 3,162,238 |
| Other comprehensive income (Note 9) | - | - | - | - | - | 2,595 | - | - | 2,595 | - | 2,595 |
| Total comprehensive income for the period | - | - | - | - | - | 2,595 | 1,974,721 | 436,714 | 2,414,030 | 750,803 | 3,164,833 |
| Capital injection from non-controlling interests | - | - | - | - | - | - | - | - | - | 2,865,023 | 2,865,023 |
| Issue of perpetual capital securities (Note 23) | - | - | - | - | - | - | - | 4,994,599 | 4,994,599 | - | 4,994,599 |
| Appropriation of specific reserve | - | - | 74,460 | - | - | - | (74,460) | - | - | - | - |
| Utilisation of specific reserve | - | - | (22,954) | - | - | - | 22,954 | - | - | - | - |
| Dividends recognised as distribution (Note 22) | - | - | - | - | - | - | (1,439,995) | - | (1,439,995) | - | (1,439,995) |
| Dividends declared to non-controlling interests | - | - | - | - | - | - | - | - | - | (424,861) | (424,861) |
| Distributions payable to holders of perpetual capital securities (Note 23) | - | - | - | - | - | - | - | (614,414) | (614,414) | - | (614,414) |
| Others | - | 213,507 | - | - | - | - | - | - | 213,507 | 4,961 | 218,468 |
| Balance at 30 June 2020 (unaudited) | 9,862,977 | 15,363,151 | 3,623,353 | 68,089 | 44,726 | (16,815) | 18,278,030 | 20,945,954 | 68,169,465 | 21,201,831 | 89,371,296 |

Condensed Consolidated Statement of Changes in Equity (Continued)

For the Six Months Ended 30 June 2020

| | Attributable to equity holders of the Company | | | | | | | | | | |
|------------------------------------------------------------------|-----------------------------------------------|-----------------|---------------------------|-------------------------------|---------------------|--------------------|------------------|------------------------------|------------|---------------------------|--------------|
| | Share capital | Capital reserve | Statutory surplus reserve | Discretionary surplus reserve | Revaluation reserve | Fair value reserve | Retained profits | Perpetual capital securities | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2019 | | | | | | | | | | | |
| (audited) | 9,862,977 | 14,883,689 | 3,309,073 | 68,089 | 44,726 | (41,037) | 15,894,850 | 9,108,775 | 53,131,142 | 15,110,722 | 68,241,864 |
| Profit for the period | - | - | - | - | - | - | 1,416,521 | 221,364 | 1,637,885 | 462,668 | 2,100,553 |
| Other comprehensive income (Note 9) | - | - | - | - | - | 21,444 | - | - | 21,444 | 743 | 22,187 |
| Total comprehensive income for the period | - | - | - | - | - | 21,444 | 1,416,521 | 221,364 | 1,659,329 | 463,411 | 2,122,740 |
| Capital injection from non-controlling interests | - | - | - | - | - | - | - | - | - | 88,901 | 88,901 |
| Addition from business combination | - | - | - | - | - | - | - | - | - | 108,923 | 108,923 |
| Issue of perpetual capital securities | - | - | - | - | - | - | - | 2,994,072 | 2,994,072 | - | 2,994,072 |
| Appropriation of specific reserve | - | - | 67,944 | - | - | - | (67,944) | - | - | - | - |
| Utilisation of specific reserve | - | - | (54,591) | - | - | - | 54,591 | - | - | - | - |
| Dividends recognised as distribution (Note 22) | - | - | - | - | - | - | (650,956) | - | (650,956) | - | (650,956) |
| Dividends declared to non-controlling interests | - | - | - | - | - | - | - | - | - | (146,426) | (146,426) |
| Distributions payable to holders of perpetual capital securities | - | - | - | - | - | - | - | (366,940) | (366,940) | - | (366,940) |
| Others | - | 67,945 | - | - | - | - | - | - | 67,945 | 1,728 | 69,673 |
| Balance at 30 June 2019 | | | | | | | | | | | |
| (unaudited) | 9,862,977 | 14,951,634 | 3,322,426 | 68,089 | 44,726 | (19,593) | 16,647,062 | 11,957,271 | 56,834,592 | 15,627,259 | 72,461,851 |

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2020

| | | Six months ended 30 June | |
|-------|----|-------------------------------|-------------------------------|
| | | 2020 | 2019 |
| Notes | | <i>RMB'000</i> (unaudited) | <i>RMB'000</i> (unaudited) |
| | | 9,655,951 | 7,083,767 |
| | | (885,455) | (806,809) |
| | | 8,770,496 | 6,276,958 |
| | 25 | (6,191,443) | (4,138,890) |
| | 25 | (3,000,565) | 426,865 |
| | | (421,512) | 2,564,933 |
| | | 6,465,560 | 6,638,326 |
| | 17 | 6,044,048 | 9,203,259 |

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

1. GENERAL

Huadian Power International Corporation Limited (the “**Company**”) was established in the People’s Republic of China (the “**PRC**”) on 28 June 1994 as a joint stock limited company.

The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the generation and sale of electricity, heat and coal. Majority of electricity generated is supplied to the local power grid companies where the power plants are located.

The condensed consolidated financial statements is presented with Renminbi (“**RMB**”), the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), Interim Financial Reporting as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 (the “**2019 annual financial statements**”), except for those that relate to revised standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details are set out in note 3.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the 2019 annual financial statement of the Group, except for the adoption of the following revised standards, which are effective as of 1 January 2020. The Group has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

Adoption of revised standards and interpretations effective on 1 January 2020:

| | |
|------------------------------------------------------|--------------------------------|
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 7, IFRS 9 and IAS 39 | Interest Rate Benchmark Reform |
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Revised Conceptual Framework for Financial Reporting | |

The new or amended IFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

Amendments to IFRS 3: Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

4. TURNOVER

Turnover represents the sale of electricity, heat and coal. Major components of the Group's turnover are as follows:

| | Six months ended 30 June | |
|---------------------|--------------------------|-------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Sale of electricity | 31,741,657 | 34,411,588 |
| Sale of heat | 3,702,048 | 3,171,501 |
| Sale of coal | 5,499,141 | 5,680,344 |
| | 40,942,846 | 43,263,433 |

The chief operating decision makers review the Group's revenue and profit as a whole, which are determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in the condensed consolidated financial statements. The Group's major customers are the power grid operators in relation to the sale of electricity. The revenue from sale of electricity, heat and coal is recognised at point in time. The Group's assets are mainly located in the PRC.

5. INVESTMENT INCOME

| | Six months ended 30 June | |
|----------------------------------------------------------------------------------------|--------------------------|--------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Dividend income from financial assets measured at fair value through profit or loss | 9,061 | – |
| Gain on disposal of an associate | 6,516 | – |
| Interest income from other long-term receivables | 7,597 | 7,395 |
| Gain on deemed acquisition of a subsidiary | – | 576 |
| | 23,174 | 7,971 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

6. FINANCE COSTS

| | Six months ended 30 June | |
|---------------------------------------------------|--------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest on loans and other financial liabilities | 2,500,216 | 2,810,094 |
| Less: interest capitalised | (180,097) | (273,342) |
| | 2,320,119 | 2,536,752 |
| Net foreign exchange loss/(gain) | 1,433 | (315) |
| Interest on lease liabilities | 60,914 | 67,089 |
| Other finance costs | 45,395 | 46,640 |
| | 2,427,861 | 2,650,166 |

The borrowing costs have been capitalised at an average rate of 4.50% per annum (six months ended 30 June 2019: 4.73% per annum) for construction in progress.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

7. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|----------------------------------------------------------------|--------------------------|------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Amortisation | | |
| – Intangible assets | 154,721 | 323,081 |
| Depreciation | | |
| – Property, plant and equipment | 5,473,024 | 5,002,620 |
| – Right-of-use assets | 203,734 | 226,851 |
| – Investment properties | 234 | – |
| Total amortisation and depreciation | 5,831,713 | 5,552,552 |
| Cost of inventories expensed | 25,335,584 | 28,933,878 |
| Expense relating to short-term leases | 28,536 | 22,266 |
| Research and development costs recognised as expense | 3,994 | 3,133 |
| Included in other revenue and net income: | | |
| – Government grants | (141,724) | (212,789) |
| – Net (gain)/loss on disposal of property, plant and equipment | (18,889) | 33,299 |
| – Net income from sale of materials | (452,320) | (310,624) |

(b) Other operating expenses:

| | Six months ended 30 June | |
|---------------------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Heating | 231,839 | 253,444 |
| Power charges | 122,752 | 96,108 |
| Water charges | 159,182 | 182,466 |
| Environmental restoration expenses | 12,422 | – |
| Other expense relating to short-term leases | 9,907 | 2,608 |
| Others | – | 7,385 |
| Total other operating expenses | 536,102 | 542,011 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

8. INCOME TAX

| | Six months ended 30 June | |
|------------------------------------------------------------------|--------------------------|-----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Current tax | | |
| Charge for PRC enterprise income tax for the period | 843,192 | 753,962 |
| Under provision in respect of prior years | 12,850 | 7,024 |
| | 856,042 | 760,986 |
| Deferred tax | | |
| Origination and reversal of temporary differences and tax losses | (50,073) | (249,242) |
| | 805,969 | 511,744 |

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits of the Group for the six months ended 30 June 2020 determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (six months ended 30 June 2019: 7.5%, 12.5% or 15%).

9. OTHER COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|----------------------------------------------------------------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Share of other comprehensive income of investees accounted for under the equity method | 2,595 | 22,187 |
| Other comprehensive income, net of income tax | 2,595 | 22,187 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the period and divided by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 30 June | |
|-----------------------------------------------------------------------------------|--------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit attributable to equity holders of the Company | 2,411,435 | 1,637,885 |
| Less: Profit attributable to holders of perpetual capital securities (Note 23) | (436,714) | (221,364) |
| Profit attributable to equity shareholders | 1,974,721 | 1,416,521 |
| Weighted average number of ordinary shares in issue | 9,862,976,653 | 9,862,976,653 |
| Basic earnings per share (RMB) | 0.200 | 0.144 |

(b) Diluted earnings per share

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with an aggregate cost of RMB4,215 million (six months ended 30 June 2019: RMB13,229 million), including RMB3,694 million through transfer from construction in progress (six months ended 30 June 2019: RMB9,676 million through transfer from construction in progress and RMB624 million through consolidation of a former joint venture).

During the six months ended 30 June 2020, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB34.54 million (six months ended 30 June 2019: RMB37.33 million) for cash proceeds of RMB53.43 million (six months ended 30 June 2019: RMB4.03 million), resulting in a gain on disposal of RMB18.89 million (six months ended 30 June 2019: loss on disposal of RMB33.30 million).

As at 30 June 2020, the carrying value of property, generators and related machinery of property, plant and equipment held as collateral of the sales and leaseback agreement signed by the Group for financing purposes (note 18(a)) was RMB1,132 million (31 December 2019: RMB786 million).

12. CONSTRUCTION IN PROGRESS

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2020 and 2019 are as follows:

| | Six months ended 30 June | |
|-------------------------------------------|--------------------------|-------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Additions | 4,620,657 | 3,089,033 |
| Transfer to property, plant and equipment | (3,694,254) | (9,676,285) |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

13. OTHER NON-CURRENT ASSETS

| | At 30 June 2020 | At 31 December 2019 |
|-----------------------------------------------------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets | | |
| – Other long-term receivables with fixed-rate and non-current feature <i>(Note (i))</i> | 231,373 | 231,358 |
| Deductible Value Added Tax and other tax | 2,285,017 | 2,192,737 |
| Deferred differences arising from sales and leaseback arrangements <i>(Note (ii))</i> | 199,140 | 237,343 |
| | 2,715,530 | 2,661,438 |

Notes:

- (i) Other long-term receivables are balances due from an associate (note 26).
- (ii) Deferred differences arising from sales and leaseback arrangements represent the deficit of sale proceeds over the carrying amounts of the assets disposed under the sales and leaseback arrangements which resulted in finance lease. The differences are deferred and amortised as adjustments to the depreciation of the assets over their estimated useful lives.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

14. TRADE DEBTORS AND BILLS RECEIVABLE

| | At 30 June 2020 | At 31 December 2019 |
|----------------------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade debtors and bills receivable for the sale of electricity | 9,599,859 | 10,705,213 |
| Trade debtors and bills receivable for the sale of heat | 1,193,762 | 645,722 |
| Trade debtors and bills receivable for the sale of coal | 1,283,511 | 1,199,203 |
| | 12,077,132 | 12,550,138 |
| Less: allowance for impairment | (289,056) | (288,254) |
| | 11,788,076 | 12,261,884 |

The ageing analysis of trade debtors and bills receivable (net of allowance for impairment), presented based on the invoice date, which approximated to the revenue recognition date, is as follows:

| | At 30 June 2020 | At 31 December 2019 |
|---------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year | 10,637,375 | 10,757,651 |
| 1 to 2 years | 717,910 | 1,342,010 |
| 2 to 3 years | 340,563 | 142,988 |
| Over 3 years | 92,228 | 19,235 |
| | 11,788,076 | 12,261,884 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

15. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

| | At 30 June 2020 | At 31 December 2019 |
|------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets | | |
| – Dividends receivable | 665,404 | 674,258 |
| – Deposits | 68,493 | 87,209 |
| – Other receivables | 1,483,080 | 1,549,125 |
| | 2,216,977 | 2,310,592 |
| Less: allowance for impairment (<i>Note</i>) | (527,000) | (534,000) |
| | 1,689,977 | 1,776,592 |
| Deductible Value Added Tax | 1,819,076 | 2,076,022 |
| Prepayments | 687,654 | 526,378 |
| Others | 96,539 | 96,552 |
| | 4,293,246 | 4,475,544 |

Note:

Expected credit losses ("ECLs") are estimated by applying a loss rate approach with reference to the historical loss record of the Group. 12-months ECLs are applied as there has no significant increase in credit risk since initial recognition. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 30 June 2020, 12-month ECLs of deposits and other receivables of the Group amounted to RMB527 million (31 December 2019: RMB534 million), including allowance for impairment on receivables on Certified Emission Reductions of RMB85 million (31 December 2019: RMB85 million).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

16. RESTRICTED DEPOSITS

Restricted deposits mainly represent performance bonds and frozen deposits at banks and other financial institutions with maturity of over three months.

17. CASH AND CASH EQUIVALENTS

| | At 30 June 2020 | At 31 December 2019 |
|--------------------------------------|-----------------------|---------------------------|
| | <i>RMB '000</i> | <i>RMB '000</i> |
| Cash at banks and in hand | 684,671 | 916,108 |
| Cash at other financial institutions | 5,359,377 | 5,549,452 |
| | 6,044,048 | 6,465,560 |

18. BORROWINGS

(a) Other loans

| | At 30 June 2020 | At 31 December 2019 |
|--------------------------------------------|-----------------------|---------------------------|
| | <i>RMB '000</i> | <i>RMB '000</i> |
| Due: | | |
| Within 1 year | | |
| – short-term other loans | 2,477,566 | 3,304,000 |
| – current portion of long-term other loans | 1,242,181 | 1,397,694 |
| | 3,719,747 | 4,701,694 |
| After 1 year but within 2 years | 1,464,969 | 1,560,530 |
| After 2 years but within 5 years | 3,032,635 | 2,748,836 |
| After 5 years | 1,450,204 | 942,831 |
| | 5,947,808 | 5,252,197 |
| | 9,667,555 | 9,953,891 |

Other loans are borrowed from China Huadian Finance Corporation Limited (“**China Huadian Finance**”), an associate of the Group and other fellow subsidiaries of the Company. Other loans bear interest rates ranging from 1.50% to 6.09% per annum as at 30 June 2020 (31 December 2019: 1.50% to 6.09% per annum), with maturities from 2020 to 2035 (31 December 2019: 2020 to 2035).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

18. BORROWINGS (CONTINUED)

(a) Other loans (Continued)

During the period, the Group had 4 sales and leaseback agreements with a fellow subsidiary of the Company (note 26) and three third party financial leasing companies with contract terms of 3 years and 6 years respectively in order to sell certain property, generator and related machinery and equipment (note 11) and at the meantime, lease back those assets. According to the agreements, the Group has an option to buy back the equipment at a nominal price (RMB1 or 0) when the lease term expires. The substance of the transaction was to obtain financing secured by relevant assets within the leasing period and repaid them in instalment. Meanwhile, the Group has certain financing agreements with a fellow subsidiary (note 26). As at 30 June 2020, the loans mentioned above bear interest rate ranging from 1.50% to 5.64% (31 December 2019: 1.50% to 5.64%) and will be due from 2022 to 2032 (31 December 2019: 2022 to 2029).

As at 30 June 2020, the other loans borrowed from China Huadian Finance totalling RMB196 million (31 December 2019: RMB211 million) are secured by the income stream in respect of the sale of electricity. As at 30 June 2020, no loan borrowed from third party financial leasing company (31 December 2019: RMB75 million) are secured by the income stream in respect of the sale of electricity.

Apart from the aforementioned secured loans, all of the other loans are unsecured. All of the other loans are denominated in RMB.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

18. BORROWINGS (CONTINUED)

(b) Short-term debentures payable

| | At 30 June 2020 | At 31 December 2019 |
|---------------------------------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Fourth tranche of super short-term debentures for the year of 2019 | – | 3,037,009 |
| First tranche of super short-term debentures for the year of 2019 – Hubei | – | 504,328 |
| First tranche of super short-term debentures for the year of 2020 – Hubei | 300,283 | – |
| | 300,283 | 3,541,337 |

On 11 June 2020, the Group issued the first tranche of super short-term debentures – Hubei of 2020 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB300 million with a maturity period of 180 days and bears interest at 1.95% per annum. The tranche is unsecured.

During the current interim period, the Group repaid two tranches of super short-term debentures with a total principal amount of RMB3,500 million (six months ended 30 June 2019: repaid one tranche of super short-term debentures with a total principal amount of RMB4,000 million) at par value.

The effective interest rate of the debenture is ranged from 1.98% to 3.30% per annum (31 December 2019: ranging from 2.20% to 4.55% per annum) after considering the effect of issue costs.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

18. BORROWINGS (CONTINUED)

(c) Long-term debentures payable

| | At 30 June 2020 | At 31 December 2019 |
|----------------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| First tranche of medium-term notes for the year of 2016 | 1,994,462 | 1,992,113 |
| First tranche of medium-term notes for the year of 2017 | 3,496,962 | 3,496,139 |
| Second tranche of medium-term notes for the year of 2017 | – | 1,998,796 |
| First tranche of medium-term notes for the year of 2019 | 2,997,876 | 2,997,594 |
| First tranche of company debentures for the year of 2019 | 1,999,856 | 1,999,825 |
| Third tranche of medium-term notes for the year of 2020 | 1,999,459 | – |
| | 12,488,615 | 12,484,467 |
| Less: Long-term debentures due within one year | – | (1,998,796) |
| | 12,488,615 | 10,485,671 |

On 13 May 2020, the Group issued the third tranche of medium-term notes for the year of 2020 in PRC interbank debenture market. The medium-term notes were issued at a total par value of RMB2,000 million with a maturity period of 3 years and bears interest at 2.53% per annum. The tranche is unsecured.

During the current interim period, the Group repaid one tranche of medium-term notes with principal amount of RMB2,000 million (six months ended 30 June 2019: repaid one tranche of medium-term notes with principal amount of RMB2,600 million) at par value.

As at 30 June 2020, the effective interest rates of the long-term debentures are ranged from 2.54% to 4.90% (31 December 2019: from 3.47% to 4.97%) per annum after considering the effect of issue costs.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

19. TRADE CREDITORS AND BILLS PAYABLE

As at 30 June 2020, the ageing analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

| | At 30 June 2020 | At 31 December 2019 |
|---------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year | 10,868,702 | 12,089,916 |
| 1 to 2 years | 3,267,199 | 3,563,282 |
| Over 2 years | 2,018,345 | 1,983,035 |
| | 16,154,246 | 17,636,233 |

20. OTHER PAYABLES

| | At 30 June 2020 | At 31 December 2019 |
|--------------------------------------------------------------------|-----------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial liabilities | | |
| – Construction deposits | 1,581,449 | 1,517,143 |
| – Consideration payables on acquisitions | 345,964 | 633,969 |
| – Interest payables | 341,513 | 509,482 |
| – Wages payable | 580,481 | 236,568 |
| – Payables for installed capacity quota | 273,530 | 273,530 |
| – Payables for sewage charges | 16,668 | 32,933 |
| – Dividend payables to non-controlling interests | 363,042 | 252,825 |
| – Dividend payables to ordinary shareholders | 1,439,995 | – |
| – Distribution payables to holders of perpetual capital securities | 550,404 | 68,740 |
| – Current portion of long-term payables (Note (i)) | 60,860 | 54,950 |
| – Others (Note (ii)) | 1,773,505 | 1,831,448 |
| | 7,327,411 | 5,411,588 |
| Other tax payables | 931,099 | 1,015,380 |
| Contract liabilities | 493,243 | 1,757,069 |
| | 8,751,753 | 8,184,037 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

20. OTHER PAYABLES (CONTINUED)

Notes:

- (i) Current portion of long-term payables mainly represents the current portion of a long-term payable to local government for mining rights.
- (ii) Others mainly include payables on service fees, rental and other miscellaneous items.
- (iii) All of the other payables of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

21. DEFERRED INCOME

Deferred income represents the unearned portion of upfront installation fees received from customers for connecting the customers' premises to the heat network of the Group. The amount is deferred until completion of the installation work and recognised in profit or loss in equal instalments over the expected service terms of the relevant services.

The upfront installation fee recognised for the six months ended 30 June 2020 amounting to RMB96 million (six months ended 30 June 2019: RMB92 million) is included in "Other revenue and net income" in the condensed consolidated statement of profit or loss and other comprehensive income.

22. DIVIDENDS

- (a) A final dividend of RMB0.146 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB0.066 per share in respect of the year ended 31 December 2018) was declared to the equity shareholders of the Company and approved on 30 June 2020. The aggregate amount of the final dividend declared approximately amounted to RMB1,440 million (six months ended 30 June 2019: approximately RMB651 million).
- (b) The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

23. PERPETUAL CAPITAL SECURITIES

During the six months ended 30 June 2020, the Company issued 4 tranches of public perpetual capital securities, which included (1) 1st tranche of medium-term note of 2020 (Type 1); (2) 1st tranche of medium-term note of 2020 (Type 2); (3) 2nd tranche of medium-term note of 2020 (Type 1) and (4) 2nd tranche of medium-term note of 2020 (Type 2), to third parties with an aggregate principal amount of RMB5 billion.

During the year ended 31 December 2019, the Company issued 6 tranches of public perpetual capital securities, which included (1) 2nd tranche of medium-term note of 2019 (Type 1); (2) 2nd tranche of medium-term note of 2019 (Type 2); (3) 3rd tranche of medium-term note of 2019 (Type 1); (4) 3rd tranche of medium-term note of 2019 (Type 2); (5) 4th tranche of medium-term note of 2019 (Type 1) and (6) 4th tranche of medium-term note of 2019 (Type 2), to third parties with an aggregate principal amount of RMB7 billion.

The perpetual capital securities are issued at par value with a range of initial distribution rate from 3.36% to 5.20%. The interests of perpetual capital securities are recorded as distributions, which are payable annually after the approval of the directors of the Company and may be deferred at the discretion of the Company unless compulsory distribution payment events (distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) occurred.

The perpetual capital securities have no fixed maturity date and are redeemable at the Company's discretion in whole in July 2021, July 2023, August 2021, August 2023, October 2021, November 2021, June 2022, June 2024, September 2022, September 2024, November 2022, November 2024, January 2023, January 2025, February 2023 and February 2025 respectively, the payment of the principal may be deferred for each renewable period as 3 or 5 years.

The applicable distribution rate will be reset on first call date and each renewal period after first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual capital securities. Therefore, the perpetual capital securities are classified as equity instrument and recorded in equity in the condensed consolidated statement of financial position. During the six months ended 30 June 2020, the profit attributable to holders of perpetual capital securities, based on the applicable distribution rate, was approximately RMB437 million (six months ended 30 June 2019: RMB221 million).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

23. PERPETUAL CAPITAL SECURITIES (CONTINUED)

Movement of the perpetual capital securities is as follows:

| | Principal | Distribution | Total |
|-----------------------------------------------------------------------------|-------------------|--------------|-------------------|
| | RMB' 000 | RMB' 000 | RMB' 000 |
| As at 1 January 2020 | 15,951,355 | 177,700 | 16,129,055 |
| Issue of perpetual capital securities | 4,994,599 | – | 4,994,599 |
| Profit attributable to holders of perpetual capital securities (note 10(a)) | – | 436,714 | 436,714 |
| Distributions payable to holders of perpetual capital securities | – | (614,414) | (614,414) |
| As at 30 June 2020 | <u>20,945,954</u> | <u>–</u> | <u>20,945,954</u> |

24. CAPITAL COMMITMENTS

The Group had capital commitments as at 30 June 2020 and 31 December 2019 as follows:

| | At 30 June 2020 | At 31 December 2019 |
|-------------------------------------------------------------|-----------------------|---------------------------|
| | RMB' 000 | RMB' 000 |
| Contracted for but not provided in the financial statements | | |
| – Development of power plants | 9,456,122 | 10,359,153 |
| – Improvement projects and others | 364,665 | 311,393 |
| | <u>9,820,787</u> | <u>10,670,546</u> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

25. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|-----------------------------------------------------------------------------------------------------------|--------------------------|-----------------|
| | 2020 | 2019 |
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| Investing activities | | |
| Payment for the purchase of property, plant and equipment, construction in progress and intangible assets | (6,353,843) | (4,342,115) |
| Proceeds from disposal of property, plant and equipment | 53,434 | 4,031 |
| Proceeds on disposal of associates | 10,293 | – |
| Payment of purchase of financial assets at fair value through profit or loss | (12,731) | (300) |
| Payment of investments in associates | – | (157,528) |
| Interest received | 55,732 | 50,633 |
| Withdrawal of restricted deposits | 21,102 | 533 |
| Placement of restricted deposits | (6,061) | (8,076) |
| Dividends received | 229,554 | 224,546 |
| Cash and bank balance acquired from business combination | – | 10,685 |
| Entrusted loan to an associate | – | (15,000) |
| Other investing activities | (188,923) | 93,701 |
| Net cash used in investing activities | (6,191,443) | (4,138,890) |
| Financing activities | | |
| Debtures | | |
| – Net proceeds from debtures | 2,300,000 | 9,500,000 |
| – Repayment of debtures | (5,500,000) | (6,600,000) |
| Loans | | |
| – Proceeds from loans | 35,218,050 | 24,461,580 |
| – Repayment of loans | (42,078,706) | (29,460,184) |
| Lease liabilities | | |
| – Payment for principal portion of lease liabilities | (585,586) | (441,716) |
| Bills financing | | |
| – Proceeds from bank acceptance bills discounted | 346,085 | 130,000 |
| – Repayment of bank acceptance bills | (404,648) | (140,000) |
| Issue of perpetual capital securities | 5,000,000 | 3,000,000 |
| Capital injection from non-controlling interests | 3,066,720 | 86,454 |
| Dividends paid to non-controlling interests | (207,418) | (70,526) |
| Dividends on perpetual capital securities | (132,750) | – |
| Other financing activities | (22,312) | (38,743) |
| Net cash (used in)/generated from financing activities | (3,000,565) | 426,865 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

Shareholders, fellow subsidiaries and associates that had material transactions with the Group are as follows:

| Name of related parties | Nature of relationship |
|--------------------------------------------------------------------------------|----------------------------------------------------|
| China Huadian Corporation Limited ("China Huadian") | Parent and ultimate holding company of the Company |
| China Huadian Engineering Corporation and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Shanxi Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Guodian Nanjing Automation Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| CHD Power Plant Operation Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Sichuan Power Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Materials Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Inner Mongolia Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Capital Holdings Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Advanced Training Centre | A fellow subsidiary of the Company |
| China Huadian Electrical Construction Technical and Economic Consulting Centre | A fellow subsidiary of the Company |
| Huadian Shaanxi Energy Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Huadian Fuxin Energy Limited Company and its subsidiaries | Fellow subsidiaries of the Company |
| Anhui Huadian Lu'an Power Generation Company Limited | A fellow subsidiary of the Company |
| China Huadian Clean Energy Company Limited | A fellow subsidiary of the Company |
| Huadian Jiangsu Energy Limited Company and its subsidiaries | Fellow subsidiaries of the Company |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

| Name of related parties | Nature of relationship |
|-----------------------------------------------------------------------------------------------------|------------------------------------|
| Hunan Huadian Changsha Power Generation Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Hunan Huadian Changde Power Generation Company Limited | A fellow subsidiary of the Company |
| Guizhou Wujiang Hydroelectric Development Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Hong Kong Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| China Huadian Group Science And Technology Research Institutes Company Limited and its subsidiaries | Fellow subsidiaries of the Company |
| Zhejiang Huadian Wuxijiang Hydropower Company Limited | A fellow subsidiary of the Company |
| Huadian Electric Power Research Institute Company Limited | A fellow subsidiary of the Company |
| Huadian Jinshan Energy Company Limited | A fellow subsidiary of the Company |
| Hangzhou Huadian Zhakou Power Generation Company Limited | A fellow subsidiary of the Company |
| China Huadian Finance Corporation Limited | An associate of the Group |
| Sichuan Huayingshan Longtan Coal Company Limited | An associate of the Group |
| Huadian Coal Industry Group Company Limited | An associate of the Group |
| Ningxia Yinxing Coal Company Limited | An associate of the Group |
| Inner Mongolia Fucheng Mining Company Limited | An associate of the Group |
| Shuozhou Tong-coal Wantongyuan Coal Transportation and Sales Company Limited | An associate of the Group |
| CNNP CHD Hebei Nuclear Power Company Limited | An associate of the Group |
| Otog Front Banner Changcheng Mine Company Limited | An associate of the Group |
| Otog Front Banner Changcheng No.3 Mining Company Limited | An associate of the Group |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

| Name of related parties | Nature of relationship |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Otog Front Banner Changcheng No.5 Mining Company Limited | An associate of the Group |
| Ningxia Zhongning Power Generation Company Limited | An associate of the Group |
| Lu'an Municipal Thermal Power Generation Company Limited | An associate of the Group |
| Suzhou Industrial Investment Group Company Limited | An associate of the Group |
| Datang Derong Tangdian Hydropower Development Company Limited | An associate of the Group |
| Beijing Huabin Investment Company Limited | A subsidiary of an associate of the Group |
| Beijing Huabin Property Management Company Limited | A subsidiary of an associate of the Group |
| Ningxia Ningdong Railway Corporation Limited | A subsidiary of an associate of the Group |
| Yanzhou Coal Mining Company Limited (" Yanzhou Coal ") (Note(i)) | A connected person of the Group |
| Shaanxi Coal Transportation and Marketing (Group) Company Limited (" Shaanxi Coal Transportation and Marketing ") (Note(ii)) | A connected person of the Group |

Notes:

- (i) Yanzhou Coal is a substantial minority shareholder of a non-wholly owned subsidiary of the Company.
- (ii) Shaanxi Coal Transportation and Marketing is a company of a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2020 and 2019:

| | Six months ended 30 June | |
|------------------------------------------------------|--------------------------|-----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| <i>Sale of electricity to</i> | | |
| Fellow subsidiaries | 12,217 | 18,973 |
| <i>Purchase of electricity from</i> | | |
| A fellow subsidiary | 1,650 | 3,796 |
| <i>Sale of coal to</i> | | |
| An associate | 3,533 | – |
| Fellow subsidiaries | 4,878,526 | 4,908,914 |
| A connected person | – | 12,503 |
| <i>Purchase of coal from</i> | | |
| Associates | 2,116,378 | 1,524,046 |
| Fellow subsidiaries | 344,871 | 624,735 |
| A connected person | 1,048,165 | 1,603,217 |
| <i>Purchase of natural gas from</i> | | |
| A fellow subsidiary | 260,795 | 190,427 |
| <i>Sale of construction service and equipment to</i> | | |
| A fellow subsidiary | 6,856 | 9,152 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

| | Six months ended 30 June | |
|------------------------------------------------------------|--------------------------|-----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| <i>Purchase of construction service and equipment from</i> | | |
| An associate | 16,627 | – |
| Fellow subsidiaries | 747,516 | 637,034 |
| <i>Loans provided to</i> | | |
| An associate | – | 15,000 |
| <i>Loans proceeds obtained from</i> | | |
| China Huadian | 4,630,000 | 150,000 |
| An associate | 9,479,967 | 2,818,590 |
| A fellow subsidiary | 292,620 | 209,962 |
| <i>Loans repaid to</i> | | |
| China Huadian | 800,000 | 150,000 |
| An associate | 10,068,000 | 3,220,040 |
| A fellow subsidiary | 2,500 | 46,000 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

| | Six months ended 30 June | |
|---------------------------------------------------------------------------|--------------------------|---------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| <i>Bills receivable discounted to Associates</i> | 110,000 | 280,000 |
| <i>Derecognised bills receivable collected by Associates</i> | – | 215,000 |
| <i>Lease payment to A fellow subsidiary</i> | 465,737 | 50,941 |
| <i>Interest paid to China Huadian</i> | 95,542 | 40,257 |
| <i>An associate</i> | 186,374 | 180,651 |
| <i>A fellow subsidiary</i> | 16,295 | 1,075 |
| <i>Interest received from Associates</i> | 50,276 | 45,281 |
| <i>Rental and property management service expenses paid to Associates</i> | 29,167 | 28,457 |
| <i>Fellow subsidiaries</i> | 10,307 | 6,900 |
| <i>Other services expenses paid to China Huadian</i> | 46,402 | 51,964 |
| <i>Associates</i> | 23,084 | 12,392 |
| <i>Fellow subsidiaries</i> | 61,050 | 46,114 |
| <i>Additional capital injection in Associates</i> | – | 157,528 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

The balances due from/(to) shareholders, fellow subsidiaries and associates are as follows:

| | At 30 June 2020 | At 31 December 2019 |
|---------------------------------------------------------------------------------------------|--------------------|------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| <i>Construction in progress- construction and construction material prepayments</i> | | |
| An associate | 1,233 | 7,809 |
| Fellow subsidiaries | 308,422 | 331,958 |
| <i>Trade debtors and bills receivable</i> | | |
| Fellow subsidiaries | 938,380 | 869,435 |
| <i>Deposits, other receivables and prepayments</i> | | |
| Associates | 97,171 | 97,197 |
| Fellow subsidiaries | 279,207 | 238,288 |
| A connected person | 196,939 | 54,854 |
| <i>Other long-term receivables</i> | | |
| An associate (note 13) | 231,373 | 231,358 |
| <i>Cash and cash equivalents and restricted deposits</i> | | |
| An associate | 5,411,377 | 5,621,452 |
| <i>Loans from a shareholder</i> | | |
| China Huadian | (6,400,000) | (2,570,000) |
| <i>Other loans</i> | | |
| An associate | (7,902,098) | (8,490,131) |
| A fellow subsidiary | (912,281) | (622,162) |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)

| | At 30 June 2020 | At 31 December 2019 |
|------------------------------------------|--------------------|------------------------|
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| <i>Trade creditors and bills payable</i> | | |
| China Huadian | (47,759) | (11,374) |
| Associates | (668,948) | (146,588) |
| Fellow subsidiaries | (1,941,668) | (2,732,741) |
| A connected person | (259,428) | (123,400) |
| <i>Other payables</i> | | |
| China Huadian | (24,795) | (34,827) |
| Associates | (21,130) | (15,687) |
| Fellow subsidiaries | (425,768) | (509,041) |
| A connected person | – | (100) |
| <i>Contract liabilities</i> | | |
| An associate | (42,000) | (32,000) |
| Fellow subsidiaries | (15,516) | (32,589) |
| <i>Lease liabilities</i> | | |
| A fellow subsidiary | (1,057,175) | (1,480,952) |

Notes:

- (i) At 30 June 2020, the Group provided guarantees to banks for loans granted to Sichuan Huayingshan Longtan Coal Company Limited amounting to RMB43.58 million (31 December 2019: RMB43.58 million).
- (ii) At 30 June 2020, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB827 million (31 December 2019: RMB1,102 million).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors is as follows:

| | Six months ended 30 June | |
|-------------------------------|--------------------------|--------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Salaries and other emoluments | 99 | 120 |
| Retirement benefits | 190 | 244 |
| Bonuses | 1,215 | 1,461 |
| | 1,504 | 1,825 |

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 30 June 2020 and 31 December 2019, there was no material outstanding contribution to the post-employment benefit plans.

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

China Huadian is a PRC state-owned enterprise. Government-related entities, other than entities under China Huadian, over which the PRC government has control, joint control or significant influence are also considered as related parties of the Group ("**other government-related entities**"). The majority of the business activities of the Group are conducted with other government-related entities.

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group's business within normal business operations. The Group has established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and information that would be necessary for an understanding of the potential effect of the relationship on the condensed consolidated financial statements, the directors believe that the following transactions are collectively significant for disclosure purpose:

- sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the six months ended 30 June 2020, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 99% of its sale of electricity.

- depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains most of short-term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

- other transactions

Other collectively significant transactions with other government-related entities include a large portion of fuel purchases, and property, plant and equipment construction. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Commitment with related parties

Commitment with related parties is as follows:

| | At 30 June 2020 | At 31 December 2019 |
|-----------------------------------------------------|--------------------|------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Capital commitment | 1,001,283 | 1,451,644 |
| Commitment on properties rental and management fees | 3,779 | 7,559 |

27. CONTINGENT LIABILITIES

As at 30 June 2020, some subsidiaries of the Company were the defendant in certain lawsuits for events incurred before the acquisition date. At the end of reporting period, the lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company considered that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the above guarantees disclosed in note 26(a), the Group has no other material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENT

(a) Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---------------------------------------------------------------------------------------------------------------------|------------------|---------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | At 30 June 2020 | At 31 December 2019 | | |
| Financial assets at FVPL – unlisted equity securities in the condensed consolidated statement of financial position | 292,170 | 279,439 | Level 3 | The financial assets at FVPL are unlisted equity securities. The fair value is estimated by the management. The fair value is measured by applying income approach and after considering the expected distributable profits of the investment discounted by a range of discount rate from 9.40% to 13.51%. |

During the reporting period there is no transfer between instruments in Level 1 and Level 2.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENT (CONTINUED)

(b) Financial instruments carried at other than fair value

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

| | 30 June 2020 | | 31 December 2019 | |
|----------------------------------------------|-------------------|-------------------|------------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Fixed rate borrowings and debentures payable | 12,881,284 | 12,786,710 | 12,996,541 | 12,955,189 |

The fair value measurements of above financial liabilities are within the level 2 category, which have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the group entities.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the Six Months Ended 30 June 2020

29. LIQUIDITY RISK MANAGEMENT

The Group is exposed to liquidity risks which arising in the normal course of the Group's business. The financial risk management policies and practices used by the Group to manage the risks are described below.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At the end of reporting period, the Group had net current liabilities of RMB31,742 million (31 December 2019: RMB40,730 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB139.4 billion as at 30 June 2020 (31 December 2019: RMB139.5 billion) and an aggregate amount of debentures of RMB37.9 billion (31 December 2019: RMB43.5 billion) registered in the PRC interbank debenture market which has not been issued as at 30 June 2020.

30. EVENTS AFTER THE REPORTING PERIOD

On 21 July 2020, the Group issued the first tranche of super short-term debentures for the year of 2020. The face value is RMB100 per super short-term debentures and it was issued at a total par value of RMB1.5 billion. The first tranche of super short-term debentures ("**20 Huadian SCP001**") was issued at a total par value of RMB1.5 billion with 120 days period and bears interest at 1.75% per annum.