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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: 01713)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Board of Directors of Sichuan Energy Investment Development Co., Ltd. is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 (the “**2020 Interim Results**”), together with the comparative figures for the corresponding period in 2019. The 2020 Interim Results have been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2020	2019
		RMB'000	RMB'000
Revenue	3(b)	1,425,628	1,150,429
Cost of sales	5(c)	<u>(1,183,388)</u>	<u>(942,731)</u>
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)	<u>(1,703)</u>	<u>(265)</u>
Profit from operations		174,206	145,590
Finance costs	5(a)	(12,365)	(24,929)
Share of profits less losses of associates		<u>(1,422)</u>	<u>(804)</u>
Profit before taxation	5	160,419	119,857
Income tax	6	<u>(20,203)</u>	<u>(18,105)</u>
Profit for the period		<u>140,216</u>	<u>101,752</u>
Attributable to:			
Equity shareholders of the Company		140,577	100,827
Non-controlling interests		<u>(361)</u>	<u>925</u>
Profit for the period		<u>140,216</u>	<u>101,752</u>
Earnings per share	7		
Basic and diluted (RMB)		<u>0.13</u>	<u>0.09</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

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

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	9	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		98,198	110,198
Deferred tax assets		36,752	31,857
		<u>3,203,254</u>	<u>3,214,344</u>
Current assets			
Inventories		64,719	56,846
Contract assets		32,738	24,897
Trade and other receivables	10	565,123	394,417
Prepaid tax		3,725	5,138
Restricted deposits		4,000	4,000
Cash and cash equivalents		748,653	780,496
		<u>1,418,958</u>	<u>1,265,794</u>
Current liabilities			
Trade and other payables	11	889,913	791,739
Contract liabilities		206,343	205,792
Loans and borrowings		611,154	445,778
Lease liabilities		2,261	2,294
Deferred income		7,560	7,383
Current tax liabilities		13,409	15,017
		<u>1,730,640</u>	<u>1,468,003</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited (continued)

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Net current liabilities		<u>(311,682)</u>	<u>(202,209)</u>
Total assets less current liabilities		2,891,572	3,012,135
Non-current liabilities			
Loans and borrowings		–	146,000
Lease liabilities		3,995	5,114
Deferred income		145,025	148,994
Deferred tax liabilities		<u>17,740</u>	<u>19,995</u>
		<u>166,760</u>	<u>320,103</u>
NET ASSETS		<u>2,724,812</u>	<u>2,692,032</u>
CAPITAL AND RESERVES			
Share capital		1,074,358	1,074,358
Reserves		<u>1,636,836</u>	<u>1,603,695</u>
Total equity attributable to equity shareholders of the Company		2,711,194	2,678,053
Non-controlling interests		<u>13,618</u>	<u>13,979</u>
TOTAL EQUITY		<u>2,724,812</u>	<u>2,692,032</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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**”).

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 purpose of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction services in the PRC. The Group's most senior executive management makes resource 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.

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

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	2019
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>19,079</u>	<u>22,962</u>

(b) Other expenses

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs		
Interest on bank loans	11,240	17,262
Interest on lease liabilities	163	130
Foreign exchange (gain)/loss	(176)	7,537
	<u>11,227</u>	<u>24,929</u>
Net change in fair value of derivatives (<i>note 11</i>):		
– foreign exchange rate swap contract	803	–
– interest rate swap contract	335	–
	<u>1,138</u>	<u>–</u>
	<u>12,365</u>	<u>24,929</u>
(b) Staff costs		
Salaries, wages and other benefits	168,619	159,960
Contributions to defined contribution retirement plan	4,565	23,362
	<u>173,184</u>	<u>183,322</u>

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

6 INCOME TAX

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

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.

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 DIVIDENDS

- (a) **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).

- (b) **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	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend approved in respect of previous financial year of RMB0.1 (2019: RMB0.085) per share	<u>107,436</u>	<u>91,320</u>

9 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).

10 TRADE AND OTHER RECEIVABLES

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

(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	At 31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<hr/> 408,132 <hr/>	<hr/> 276,545 <hr/>

(b) Prepayments and deposits

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

11 TRADE AND OTHER PAYABLES

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
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	<u>141,538</u>	<u>53,735</u>
Financial liabilities measured at amortised cost	<u>849,718</u>	746,046
Derivative financial instruments:		
– foreign exchange rate swap contract	803	–
– interest rate swap contract	<u>335</u>	–
Financial liabilities measured at FVPL	1,138	–
Other tax payables	<u>39,057</u>	45,693
	<u>889,913</u>	<u>791,739</u>

As at the end of the reporting period, the ageing 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 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
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	<u>4,519</u>	<u>5,565</u>
	<u>509,396</u>	<u>486,192</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Revenue

Business	For the six months ended 30 June	
	2020 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
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	<u>1,425,628</u>	<u>1,150,429</u>

Notes :

- (1) The incremental power transmission and distribution business was disclosed in the power business of preceding 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 made to our household and large industrial customers by 131,295 MWh in the first half of 2020 and an increase of RMB111.8 million in the revenue from our incremental power transmission and distribution business as a result of an increase in the amount of electricity sales by 153,745 MWh in the first half of 2020.

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 household and large industrial customers by 10,189 and 35, respectively, in the first half of 2020 compared to the corresponding period in 2019, which resulted in an increase in the amount of electricity sales to these customers by 131,295 MWh in the first half of 2020. Revenue generated from general power supply 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 year 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	For the six months ended 30 June	
	2020 <i>(RMB'000)</i>	2019 <i>(RMB'000)</i>
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	<u>1,183,388</u>	<u>942,731</u>

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 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 purchase from third-party suppliers as a result of an increase in the scale of general power supply business in the first half of 2020. Cost of sales from power 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 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 was primarily due to an increasing scale of our incremental power transmission and distribution business in the first half of 2020.

EECS Business

Cost of sales associated with 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	For the six months ended 30 June			
	2020		2019	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	(RMB'000)	Margin	(RMB'000)	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. 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 of 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 others.

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 RMB23.0 million for the six months ended 30 June 2019 to RMB19.1 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.

Administrative Expenses

Administrative expenses primarily consist of (i) staff and labor costs; (ii) depreciation and amortisation; (iii) taxes; (iv) office and travelling expenses; (v) vehicle costs; and (vi) others. Administrative expenses decreased by 6.1% from RMB81.5 million for the six months ended 30 June 2019 to RMB76.5 million for the six months ended 30 June 2020. The decrease was primarily due to a decrease of staff and labor costs, office and 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 by 168.4% 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, primarily due to a decrease of interest cost as a result of lower balance of bank loans we maintained during 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 the 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

Inventories

Our inventories consisting primarily of raw materials and spare parts and others were RMB56.8 million and RMB64.7 million as of 31 December 2019 and 30 June 2020, respectively. The following table sets forth the inventories details for the periods indicated:

	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	<u>64,719</u>	<u>56,846</u>

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

Our average inventory turnover days (calculated by dividing the average opening and closing inventory balances of the relevant period by the cost of sales during the period, and multiplying by the number of days during the period) on 30 June 2019 and 2020 are 11 days and 9.3 days, respectively. The decrease was mainly due to the increase in cost of sales exceeds that of 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 in number of EECS projects we undertook during the first half of 2020.

Our average turnover days for trade receivables (calculated by dividing the average opening and closing trade receivable balances of the relevant period by the revenue during the period, and multiplied by the number of days in the period) increased from 46 days on 30 June 2019 to 52 days on 30 June 2020, primarily due to the increase of trade receivables related to EECS projects of which the majority of the amounts are received upon project completion.

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 (see note 8(b)).

Our average turnover days for trade payables (calculated by dividing the average opening and closing trade payables balances of the relevant period by the cost of sales during the period, and multiplied by the number of days in the period) increased from 74 days on 30 June 2019 to 76 days on 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.

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 as a going concern while maximising the returns to our Shareholders through the optimisation 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 the borrowings bear floating interest rates.

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.

Capital Commitments

We have certain capital commitments relating to the construction of our centralized power dispatch control center. In the event that our management has identified a potential capital commitment and has determined that it is more likely than not to make such commitment, the classification of such commitment would be authorised but not contracted.

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	<u>13,795</u>	<u>24,014</u>

Pledges of our Group's Assets

No property, plant or 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).

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 did the Group have any major acquisitions or disposals of subsidiaries, associates or joint ventures.

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 Global Offering was approximately RMB380.5 million. As at 30 June 2020, the Group has used the proceeds from 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 timetable ⁽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 estimate of future market conditions and may change subject to current market conditions and future developments.

BUSINESS REVIEW

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 optimise 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, 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 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 220 kV 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.

Operating Results

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

Business	For the six months ended 30 June						Percentage of changes (%) /Percentage points		
	2020			2019			Revenue	Cost of sales	Gross profit margin
	Revenue (RMB'000)	Cost of sales (RMB'000)	Gross profit margin (%)	Revenue (RMB'000)	Cost of sales (RMB'000)	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) The incremental power transmission and distribution business was disclosed in the power business of preceding years.
- (2) Includes revenue from the sales of electric equipment and materials of RMB5.5 million for the six months ended 30 June 2020.

General Power Supply Business

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

Customers	For the six months ended 30 June				Percentage of changes (%)/ Percentage points	
	2020		2019		Electricity Sales	Revenue
	Electricity Sales (MWh)	Revenue (RMB million)	Electricity Sales (MWh)	Revenue (RMB million)		
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.

Incremental Power Transmission and Distribution Business

The revenue of 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 industrial chain, the incremental power transmission and distribution business achieved revenue of RMB182.8 million for the six months ended 30 June 2020, which accounted for 12.8% of our total revenue.

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 revenue of RMB226.0 million from our EECS business, which accounted for 15.9% of our total revenue.

Main Operational Measures

In 2020, in order to ensure the continuous and stable increase of the Group's operating results, a number of measures were adopted, with the focus on: (1) preventing the COVID-19 epidemic and promoting the resumption of work 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 security capacity; (4) strengthening operation and management, and strengthening cost control and increasing efficiency; (5) accelerating project construction and building a strong power grid; (6) enhancing service methods and improving service capacity; (7) enforcing team building and shaping a corporate culture; (8) accelerating transformation and development to promote reform and innovation; and (9), strengthening compliance management and improving risk control.

Important Events Subsequent to the Reporting Period

There was no important event affecting the Company nor any of its subsidiaries after 30 June 2020 up to the date of this announcement.

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 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.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high-quality corporate governance. The Company believes that corporate governance practices are essential to the stability, efficiency and transparency of the Company's operation, as well as its ability to attract investment, and can protect the rights of shareholders and enhance the value of shares held by Shareholders.

For the six months ended 30 June 2020, the Company had 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 practices as set out in Appendix 14 to the Listing Rules.

COMPLIANCE OF THE 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 enquiry with all Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code regarding directors and supervisors' securities transactions during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 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).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available by the Company and to the knowledge of the Directors, the Company has maintained the minimum public float required by the Listing Rules through the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.scntgf.com). The interim report for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

DEFINITION

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

“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
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding for the purpose of this interim results announcement, 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: 01713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic invested ordinary share(s) 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
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“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) in issue in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“kV”	kilovolt, a unit of voltage, which is equal to one thousand volts
“kVA”	kilovolt-ampere, the standard for measuring power

“kW”	kilowatt, which is equal to one thousand watts
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	The period from January 1, 2020 to June 30, 2020
“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
“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)
“Unlisted Foreign Share(s)”	ordinary share(s) issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each
“%”	per cent

By order of the board of
Sichuan Energy Investment Development Co., Ltd.
Zeng Yong
Chairman

Chengdu, Sichuan Province, the PRC, 26 August 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Zeng Yong, Mr. Li Hui and Ms. Xie Peixi; the non-executive Directors of the Company are Ms. Han Chunhong, Ms. Li Yu, Mr. Zhou Yanbin and Mr. Xu Zhenhua; and the independent non-executive Directors of the Company are Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng.

* For identification purposes only