



四川能投發展股份有限公司

Sichuan Energy Investment Development Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1713

2020

**Interim
Report**



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I. COMPANY PROFILE

1. CORPORATE INFORMATION

Name in Chinese:

四川能投發展股份有限公司

Name in English:

Sichuan Energy Investment Development Co., Ltd. *

Registered Address:

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

Headquarters/Principal Place of Business in the PRC:

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

Place of Business in Hong Kong:

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

Company Website:

<http://www.scntgf.com>

Telephone:

+86 (28) 86299666

Fax:

+86 (28) 86299666

Email:

db@scntgf.com

2. INFORMATION OF SHARES OF THE COMPANY

Class of Shares:

H Shares, Domestic Shares and Unlisted Foreign Shares

Stock Exchange for Listing of H Shares:

Main Board of the Stock Exchange of Hong Kong Limited

Short Name of H Shares:

SICHUAN EN INV

Stock Code of H Shares:

1713

3. EXECUTIVE DIRECTORS

Mr. ZENG Yong (*Chairman*)

Mr. LI Hui

Ms. XIE Peixi

4. NON-EXECUTIVE DIRECTORS

Ms. HAN Chunhong

Ms. LI Yu

Mr. XU Zhenhua

Mr. ZHOU Yanbin

5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Kwong KWOK Gary

Mr. FAN Wei

Ms. HE Zhen

Mr. WANG Peng

6. SUPERVISORS

Mr. ZENG Zhiwei (*Chairman*)

Ms. FU Ruoxue

Ms. LI Jia

Mr. HU Changxian

Ms. CHEN Yingchun

Mr. XIE Jun

7. AUTHORIZED REPRESENTATIVES

Mr. ZENG Yong

Mr. LI Hui

8. AUDIT COMMITTEE

Mr. Kin Kwong KWOK Gary (*Chairman*)

Ms HAN Chunhong

Mr. FAN Wei

9. REMUNERATION AND APPRAISAL COMMITTEE

Mr. WANG Peng (*Chairman*)

Mr. LI Hui

Ms. HE Zhen

10. NOMINATION COMMITTEE

Mr. ZENG Yong (*Chairman*)

Ms. HE Zhen

Mr. WANG Peng

* For Identification Purpose Only

I. COMPANY PROFILE

11. RISK CONTROL COMMITTEE

Mr. FAN Wei (Chairman)
Ms. LI Yu
Mr. Kin Kwong KWOK Gary

12. JOINT COMPANY SECRETARIES

Mr. LI Hui
Ms. WONG Wai Ling

13. H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

14. AUDITOR

KPMG
Public Interest Entity Auditor registered in
accordance with the Financial Reporting
Council Ordinance
8th Floor, Prince's Building,
10 Chater Road,
Central, Hong Kong

15. LEGAL ADVISORS As to Hong Kong Law:

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

As to PRC Law:

Jingtian & Gongcheng (Chengdu)
31/F, One Aerospace Center,
No. 7 Xinguanghua Street,
Jinjiang District, Chengdu City,
the PRC

16. COMPLIANCE ADVISOR

Rainbow Capital (HK) Limited
Room 5B, 12/F,
Tung Ning Building,
No. 2 Hillier Street,
Sheung Wan, Hong Kong

17. PRINCIPAL BANKS

Bank of Communications,
Chengdu Branch, Wenjiang Sub-branch
(交通銀行股份有限公司成都溫江支行)
Agricultural Bank of China,
Chengdu Branch, Jincheng Sub-branch
(中國農業銀行股份有限公司成都錦城支行)
Industrial Bank Chengdu Branch,
Jinniu Sub-branch
(興業銀行股份有限公司成都金牛支行)

II. INTERIM FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Summary of Consolidated Statement of Profit or Loss		
Revenue	1,425,628	1,150,429
Profit before taxation	160,419	119,857
Income tax	(20,203)	(18,105)
Profit for the period	140,216	101,752
Profit attribute to non-controlling interests	(361)	925
Profit attribute to equity shareholders of the Company	140,577	100,827
Basic earnings per share (<i>RMB</i>)	0.13	0.09
	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Summary of Consolidated Statement of Financial Position		
Total non-current assets	3,203,254	3,214,344
Total current assets	1,418,958	1,265,794
Total assets	4,622,212	4,480,138
Total current liabilities	1,730,640	1,468,003
Total non-current liabilities	166,760	320,103
Total liabilities	1,897,400	1,788,106
Net assets	2,724,812	2,692,032
Equity attributable to equity shareholders of the Company	2,711,194	2,678,053
Equity attributable to non-controlling interests	13,618	13,979

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW

The value chain of the power industry in China is composed of power generation, power transmission and distribution, and sales of electricity. The power generation sector converts other types of energy into electricity, such as power generated by hydropower plants that use water flux energy. The core of the power supply sector is the transmission and distribution system of the power grid, which comprises electricity transmission networks that reach provinces and cities in China, electricity distribution networks that serve end uses, and step-up and step-down substations. Lastly, the electricity sales sector directly distributes electricity to end users.

During the first half of 2020, total power consumption in China reached 3.4 trillion kWh, representing a year-on-year decrease of 1.3%, of which thermal power and hydropower recorded a year-on-year decrease of 1.6% and 7.3%, respectively, and nuclear power, wind power and solar energy increased by 7.2%, 6.8% and 9.1%, respectively, on a year-on-year basis. In June 2020, the total electricity consumption in China reached 635 billion kWh, representing a year-on-year increase of 6.1%. During the first half of the year of 2020, power consumption in the primary sector reached 37.3 billion kWh, representing a year-on-year growth of 8.2%; power consumption in the secondary sector reached 2.251 trillion kWh, representing a year-on-year decrease of 2.5%; power consumption in the tertiary sector reached 533.3 billion kWh, representing a year-on-year decrease of 4.0%; urban and rural household usage reached 533.1 billion kWh, a year-on-year growth of 6.6%. In June 2020, power consumption in the primary, secondary and tertiary sector increased by 12.9%, 4.3% and 7.0%, respectively, on a year-on-year basis, and urban and rural household usage recorded a year-on-year increase of 14.3%.

2. BUSINESS OVERVIEW

2.1 Overview

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power-supply value chain covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our business currently consists of (i) power business, which includes power production, distribution and sales, and is divided into general power supply business and incremental power transmission and distribution business; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

During the first half of 2020, we realised revenue of RMB1,425.6 million, representing a year-on-year increase of 23.9%. Our profit before taxation was RMB160.4 million, representing a year-on-year increase of 33.8%. During the same period, we achieved a net profit of RMB140.2 million, representing a year-on-year increase of 37.8%, and net profit attributable to owners of the parent company of RMB140.6 million, representing a year-on-year increase of 39.4%.

As of 30 June 2020, we had an aggregate 35 hydropower plants with an aggregate installed capacity of 138,680 kW. We also had one unit of 220kV substation with a capacity of 180,000 kVA, 19 units of 110 kV substations with an aggregate capacity of 942,000 kVA and 59 units of 35 kV substations with an aggregate capacity of 536,550 kVA.

III. MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operating Results

The following table sets forth the revenue, cost of sales, gross profit margin and percentage of changes by business segments for the six months ended 30 June 2019 and 2020.

Business	Six months ended 30 June								
	2020			2019			Change in percentage (%) /percentage points		
	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Revenue	Cost of sales	Gross profit margin
General power supply business	1,016,802	806,642	20.7	932,611	750,786	19.5	9.0	7.4	1.2
Incremental power transmission and distribution business ⁽¹⁾	182,845	181,707	0.6	71,048	63,801	10.2	157.4	184.8	-9.6
EECS business ⁽²⁾	225,981	195,039	13.7	146,770	128,144	12.7	54.0	52.2	1.0
Total	1,425,628	1,183,388	17.0	1,150,429	942,731	18.1	23.9	25.5	-1.1

Notes:

- (1) Incremental power transmission and distribution business was disclosed in power business in previous years.
- (2) Includes revenue from the sales of electric equipment and materials of RMB5.5 million for the six months ended 30 June 2020.

2.2.1 General Power Supply Business

The following table sets forth the breakdown of revenue and percentage of changes from our general power business by customer category for the periods indicated.

Customer	Six months ended 30 June					
	2020		2019		Change in percentage (%) /percentage points	
	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales	Revenue
Household	639,863	352,070	576,204	309,406	11.0	13.8
General industrial and commercial	460,490	272,203	425,894	282,842	8.1	-3.8
Large industrial	667,908	362,041	600,272	322,286	11.3	12.3
State Grid	23,669	7,156	5,307	1,400	346.0	411.1
Others	54,245	23,332	38,346	16,677	41.5	39.9
Total	1,846,175	1,016,802	1,646,023	932,611	12.2	9.0

Most of our revenue for the six months ended 30 June 2020 was derived from our general power supply business, generating revenue of RMB1,016.8 million, which accounted for 71.3% of our total revenue.

III. MANAGEMENT DISCUSSION AND ANALYSIS

2.2.2 Incremental Power Transmission and Distribution

The revenue from incremental power transmission and distribution business mainly includes the power retail business outside the area of our regular power supply service and other power distribution business in relation to new-energy vehicles. By implementing measures to diversify the industry chain, we generated RMB182.8 million revenue from incremental power transmission and distribution business for the six months ended 30 June 2020, which accounted for 12.8% of our total revenue.

2.2.3 EECS Business

We also generated revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the six months ended 30 June 2020, we generated RMB226.0 million of revenue from our EECS business, which accounted for 15.9% of our total revenue.

2.3 Main Operational Measures

In 2020, in order to ensure the continuous stable increase of the Group's operating results, a number of measures were adopted, with the focus on: (1) preventing the COVID-19 pandemic and promoting the resumption of business and production; (2) putting in best effort in flood prevention and power protection through establishing disaster prevention and emergency avoidance plans and control measures to ensure the normal operation of the Company's main network and distribution network; (3) strengthening the safety foundation and enhancing the support capability; (4) strengthening operation and management, and strengthening cost control and increasing efficiency; (5) accelerating project construction and building a strong power grid; (6) enriching service methods and improving service capacity; (7) enforcing team building and shaping corporate culture; (8) accelerating transforming and developing to promote reform and innovation; and (9) strengthening compliance management to improving risk control.

3. FINANCIAL REVIEW

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

Revenue

Business	Six months ended 30 June	
	2020 (RMB'000)	2019 (RMB'000)
General power supply business	1,016,802	932,611
Incremental power transmission and distribution business ⁽¹⁾	182,845	71,048
EECS business ⁽²⁾	225,981	146,770
Total	1,425,628	1,150,429

Notes:

- (1) Incremental power transmission and distribution business was disclosed in power business in previous years.
- (2) Includes revenue from the sales of electric equipment and materials of RMB5.5 million for the six months ended 30 June 2020.

Revenue increased by 23.9% from RMB1,150.4 million for the six months ended 30 June 2019 to RMB1,425.6 million for the six months ended 30 June 2020, primarily due to an increase of RMB84.2 million in revenue from our general power supply business as a result of an increase in the amount of electricity sales of 131,295 MWh made to our household use, and large-sale industrial use in the first half of 2020, and an increase of RMB111.8 million in the revenue from our incremental power transaction and distribution business as a result of an increase in the amount of electricity sales by 153,745MWh in the first half of 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

General Power Supply Business

Revenue generated from general power supply business increased by 9.0% from RMB932.6 million for the six months ended 30 June 2019 to RMB1,016.8 million for the six months ended 30 June 2020. The increase was primarily due to an increase in the number of our household and large-scale industrial customers by approximately 10,189 and 35 respectively, in the first half of 2020 compared to the corresponding period in 2019, resulting in an increase in the number of electricity sales of 131,295MWh made to such customers in the first half of 2020. Revenue generated from power business accounted for 81.0% and 71.3% of our total revenue for the six months ended 30 June 2019 and 2020, respectively.

Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business increased by 157.4% from RMB71.0 million for the six months ended 30 June 2019 to RMB182.8 million for the six months ended 30 June 2020. The increase was primarily due to an increasing scale of our incremental power transmission and distribution business in the first half of 2020.

EECS Business

Revenue generated from undertaking EECS business increased by 54.0% from RMB146.8 million for the six months ended 30 June 2019 to RMB226.0 million for the six months ended 30 June 2020. The increase was primarily due to an increase of more than 97 EECS projects we undertook in the first half of 2020.

Cost of Sales

Business	Six months ended 30 June	
	2020 (RMB'000)	2019 (RMB'000)
General power supply business	806,642	750,786
Incremental power transmission and distribution business	181,707	63,801
EECS business	195,039	128,144
Total	1,183,388	942,731

Cost of sales increased by 25.5% from RMB942.7 million for the six months ended 30 June 2019 to RMB1,183.4 million for the six months ended 30 June 2020, mainly due to an increase in electricity purchase from third-party suppliers as a result of the expansion in the scale of general power supply business and incremental power transmission and distribution business.

General Power Supply Business

Cost of sales associated with our general power supply business increased by 7.4% from RMB750.8 million for the six months ended 30 June 2019 to RMB806.6 million for the six months ended 30 June 2020. The increase was primarily due to an increase in electricity purchases from third-party suppliers as a result of an increase in the scale of general power supply business in the first half year of 2020. Cost of sales from general power supply business accounted for 79.6% and 68.1% of our total cost of sales for the six months ended 30 June 2019 and 2020, respectively.

Incremental Power Transmission and Distribution Business

Cost of sales associated with the incremental power transmission and distribution business increased by 184.8% from RMB63.8 million for the six months ended 30 June 2019 to RMB181.7 million for the six months ended 30 June 2020. The increase mainly due to an increasing scale of our incremental power transmission and distribution business in the first half of 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

EECS Business

Cost of sales associated with the EECS business increased by 52.2% from RMB128.1 million for the six months ended 30 June 2019 to RMB195.0 million for the six months ended 30 June 2020. The increase was primarily due to an increase in the number of EECS projects we undertook in the first half of 2020.

Gross Profit and Gross Profit Margin

Business	Six months ended 30 June			
	2020		2019	
	Gross Profit (RMB'000)	Gross Profit Margin %	Gross Profit (RMB'000)	Gross Profit Margin %
General power supply business	210,160	20.7	181,825	19.5
Incremental power transmission and distribution business	1,138	0.6	7,247	10.2
EECS business	30,942	13.7	18,626	12.7
Total	242,240	17.0	207,698	18.1

As a result of above, our gross profit increased from RMB207.7 million for the six months ended 30 June 2019 to RMB242.2 million for the six months ended 30 June 2020. The gross profit margin decreased from 18.1% for the six months ended 30 June 2019 to 17.0% for the six months ended 30 June 2020, mainly due to the decrease in the gross profit margin of the incremental power transmission and distribution business.

General Power Supply Business

The gross profit under general power supply business increased by 15.6% from RMB181.8 million for the six months ended 30 June 2019 to RMB210.2 million for the six months ended 30 June 2020. The gross profit margin increased from 19.5% for the first half year of 2019 to 20.7% for the first half year of 2020, due to higher gross profit margin of new power supply projects compared to others.

Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business decreased by 84.3% from RMB7.2 million for the six months ended 30 June 2019 to RMB1.1 million for the six months ended 30 June 2020. The decrease was primarily due to the influence of seasonal fluctuation of the electricity market business.

EECS Business

The gross profit of EECS business increased by 66.1% from RMB18.6 million for the six months ended 30 June 2019 to RMB30.9 million for the six months ended 30 June 2020. The corresponding gross profit margin increased from 12.7% for the six months ended 30 June 2019 to 13.7% for the six months ended 30 June 2020. The increase was primarily due to higher gross profit margin of new EECS projects we undertook during the first half of 2020 compared to other projects.

Other Income

Other income is generally comprised of (i) government grants; (ii) interest income; (iii) fair value changes of other financial assets; and (iv) others. Other income decreased by 16.9% from RMB 23.0 million for the first six months ended 30 June 2019 to RMB 19.1 million for the six months ended 30 June 2020, due to the decreased amount of fixed deposits in the first half of 2020 and lower interest rate compared to that in the first half of 2019.

III. MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses primarily consist of (i) staff and labour costs; (ii) depreciation and amortisation; (iii) taxes; (iv) office and travelling expenses; (v) vehicle costs; and (vi) others. Administrative expenses decreased from RMB81.5 million for the six months ended 30 June 2019 to RMB76.5 million for the six months ended 30 June 2020, mainly due to a decrease of staff and labor costs, office travelling expenses and vehicle costs.

Impairment Losses on Trade and Other Receivables and Contract Assets

Impairment losses on trade and other receivables and contract assets increased significantly from RMB3.3 million for the six months ended 30 June 2019 to RMB8.9 million for the six months ended 30 June 2020. The increase was primarily due to an increase of RMB6.5 million in impairment losses on trade receivables in relation to our business.

Finance Costs

Finance costs decreased significantly by 50.4% from RMB24.9 million for the six months ended 30 June 2019 to RMB12.4 million for the six months ended 30 June 2020, mainly due to a decrease of interest cost as a result of lower balance of bank loans we maintained in the first half of 2020 compared to the balance during the first half of 2019 and lower interest rate.

Share of Profits Less Losses of Associates

Share of profits less losses of associates increased by 76.9% from a loss of RMB0.8 million for the six months ended 30 June 2019 to a loss of RMB1.4 million for the six months ended 30 June 2020, primarily due to the net losses of RMB3.1 million of the associates for the first six months in 2020.

Income Tax

Income tax expenses were RMB18.1 million and RMB20.2 million for the six months ended 30 June 2019 and 2020, representing effective tax rates of 15.1% and 12.6%, respectively. The increase in income tax was caused by an increase in profit before taxation of our subsidiaries.

Profit for the Period

As a result of above, profit for the period increased from RMB101.8 million for the six months ended 30 June 2019 to RMB140.2 million for the six months ended 30 June 2020.

Analysis of Key Items of Consolidated Statement of Financial Position

Property, Plant and Equipment

	At 30 June 2020 (RMB'000)	At 31 December 2019 (RMB'000)
Property, Plant and Equipment	2,670,524	2,671,074

As at 31 December 2019 and 30 June 2020, our property, plant and equipment were RMB2,671.1 million and RMB2,670.5 million, respectively, which mainly included plant and building, machinery, vehicles, office equipment, projects under construction and right-of-use assets. Property, plant and equipment decreased from RMB2,671.1 million as of 31 December 2019 to RMB2,670.5 million as of 30 June 2020, mainly due to the depreciation of our property, plant and equipment for the six months ended 30 June 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

Intangible Assets

Our intangible assets decreased from RMB4.7 million as of 31 December 2019 to RMB4.2 million as of 30 June 2020, mainly due to the amortization of our intangible assets for the six months ended 30 June 2020.

Inventories

Our inventories primarily consisted of raw materials and spare parts and others, and were RMB56.8 million and RMB64.7 million as of 31 December 2019 and 30 June 2020, respectively. The following table sets forth a breakdown of our inventories at the indicated date:

	At 30 June 2020 (RMB'000)	At 31 December 2019 (RMB'000)
Raw materials	64,505	56,647
Spare parts and others	214	199
Total	64,719	56,846

Our inventories increased from RMB56.8 million as of 31 December 2019 to RMB64.7 million as of 30 June 2020, mainly due to an increase in the amount of raw materials procured for undertaking EECS projects.

The average turnover days of our inventories (calculated by using the average value of the opening balance and closing balance of inventories of the relevant period divided by the cost of sales for the period, and then multiplied by the number of days in the period) were 11 days and 9.3 days for the six months ended 30 June 2019 and 2020, respectively, the decrease mainly due to the increase in cost of sales is greater than the increase in inventories.

Trade and Other Receivables

On 31 December 2019 and 30 June 2020, our trade and other receivables were RMB394.4 million and RMB565.1 million, respectively, primarily due to an increase of numbers of EECS projects we undertook during the first half of 2020..

Our average turnover days of our trade receivables (calculated by using the average value of the opening balance and closing balance of trade receivables of the relevant period divided by the revenue for the period, and then multiplied by the number of days in the period) increased from 46 days for the six months ended 30 June 2019 to 52 days for six months ended 30 June 2020, mainly due to the increase of trade receivables related to EECS projects which will be mostly received upon the completion projects.

Trade and Other Payables

Our trade and other payables increased from RMB791.7 million as of 31 December 2019 to RMB889.9 million as of 30 June 2020 mainly due to an increase of RMB107.4 million in dividend payables.

Our average trade payables turnover days (calculated by using the average of opening and closing balance of the trade payables for a period divided by the cost of the period and multiplied by the number days in the period) increased from 74 days for six months ended 30 June 2019 to 76 days for the six months ended 30 June 2020, primarily due to an increase of trade payables in relation to EECS projects and materials due to the increase in the number of EECS projects we undertook in the first half of 2020.

III. MANAGEMENT DISCUSSION AND ANALYSIS

Contract Liabilities

Our contract liabilities were relatively stable at RMB205.8 million as of 31 December 2019 and RMB206.3 million as of 30 June 2020.

Liquidity and Financial Resources

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

As at 30 June 2020, our cash and cash equivalents amounted to RMB748.7 million (31 December 2019: RMB780.5 million).

As at 30 June 2020, the total borrowings of our Group amounted to RMB611.2 million (31 December 2019: RMB591.8 million), including bank and other borrowings. Most of our borrowings bear interest at floating rate.

Gearing Ratio

As at 30 June 2020, the gearing ratio of our Group was 22.1% (31 December 2019: 21.7%). Gearing ratio is calculated based on our total interest-bearing liabilities divided by total equity on the same date.

Significant Investments Held, Major Acquisitions and Disposals

During the six months ended 30 June 2020, the Group did not have any significant investments held, nor were there any major acquisitions or disposals of subsidiaries, associates, or joint ventures.

Foreign Exchange Risk

Our Group entered into a facility letter with a bank in November 2019 in relation to a term loan facility extending a credit line of up to USD20.0 million for a term of one year. Pursuant to the relevant facility letter, our Group undertakes that, *inter alia*, (i) it shall remain at least 25% directly or indirectly owned/ultimately owned by Sichuan Development (Holding) Co., Ltd* (四川發展(控股)有限責任公司); and (ii) at least 50% directly or indirectly owned by State-owned Assets Supervision and Administration Commission of the State Council or other local government bodies. To the best knowledge and belief of the Company, the above undertakings have been complied with during the Reporting Period, and the Company does not foresee, pursuant to currently available information, any material impediment on their continuing compliance for the remaining term of the facility letter. Our Group subsequently made a drawdown in the principal amount of USD18.0 million on 16 April 2020. To avoid the adverse impact of the exchange rate fluctuations, our Group has entered into foreign exchange rate swap contract for our US Dollar bank loan on 17 April 2020. Saved as disclosed above, our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. The Group carried out business in the PRC and receives revenue and pays its costs/expenses in RMB. The Group has unutilised proceeds from the Global Offering and distributed dividends in Hong Kong dollar, and recognises net foreign exchange gains of RMB0.2 million as at 30 June 2020.

Interim Dividend

The Board does not recommend the declaration of any interim dividend in respect of the six months ended 30 June 2020 (2019 interim dividend: nil).

III. MANAGEMENT DISCUSSION AND ANALYSIS

Global Offering and Use of Proceeds from Global Offering

The Company was listed on the Stock Exchange on 28 December 2018 and issued 268,800,000 H Shares with a nominal value of RMB1.00 each at HK\$1.77 per share (“**Global Offering**”). Net proceeds from the Global Offering was approximately RMB380.5 million. As at 30 June 2020, the Group has used the proceeds from the Global Offering of approximately RMB140.4 million and the unused proceeds amount to approximately RMB240.1 million in accordance with the relevant disclosure in the prospectus.

Use of Proceeds	Unused amount as at 1 January 2020 (RMB'000)	Used amount during the Reporting period (RMB'000)	Unused amount as at 30 June 2020 (RMB'000)	Estimated schedule ⁽¹⁾
Acquisition of power-related assets	152,193	–	152,193	2020-2021
Power grid construction and optimisation	54,645	39,400	15,245	2020-2021
Establishment of centralised power dispatching control center and promotion of intelligent power grid system	37,097	–	37,097	2020-2021
Working capital	35,838	277	35,561	2020-2021
Total	279,773	39,677	240,096	

Note:

- (1) The estimated timetable for the use of the remaining proceeds is based on the Group's best estimation of future market condition and may change with the current market condition and future development.

Capital Commitments

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

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

	At 30 June 2020 (RMB'000)	At 31 December 2019 (RMB'000)
Contracted for	13,795	24,014

Pledges of Our Group's Assets

No property, plant and equipment was pledged to banks as of 30 June 2020 (31 December 2019: nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: nil).

III. MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policies and Performance

For the six months ended 30 June 2020, the Company had not encountered any environmental pollution event; all operating power stations under our operation control were in compliance with the relevant domestic environmental protection regulations and we were not subject to any penalty or prosecution due to non-compliance incident.

Looking back the period, the Company had strictly complied with all Chinese environmental laws and regulations, including the Environmental Protection Law, the Environmental Impact Assessment Law and the Water Pollution Prevention and Control Law of the PRC. The Company, in accordance with the requirements of laws and regulations, guaranteed the investment of funds in environmental protection and complied with regulatory and industry standards set by central and local government departments and industry associations. The main environmental risks that arose in the course of production of the Company include: (1) the wastes that were drifted from the upstream of the hydropower station; and (2) a small amount of oily wastes generated during equipment maintenance. These two types of substances are not hazardous wastes, but we collected, stored and disposed them as hazardous wastes. We signed agreements with qualified entities to transport these wastes to landfills or handling areas designated by relevant government departments for standardized processing. During the Reporting Period, the Company's production fulfilled environmental-friendly requirements without violation records.

Operation safety

For the six months ended 30 June 2020, no accident had occurred involving employees, equipment or power grid of the Company. All operating power stations under our operation control were in compliance with the relevant domestic regulations relating to production safety, and we were not subject to any fine or prosecution due to non-compliance with the regulations.

Looking back the period, the Company conscientiously fulfilled the relevant performance requirements imposed by the competent government authorities, conducted stringent evaluation on production safety, enhanced the basic management of safety and environment, strengthened production safety and performed environmental protection responsibilities, conducted serious training and education on safety, carried out large-scale inspections to identify and control potential danger, and achieved the goal of production safety with superior performance.

Employees and Remuneration Policy

As at 30 June 2020, the Company had a total of 2,964 employees (30 June 2019: 3,034 employees).

The Company established a scientific, reasonable, fair and impartial remuneration management system matching the development of the Company. Income of employees was relevant to corporate profitability and their performance appraisal results, which might mobilize the enthusiasm of staff and give full play to the functions of the incentive and restraint mechanism.

Looking back the Reporting Period, no labour disputes had occurred in the Company and its subsidiaries which would affect the operations of the Group.

Important Events Subsequent to the Reporting Period

Mr. Zeng Zhiwei tendered his resignation as a supervisor of the Company on 26 August 2020 which shall take effect from the approval by shareholders of the proposed appointment of a new supervisor replacing him in the Company's forthcoming EGM.

Save as disclosed as above, there were no important events from 30 June 2020 to the date of this report affecting the Company and any of its subsidiaries.

III. MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

During the first half of 2020, the Group saw an increasing trend in its electricity sales and the continuous improvement in its operating results. According to the decisions and plans of the state and the requirements of epidemic prevention and control, the Group implemented related policies and measures, accelerated the pace of marketization, increased the size of assets, and continued to strengthen core competitiveness, with the focus of the Group's work in the second half of the year as follows:

- (1) Strengthen flood control work, and build a strong security line to ensure the smooth operation of the power supply network. Firstly, the Group will carry out a comprehensive investigation on its network to formulate the disaster prevention and avoidance plans and the implementation measures. Secondly, the Group will tighten the chain of responsibility, strictly implementing the 24-hour on-duty system, and establishing corresponding organizations and institutions to enforce accountability, to ensure that disaster prevention and recovery work can be carried out in place. Thirdly, the Group shall adhere to daily dispatching, strengthen contact with local departments of hydrology, meteorology and geology, and closely monitor disaster information related to rainstorms and mudslides. Fourthly, the Group shall strengthen emergency reserves, and improve emergency responsiveness capabilities.
- (2) Strengthen the construction of power grids to improve support capabilities. Firstly, the Group shall accelerate the construction of high-level power grids to achieve the optimal allocation of resources. Secondly, the Group shall strengthen the construction of distribution network to constantly improve the quality of power supply service. Thirdly, the Group shall promote the construction of dispatching center and improved the operation level of dispatching.
- (3) Promote the operation of assets to improve the operating efficiency. Firstly, the Group plans to merge and acquire the restructure high-quality grid power assets to scale up to create new profit growth points for network-source. Secondly, the Group shall continue to promote unmanned transformation and the level of automatic operation of power stations and substations to improve operational efficiency. Thirdly, the Group shall strengthen financing management, broaden financing channels, innovative financing methods, and reduce financing costs.
- (4) Accelerate reform and innovation to improve service levels. Firstly, the Group shall accelerate the construction of information, enrich service methods, improve service capacity. Secondly, the Group shall promote the construction of all-round power supply stations, and improved staff service skills. Thirdly, the Group shall promote transformation and development, improve industrial layout, and expand the scope of business, and enhance market competitiveness.

IV. CORPORATE GOVERNANCE AND OTHER INFORMATION

1. ACQUISITION OF INTEREST IN SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS

During the six months ended 30 June 2020, no rights were granted to any Directors or Supervisors or their respective spouses or children aged below 18 to derive gains by purchasing the shares or debentures of the Company and they did not exercise any such rights; the Company or any of its subsidiaries did not enter into any arrangements that enabled the Directors or Supervisors to purchase such rights of any other legal entities.

2. CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

The following sets out changes in the information of directors, supervisors and senior management of the Company during the Reporting Period pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Wang Chengke resigned as non-executive director and Mr. Ouyang Yu resigned as a supervisor, both effective on 17 June 2020.

Mr. Xu Zhenhua was formally appointed as the non-executive Director of the Company at the annual general meeting held on 17 June 2020. His biographical details were set out in the Company's announcement dated 22 April 2020 and circular of annual general meeting dated 28 April 2020.

Mr. Xie Jun was formally appointed as the Supervisor of the Company at the annual general meeting held on 17 June 2020, his biographical details were set out in the Company's announcement dated 22 April 2020 and circular of annual general meeting dated 28 April 2020.

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

3. COMPLIANCE WITH CODE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining of good corporate governance. The Company considers corporate governance practices crucial in stable, efficient and transparent operation of the Company as well as the ability to attract investors, which can also guarantee the rights and interests of Shareholders and increase the value of Shares held by Shareholders.

During the six months ended 30 June 2020, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and had adopted most of the recommended best practice as set out in Appendix 14 to the Listing Rules.

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

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors and the Supervisors. Having made specific enquiries with all Directors and Supervisors of the Company, all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions of directors and supervisors during the six months ended 30 June 2020.

IV. CORPORATE GOVERNANCE AND OTHER INFORMATION

5. RISK MANAGEMENT AND INTERNAL CONTROL

5.1 Risk management

(1) Operating risk

1. With the implementation of the national “cost and fees reduction” policy to promote economic development and the imminent implementation of Sichuan’s “double-parity” policy, the Company’s operating model and profitability will be profoundly affected and changed, which will bring great effects to the Company’s principal business with high profits.
2. The power generation of the Company depends on hydrological conditions and may face seasonal business risk. As the power generation of the hydropower plant relies on the ever-changing hydrological conditions in the area where the hydropower plant is located, when the hydrological, climatic, or environmental conditions change, the Company’s power generation will change accordingly, which will affect the Company’s profitability.

(2) Industry Policy Risk

The Company’s principal business is the public power supply business for public welfare, and its major business activities are regulated by government authorities. If there are relatively material changes in terms of industrial policies such as energy landscape and price formation mechanism in China, it will affect the Company’s existing profit model and have an impact on the Company’s operating efficiency in a certain period of time.

(3) Investment Risk

The Company is currently in the phase of accelerated development, various types of significant investment projects and constructions will commence and proceed successively. In particular, efficient use of proceeds from listing and strict regulation will have significant impact on the future development of the Company.

(4) Financial Risk

1. Exchange rate risk: The Company mainly carries out business in mainland China with RMB as the main currency for settlement and proceeds raised have been converted to RMB. Since the late 2019, the Group holds a small amount of Hong Kong dollar. Fluctuation in exchange rate of RMB to Hong Kong dollar will correspondingly result in a certain amount of exchange profit or loss on the Hong Kong dollar held by the Company. However, all in all, its impact on the financial position and operation results of the Company will be immaterial.
2. Funding risk: With the development of the Company, major investment activities will increase. Whether the capital is adequate will dramatically affect the Company’s operations and development. Therefore, fund related activities are exposed to financial risk.

(5) Connected transactions risk

The Company is mainly exposed to connected transactions risks in relation to compliance, excess in cap of disclosed continuing connected transactions and frequent connected transactions between the Company and its Controlling Shareholders (or other connected parties) after its successful listing on the Hong Kong Stock Exchange.

IV. CORPORATE GOVERNANCE AND OTHER INFORMATION

5.2 Internal control

The Company has completed the establishment of compliance management system of the Company, put much efforts in promoting the construction of standardization system and standardized the rules of procedures for regulating the Shareholders' general meetings, the Board, the Supervisory Committee and the special committee under the Board, resulting in strengthened internal control of the Company and prevention of material risks from the perspectives of management system, decision-making level and operation of supervision mechanism.

6. INVESTOR RELATIONS

The Company cordially provides accurate and timely information to shareholders and investors, and strives to maintain efficient communication with Shareholders and investors by establishing various channels, in order to facilitate their understanding of our latest business development and financial performance and improve transparency on disclosure of information by the Company.

The contact information of the Company is set out below for making enquiries on matters concerned by Shareholders, and the Company will reply the enquiries in an appropriate and timely manner:

Address: No. 789 Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC
Telephone: +86 (28) 86299666
Fax: +86 (28) 86299666
Email: db@scntgf.com
Company website: <http://www.scntgf.com>

The Company will release information timely, investors may obtain information about the latest development, announcements and press releases of the Company through the Stock Exchange website (www.hkex.com.hk) and the Company's website (www.scntgf.com).

In future, the Company will further develop activities on investor relations to provide better services for investors.

7. SHARE OPTION SCHEME

For the six months ended 30 June 2020, the Company did not have any share option scheme.

8. INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES HELD BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2020, according to the information obtained by the Company and to the best knowledge of the Company, none of the Directors, Supervisors and chief executives of the Company has any interest and short positions (including those deemed or considered as interests or short positions held pursuant to Divisions 7 and 8 of the SFO) in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interest or short positions which have to be recorded in the equity register to be kept pursuant to section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

IV. CORPORATE GOVERNANCE AND OTHER INFORMATION

9. INTEREST IN SECURITIES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executives of the Company) have interest or short positions in Shares or underlying shares required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or interest or short positions required to be recorded in the register to be kept pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Class of shares	Number of Shares (Note 1)	Percentage of total shares (%)	Percentage of issued shares of the same class (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (Note 2)	Beneficial owner and interest of controlled corporations	Domestic Shares	419,336,000	39.03	59.27
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司) (Note 2)	Interest of controlled corporations	Domestic Shares	394,398,400	36.71	55.74
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner	Domestic Shares	394,398,400	36.71	55.74
China Power International Development Limited (中國電力國際發展有限公司)	Beneficial owner	Unlisted Foreign Shares	98,039,200	9.13	100
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 3)	Interest of controlled corporations	Domestic Shares	98,039,200	9.13	13.86
Three Gorges Capital Holdings Company Limited * (三峽資本控股有限責任公司)	Beneficial owner	Domestic Shares	98,039,200	9.13	13.86
Gao County State-owned Assets Operation Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	Domestic Shares	92,406,000	8.60	13.06
Yibin City State-owned Assets Operation Co., Ltd.* (宜賓市國有資產經營有限公司)	Beneficial owner	Domestic Shares	65,359,500	6.08	9.24
Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	5.15	20.60
Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) (Note 4)	Interest of controlled corporations	H Shares	46,326,000	4.31	17.23
SCIG International Limited	Beneficial owner	H Shares	46,326,000	4.31	17.23
Ou Zongrong (歐宗榮) (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Lin Shuying (林淑英) (Note 5)	Interest of spouse	H Shares	31,638,000	2.94	11.77
RoYue Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro Properties Group Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro International Limited (Note 5)	Interest of controlled corporations	H Shares	31,638,000	2.94	11.77
Zhenro Hong Kong Limited	Beneficial owner	H Shares	31,638,000	2.94	11.77
Sichuan Furun Enterprise Reorganization Investment Co., Ltd.* (四川富潤企業重組投資有限責任公司)	Beneficial owner	H Shares	31,072,000	2.89	11.56
Aegis Investment Holdings Limited	Beneficial owner	H Shares	30,508,000	2.84	11.35

IV. CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. As at 30 June 2020, the Company had issued 707,518,500 Domestic Shares, 98,039,200 Unlisted Foreign Shares and 268,800,000 H Shares. The total number of issued Shares was 1,074,357,700 Shares.
2. As at 30 June 2020, Hydropower Group held 394,398,400 Domestic Shares of the Company. Hydropower Group was wholly owned by Energy Investment Group, and Energy Investment Group was in turn held by Sichuan Development Co. as to 67.80%. Therefore, Energy Investment Group was deemed to be interested in 394,398,400 Domestic Shares of the Company held by Hydropower Group pursuant to Part XV of the SFO. Sichuan Development Co. was also deemed to be interested in the said 394,398,400 Domestic Shares. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares of the Company, and thus Sichuan Development Co. was deemed to hold a total of 419,336,000 Domestic Shares of the Company.
3. As at 30 June 2020, Three Gorges Capital Holdings Company Limited held 98,039,200 Domestic Shares of the Company. Three Gorges Capital Holdings Company Limited was directly wholly-owned by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation was deemed to be interested in 98,039,200 Domestic Shares of the Company.
4. As at 30 June 2020, SCIG International Limited held 46,326,000 H Shares of the Company. SCIG International Limited was directly wholly-owned by Sichuan Provincial Investment Group Company Limited. Therefore, pursuant to Part XV of the SFO, Sichuan Provincial Investment Group Company Limited was deemed to be interested in 46,326,000 H Shares of the Company held by SCIG International Limited.
5. As at 30 June 2020, Zhenro Hong Kong Limited held 31,638,000 H Shares of the Company. Zhenro Hong Kong Limited was directly wholly-owned by Zhenro International Limited, and Zhenro International Limited was directly wholly-owned by Zhenro Properties Group Limited. RoYue Limited owned 55.26% of equity interest in Zhenro Properties Group Limited, and RoYue Limited was directly wholly-owned by Mr. Ou Zongrong. Therefore, pursuant to Part XV of the SFO, Zhenro International Limited, Zhenro Properties Group Limited, RoYue Limited and Mr. Ou Zongrong were deemed to be interested in 31,638,000 H Shares of the Company. In addition, Ms. Lin Shuying was the spouse of Mr. Ou Zongrong. Therefore, pursuant to Part XV of the SFO, Ms. Lin Shuying was deemed to be hold 31,638,000 H Shares of the Company.

10. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY BY THE LISTED ISSUER OR SUBSIDIARIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

11. PUBLIC FLOAT

During the six months ended 30 June 2020, based on the information that was publicly available to the Company and to the best knowledge of the Board, the Company has maintained the minimum public float required by the Listing Rules.

12. REVIEW OF INTERIM RESULTS

The Audit Committee under the Board of the Company had reviewed the Company's interim report including the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2020. And the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2020 had also been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity".

13. MATERIAL LITIGATION

During six months ended 30 June 2020, the Directors were not aware of any material legal proceedings or arbitration against the Company.

V. REVIEW REPORT



**Review report to the board of directors
of Sichuan Energy Investment Development Co., Ltd.**

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 42 which comprises the consolidated statement of financial position of Sichuan Energy Investment Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2020

VI. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3(b)	1,425,628	1,150,429
Cost of sales	5(c)	(1,183,388)	(942,731)
Gross profit		242,240	207,698
Other income	4(a)	19,079	22,962
Administrative expenses		(76,549)	(81,503)
Impairment losses on trade and other receivables and contract assets		(8,861)	(3,302)
Other expenses	4(b)	(1,703)	(265)
Profit from operations		174,206	145,590
Finance costs	5(a)	(12,365)	(24,929)
Share of profits less losses of associates		(1,422)	(804)
Profit before taxation	5	160,419	119,857
Income tax	6	(20,203)	(18,105)
Profit for the period		140,216	101,752
Attributable to:			
Equity shareholders of the Company		140,577	100,827
Non-controlling interests		(361)	925
Profit for the period		140,216	101,752
Earnings per share	7		
Basic and diluted (RMB)		0.13	0.09

The notes on pages 29 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

VII. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Profit for the period		140,216	101,752
Other comprehensive income for the period		-	-
Total comprehensive income for the period		140,216	101,752
Attributable to:			
Equity shareholders of the Company		140,577	100,827
Non-controlling interests		(361)	925
Total comprehensive income for the period		140,216	101,752

The notes on pages 29 to 42 form part of this interim financial report.

VIII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	8	2,670,524	2,671,074
Interests in leasehold land held for own use		125,061	126,492
Intangible assets		4,167	4,749
Investment in associates		268,552	269,974
Other financial assets	9	98,198	110,198
Deferred tax assets		36,752	31,857
		3,203,254	3,214,344
Current assets			
Inventories		64,719	56,846
Contract assets	10(a)	32,738	24,897
Trade and other receivables	11	565,123	394,417
Prepaid tax		3,725	5,138
Restricted deposits		4,000	4,000
Cash and cash equivalents	12	748,653	780,496
		1,418,958	1,265,794
Current liabilities			
Trade and other payables	13	889,913	791,739
Contract liabilities	10(b)	206,343	205,792
Loans and borrowings	14	611,154	445,778
Lease liabilities		2,261	2,294
Deferred income		7,560	7,383
Current tax liabilities		13,409	15,017
		1,730,640	1,468,003
Net current liabilities		(311,682)	(202,209)

VIII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited (Continued)
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Total assets less current liabilities		2,891,572	3,012,135
Non-current liabilities			
Loans and borrowings	14	–	146,000
Lease liabilities		3,995	5,114
Deferred income		145,025	148,994
Deferred tax liabilities		17,740	19,995
		166,760	320,103
NET ASSETS		2,724,812	2,692,032
CAPITAL AND RESERVES			
Share capital		1,074,358	1,074,358
Reserves		1,636,836	1,603,695
Total equity attributable to equity shareholders of the Company		2,711,194	2,678,053
Non-controlling interests		13,618	13,979
TOTAL EQUITY		2,724,812	2,692,032

The notes on pages 29 to 42 form part of this interim financial report.

IX. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Attribute to equity shareholders of the Company									
	Note	Share capital	Capital reserve	State capital reserve	PRC statutory reserve	Special reserve	Retained profits	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		1,074,358	203,429	878,019	57,606	4,972	374,740	2,593,124	5,515	2,598,639
Changes in equity for the six months ended 30 June 2019:										
Profit for the period		-	-	-	-	-	100,827	100,827	925	101,752
Total comprehensive income		-	-	-	-	-	100,827	100,827	925	101,752
Transfer to statutory reserve		-	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year	15(a)	-	-	-	-	-	(91,320)	(91,320)	-	(91,320)
Safety production fund		-	-	-	-	3,488	(3,488)	-	-	-
Balance at 30 June 2019 and 1 July 2019		1,074,358	203,429	878,019	57,606	8,460	380,759	2,602,631	6,440	2,609,071
Changes in equity for the six months ended 31 December 2019										
Profit for the period		-	-	-	-	-	75,422	75,422	259	75,681
Total comprehensive income		-	-	-	-	-	75,422	75,422	259	75,681
Investment from non-controlling shareholder		-	-	-	-	-	-	-	7,280	7,280
Transfer to statutory reserve		-	-	-	3,814	-	(3,814)	-	-	-
Dividends approved in respect of the previous year		-	-	-	-	-	-	-	-	-
Safety production fund		-	-	-	-	(912)	912	-	-	-
Balance at 31 December 2019		1,074,358	203,429	878,019	61,420	7,548	453,279	2,678,053	13,979	2,692,032

IX. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited (Continued)
(Expressed in Renminbi)

	Note	Attribute to equity shareholders of the Company						Total	Non-controlling interest	Total equity
		Share capital	Capital reserve	State capital reserve	PRC statutory reserve	Special reserve	Retained profits			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2020		1,074,358	203,429	878,019	61,420	7,548	453,279	2,678,053	13,979	2,692,032
Changes in equity for the six months ended 30 June 2020:										
Profit for the period		-	-	-	-	-	140,577	140,577	(361)	140,216
Total comprehensive income		-	-	-	-	-	140,577	140,577	(361)	140,216
Transfer to statutory reserve		-	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year	15(a)	-	-	-	-	-	(107,436)	(107,436)	-	(107,436)
Safety production fund		-	-	-	-	5,989	(5,989)	-	-	-
Balance at 30 June 2020		1,074,358	203,429	878,019	61,420	13,537	480,431	2,711,194	13,618	2,724,812

The notes on pages 29 to 42 form part of this interim financial report.

X. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations		29,887	163,020
PRC corporate income tax paid		(27,548)	(23,334)
Net cash generated from operating activities		2,339	139,686
Investing activities			
Payment for purchase of property, plant and equipment		(55,883)	(50,559)
Payment for investment in other financial assets		(794,000)	(1,609,500)
New Loans to an associate		(8,500)	–
Redemption of other financial assets		798,698	1,152,416
Other cash flows arising from investing activities		18,105	3,296
Net cash used in investing activities		(41,580)	(504,347)
Financing activities			
Capital element of lease rentals paid		(1,151)	(679)
Interest element of lease rentals paid		(163)	(130)
Proceeds from new bank loans		597,286	400,000
Repayment of bank loans		(577,910)	(421,020)
Other cash flows arising from financing activities		(10,840)	(17,181)
Net cash generated from/(used in) financing activities		7,222	(39,010)
Net decrease in cash and cash equivalents		(32,019)	(403,671)
Cash and cash equivalents at 1 January		780,496	797,970
Effect of foreign exchanges rates changes		176	(7,667)
Cash and cash equivalents at 30 June	12	748,653	386,632

The notes on pages 29 to 42 form part of this interim financial report.

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

Sichuan Energy Investment Development Co., Ltd. (“the Company”) is a limited liability company established and domiciled in the People’s Republic of China (the “PRC”).

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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 (“HKICPA”). KPMG’s independent review report to the Board of Directors is included on page 21.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Segment reporting

The directors of the Company have been identified as the Group’s most senior executive management. Operating segments are identified from financial information provided regularly to the Group’s most senior executive management reviews for the purposed of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction services in the PRC. The Group’s most senior executive management makes resources allocation decisions based on internal management functions and assess the Group’s business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, management considers the Group has only one operating segment and therefore, no segment information is presented.

The Group only operates in Mainland China and accordingly, no geographical information is presented.

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Revenue

The principal activities of the Group are generating and supplying of power and provision of power supply related equipment/projects engineering construction service.

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Point in time		
Revenue from power business	1,199,647	1,003,659
Sales of electric equipment and materials	5,529	7,171
Over time		
Revenue from provision of electrical engineering construction services	220,452	139,599
	1,425,628	1,150,429

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

4 OTHER INCOME AND EXPENSES

(a) Other income

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants	3,780	4,359
Interest income	2,071	5,758
Fair value changes of other financial assets	8,698	10,279
Others	4,530	2,566
	19,079	22,962

(b) Other expenses

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net losses on disposal of property, plant and equipment	202	2
Others	1,501	263
	1,703	265

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(a) Finance costs		
Interest on bank loans	11,240	17,262
Interest on lease liabilities	163	130
Foreign exchange (gain)/loss	(176)	7,537
	11,227	24,929
Net change in fair value of derivatives (<i>note 13</i>):		
– foreign exchange rate swap contract	803	–
– interest rate swap contract	335	–
	1,138	–
	12,365	24,929

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	168,619	159,960
Contributions to defined contribution retirement plan	4,565	23,362
	173,184	183,322

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

5 PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(c) Other items		
Amortisation		
– interests in leasehold land held for own use	1,431	1,180
– intangible assets	582	504
	2,013	1,684
Depreciation		
– owned property, plant and equipment	68,263	70,223
– properties leased for own use	908	742
	69,171	70,965
Impairment losses on		
– trade and other receivables and contract assets	8,861	3,302
	8,861	3,302
Repair and maintenance expenses	13,814	32,301

6. INCOME TAX

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax – PRC Corporate Income Tax (“CIT”)	27,353	20,461
Deferred tax	(7,150)	(2,356)
	20,203	18,105

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in (i) below, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25.0%.

- (i) According to the notice on tax policies in relation to further implementation of the western development strategy, enterprises established in western region and engaged in activities encouraged by the state, are applicable to a preferential corporate income tax rate of 15.0% from 2011 to 2030. Certain subsidiaries operate in the western region of the PRC can enjoy a preferential corporate income tax rate of 15.0%. The provision for CIT for these subsidiaries were calculated at the same basis in 2019.

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB140,577 thousand (six months ended 30 June 2019: RMB100,827 thousand) and the weighted average of 1,074,357,700 ordinary shares (six months ended 30 June 2019: 1,074,357,700 shares) in issue during the interim period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2020, and therefore, diluted earnings per share are the same as the basic earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of short-term lease agreements for use of properties which are exempt from capitalisation according to IFRS16, therefore no addition to right-of-use assets is recognised (six months ended 30 June 2019: RMB5,536 thousand).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB68,858 thousand (six months ended 30 June 2019: RMB57,067 thousand). Items of property, plant and equipment with a net book value of RMB236 thousand were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB60 thousand), resulting in a loss on disposal of RMB202 thousand (six months ended 30 June 2019: RMB2 thousand).

9 OTHER FINANCIAL ASSETS

	At 30 June 2019 RMB'000	At 31 December 2019 RMB'000
Financial assets measured at FVPL		
– Unlisted equity securities	98,198	110,198

On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000 thousand in Lhasa Jinding Xingneng Investment Center (LLP) (拉薩金鼎興能投資中心(有限合夥)) (“Jinding Fund”) as an inferior limited partner.

Further details of the Group’s fair value measurement are set out in note 16(a).

10 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contract assets		
Arising from performance under construction contracts	32,738	24,897
Receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade and other receivables” (note 11)	483,597	334,944

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

10 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Construction contracts		
– Billings in advance of performance	45,110	47,523
Power business		
– Receipt in advance	161,233	158,269
	206,343	205,792

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade debtors (a)	467,972	350,408
Bills receivable (a)	27,063	3,886
Less: Allowance for doubtful debts	(86,903)	(77,749)
	408,132	276,545
Other receivables	52,347	49,141
Less: Allowance for doubtful debts	(17,133)	(17,425)
	35,214	31,716
Loans to third parties	28,157	28,157
Less: Allowance for doubtful debts	(28,157)	(28,157)
	–	–
Amounts due from related parties (note 18(b))	83,965	58,399
Financial assets measured at amortised cost	527,311	366,660
Other tax receivables	1,309	5,630
Prepayments and deposits (b)	36,503	22,127
	565,123	394,417

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis of trade debtors and bills receivable

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year (inclusive)	365,948	231,569
1 to 2 years (inclusive)	17,968	23,748
2 to 3 years (inclusive)	16,897	16,524
3 to 4 years (inclusive)	4,461	1,822
4 to 5 years (inclusive)	385	862
Over 5 years	2,473	2,020
	408,132	276,545

(b) Prepayments and deposits

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

12 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Deposits with banks	748,642	780,484
Cash in hand	11	12
	748,653	780,496

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

13 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	509,396	486,192
Other payables	111,861	121,512
Interest payables	5,548	5,148
Employee benefits payables	51,257	79,459
Dividend payables	30,118	–
Amounts due to related parties (note 18(b))	141,538	53,735
Financial liabilities measured at amortised cost	849,718	746,046
Derivative financial instruments:		
– foreign exchange rate swap contract	803	–
– interest rate swap contract	335	–
Financial liabilities measured at FVPL	1,138	–
Other tax payables	39,057	45,693
	889,913	791,739

As at the end of the reporting period, the aging analysis of the trade payables (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year (inclusive)	489,337	467,166
1 to 2 years (inclusive)	15,479	11,745
2 to 3 years (inclusive)	61	1,716
Over 3 years	4,519	5,565
	509,396	486,192

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

14 LOANS AND BORROWING

The analysis of the carrying amount of loans and borrowings is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current		
Unsecured bank loans	597,286	300,000
Other borrowings	13,868	13,868
Current portion of non-current unsecured bank loans	–	131,910
	611,154	445,778
Non-current		
Unsecured bank loans	–	277,910
Less: Current portion of non-current unsecured bank loans	–	(131,910)
	–	146,000
	611,154	591,778

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

No interim dividend is declared for the six months ended 30 June 2020 (2019 interim dividend: Nil).

- (ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period:*

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Final dividend approved in respect of previous financial year of RMB0.1 (2019: RMB0.085) per share	107,436	91,320

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes loans and borrowings and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	<i>Note</i>	30 June 2020 RMB'000	31 December 2019 RMB'000
Current liabilities:			
Loans and borrowings		611,154	445,778
Lease liabilities		2,261	2,294
		613,415	448,072
Non-current liabilities:			
Loans and borrowings		–	146,000
Lease liabilities		3,995	5,114
		3,995	151,114
Total debt		617,410	599,186
Add: Proposed dividends	<i>15(a)</i>	–	107,436
Less: Cash and cash equivalents	<i>12</i>	(748,653)	(780,496)
Adjusted net debt		(131,243)	(73,874)
Total equity		2,724,812	2,692,032
Less: Proposed dividends	<i>15(a)</i>	–	(107,436)
Adjusted capital		2,724,812	2,584,596
Adjusted net debt-to-capital ratio		(4.8%)	(2.9%)

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2020 RMB'000	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Other financial assets:				
– Unlisted equity securities	98,198	–	–	98,198
Financial liabilities:				
Derivative financial Instruments:				
– Foreign exchange rate swap contract	803	–	803	–
– Interest rate swap contract	335	–	335	–
	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Other financial assets:				
– Unlisted equity securities	110,198	–	–	110,198

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the six months ended 30 June 2019 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange rate swap contract in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of Interest rate swap contract is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

For Level 2 financial assets and liabilities at FVPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs or by reference to recent transaction prices.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity securities	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate	12% (2019: 12%)

The fair value of other financial assets is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to the forecast future benefit and negatively correlated to the risk-adjusted discount rate.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019 and 30 June 2020.

17 COMMITMENTS

Capital commitments outstanding as at 30 June 2020 not provided for in the interim financial report were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	13,795	24,014

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Material related party transactions entered by the Group during the interim period are as follows:

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of electricity to:			
– Associates of ultimate controlling company		114,945	49,823
– Subsidiaries of shareholders with significant influence over the Company		4,128	–
Provision of services to:			
– A fellow subsidiary		5,390	3,827
– An associate of ultimate controlling company		5,695	38,561
– The Parent	<i>(i)</i>	5,822	6,465
– Subsidiaries of shareholders with significant influence over the Company		3,200	–
Purchases of goods from:			
– Fellow subsidiaries		5,731	11,116
– An associate		2,167	2,779
Purchases of services from:			
– Fellow subsidiaries		28,336	1,776
Loans paid to:			
– An associate		8,500	–
Interest income from:			
– An associate		93	–
Rural power grid assets usage fee			
– The Parent	<i>(ii)</i>	8,291	7,827

(i) On 23 November 2018, the Group entered into a rural power grid assets management and maintenance agreement with its parent Sichuan Province Hydropower Investment and Management Group Co., Ltd. (“Hydropower Group”) (“the Parent”), pursuant to which the Group agreed to provide management and maintenance service for certain rural power grid assets owned by the Parent in the areas where the Group operates its business. The annual service fee payable by the Parent to the Group is determined based on negotiation by reference to the “Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)”* (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)) issued by State Grid Sichuan Electric Power Company.

(ii) On 23 November 2018, the Group entered into a rural power grid assets usage agreement with the Parent (“the usage agreement”), pursuant to which the Group have the rights to use the above-mentioned rural power grid assets owned by the Parent. The annual usage fee payable by the Group to the Parent is calculated based on the volume of the Group’s electricity transmitting through the Parent’s rural power grid multiplied by the unit usage price as stipulated in the usage agreement.

XI. NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENT

18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

- (iii) Under the partnership agreement of Jinding Fund, the Company together with another two inferior limited partners signed a guarantee agreement with the preferred limited partner of Jinding Fund to compensate against any shortfall to the required return or any losses from the investment as claimed by the preferred limited partner. Meanwhile, Sichuan Jinding Industrial & Financial Holding Co., Ltd. ("Sichuan Jinding"), a fellow subsidiary, issued a counter guarantee to compensate the Company's losses, if any, arisen from aforementioned guarantee.

Further to the partnership agreement of Jinding Fund, the Company's losses from investment in Jinding Fund, if any, was guaranteed by Sichuan Jinding, and a minimum 8% annual yield from Jinding Fund was guaranteed by Sichuan Jinding Industrial&Financial Equity Investment Fund Management Co., Ltd.(a wholly owned subsidiary of Sichuan Jinding).

(b) Balances with related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amounts due from (note 11):		
<i>Non-trade related</i>		
– An associate	8,500	–
<i>Trade related</i>		
– The Parent	7,796	13,134
– Fellow subsidiaries	21,537	19,191
– Associates of ultimate controlling company	41,977	25,163
– Subsidiaries of shareholders with significant influence over the Company	3,003	873
– An associate	1,152	38
	83,965	58,399
Amounts due to (note 13):		
<i>Non-trade related</i>		
– The ultimate holding company	2,494	–
– The Parent	39,440	–
– Shareholders with significant influence over the Company	35,385	–
– An associate	30,000	30,000
<i>Trade related</i>		
– The Parent	9,370	15,099
– Fellow subsidiaries	24,574	8,636
– An associate	356	–
– An associate of ultimate controlling company	1,190	10,520
– Subsidiaries of shareholders with significant influence over the Company	527	–
	143,336	64,255

XII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“Annual General Meeting” or “AGM”	the annual general meeting to be convened by the Company on 17 June 2020
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 May 2017 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	domestic ordinary shares in the Company’s registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC-incorporated entities, and are not listed or traded on any stock exchange
“EECS business”	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials
“Energy Investment Group”	Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a company established in China on 21 February 2011 with limited liability, one of our Controlling Shareholders
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the ordinary share(s) issued of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange
“kV”	kilovolt, a unit of voltage, which is equal to one thousand volts

XII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“kVA”	kilovolt-ampere, the standard for measuring power
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a company established in China on 17 December 2004 with limited liability, one of our Controlling Shareholders
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Listing”	listing of the H Shares of the Company on the main board of the Stock Exchange
“Listing Date”	28 December 2019, on which the H Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“MWh”	megawatt-hour, which is equal to one thousand kilowatt-hours
“Reporting Period”	For the six months ended 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares, Domestic Shares and Unlisted Foreign Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Sichuan Development”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly state-owned company established on 24 December 2008 under the laws of the PRC with limited liability, one of our Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Unlisted Foreign Shares”	ordinary shares issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each, and held by China Power International Development Limited (a company incorporated in Hong Kong)
“%”	per cent.