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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, revenue amounted to RMB14,218 million, representing an increase of 1.3% over the corresponding period of 2019
- For the six months ended 30 June 2020, profit before taxation amounted to RMB4,594 million, representing an increase of 4.8% over the corresponding period of 2019
- For the six months ended 30 June 2020, net profit attributable to equity holders of the Company amounted to RMB3,331 million, representing an increase of 3.8% over the corresponding period of 2019
- For the six months ended 30 June 2020, earnings per share amounted to RMB0.3994, representing an increase of RMB0.0153 over the corresponding period of 2019

The board of directors (the “**Board**”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020, together with comparative figures for the corresponding period of 2019. The results were prepared in accordance with the International Accounting Standards (“**IAS**”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020
(Expressed in thousands of Renminbi)

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<u>14,217,858</u>	<u>14,037,658</u>
Other net income	5	<u>423,093</u>	<u>455,593</u>
Operating expenses			
Depreciation and amortisation		(3,861,917)	(3,754,273)
Coal consumption		(861,646)	(1,072,492)
Coal sales costs		(1,554,431)	(1,740,122)
Service concession construction costs		(112,712)	(15,994)
Personnel costs		(900,157)	(854,282)
Material costs		(83,163)	(82,414)
Repairs and maintenance		(356,804)	(266,995)
Administration expenses		(198,321)	(179,008)
Other operating expenses		(374,121)	(411,266)
		<u>(8,303,272)</u>	<u>(8,376,846)</u>
Operating profit		<u>6,337,679</u>	<u>6,116,405</u>
Finance income		32,524	59,167
Finance expenses		<u>(1,764,826)</u>	<u>(1,832,559)</u>
Net finance expenses	6	<u>(1,732,302)</u>	<u>(1,773,392)</u>

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
Share of profits less losses of associates and joint ventures		<u>(11,134)</u>	<u>41,135</u>
Profit before taxation	7	4,594,243	4,384,148
Income tax	8	<u>(818,024)</u>	<u>(752,618)</u>
Profit for the period		<u>3,776,219</u>	<u>3,631,530</u>
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments at fair value through other comprehensive (loss)/income, net of tax			
		(168,231)	125,065
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of overseas subsidiaries			
		(52,426)	370
Exchange difference on net investment in foreign operations			
		<u>(76,253)</u>	<u>8,515</u>
Other comprehensive (loss)/income for the period, net of tax	9	<u>(296,910)</u>	<u>133,950</u>
Total comprehensive income for the period		<u>3,479,309</u>	<u>3,765,480</u>

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
Equity holders of the Company			
– Shareholders		3,209,720	3,086,841
– Perpetual medium-term note holders		121,000	121,000
Non-controlling interests		445,499	423,689
		<u>3,776,219</u>	<u>3,631,530</u>
Profit for the period		<u>3,776,219</u>	<u>3,631,530</u>
Total comprehensive income			
attributable to:			
Equity holders of the Company			
– Shareholders		2,920,947	3,232,171
– Perpetual medium-term note holders		121,000	121,000
Non-controlling interests		437,362	412,309
		<u>3,479,309</u>	<u>3,765,480</u>
Total comprehensive income for the period		<u>3,479,309</u>	<u>3,765,480</u>
Basic and diluted earnings per share			
<i>(RMB cents)</i>			
	10	<u>39.94</u>	<u>38.41</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

(Expressed in thousands of Renminbi)

		30 June 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		117,560,131	114,607,185
Investment properties		8,494	8,860
Right-of-use assets		2,896,103	3,154,801
Intangible assets		7,515,129	7,669,653
Goodwill		61,490	61,490
Investments in associates and joint ventures		4,256,248	4,328,089
Other assets		3,458,482	3,786,220
Deferred tax assets		170,724	157,201
		<hr/>	<hr/>
Total non-current assets		<u>135,926,801</u>	<u>133,773,499</u>
Current assets			
Inventories		893,190	819,218
Trade and bills receivables	11	21,504,140	16,365,170
Prepayments and other current assets		2,327,241	1,963,316
Tax recoverable		93,062	200,109
Other financial assets		545,394	249,523
Restricted deposits		281,549	523,403
Cash at banks and on hand		4,004,553	2,908,445
		<hr/>	<hr/>
Total current assets		<u>29,649,129</u>	<u>23,029,184</u>

		30 June 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Borrowings		40,520,486	28,964,731
Trade and bills payables	12	4,530,049	3,411,125
Other current liabilities		11,082,385	10,840,352
Lease liabilities		27,930	92,126
Tax payable		315,389	229,507
		<hr/>	<hr/>
Total current liabilities		<u>56,476,239</u>	<u>43,537,841</u>
Net current liabilities		<u>(26,827,110)</u>	<u>(20,508,657)</u>
Total assets less current liabilities		<u>109,099,691</u>	<u>113,264,842</u>
Non-current liabilities			
Borrowings		42,842,590	48,881,478
Lease liabilities		441,534	743,833
Deferred income		1,269,766	1,324,754
Deferred tax liabilities		208,741	263,182
Other non-current liabilities		1,217,540	1,396,523
		<hr/>	<hr/>
Total non-current liabilities		<u>45,980,171</u>	<u>52,609,770</u>
NET ASSETS		<u>63,119,520</u>	<u>60,655,072</u>

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	8,036,389	8,036,389
Perpetual medium-term notes	4,894,737	4,991,000
Reserves	41,951,485	39,895,253
	<hr/>	<hr/>
Total equity attributable to equity holders of the Company	54,882,611	52,922,642
Non-controlling interests	8,236,909	7,732,430
	<hr/>	<hr/>
TOTAL EQUITY	63,119,520	60,655,072
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NOTES:

1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They were authorised for issuance by the board of directors of the Company on 11 August 2020.

The interim financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the fact that the Group had net current liabilities as at 30 June 2020 amounting to RMB26,827,110,000. The directors of the Company are of the opinion that, based on a review of the forecasted cash flows of the Group, the unutilised banking facilities and the unutilised credit lines with banks as at 30 June 2020, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements within the next twelve months.

The preparation of an interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the 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 statements contain condensed consolidated financial statements and selected explanatory notes, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2019 annual financial statements. The interim condensed consolidated 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 statements is unaudited, but has been reviewed by Ernst & Young 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. Ernst & Young's independent review report to the Board is included in the interim report to be sent to shareholders.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New Standards, Interpretations and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 7, IFRS 9 and IAS 39	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the new and revised IFRSs are described below:

- I Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

- II Amendments to IFRS 7, IFRS 9 and IAS 39 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.
- III Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any significant impact on the financial position and performance of the Group.
- IV Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any significant impact on the Group's interim condensed consolidated financial information.

(b) Accounting Judgments and Estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, except for the changes of useful lives and residual values of items of property, plant and equipment, the other significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual consolidated financial statements for the year ended 31 December 2019.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by types of business. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

- Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.
- Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not mentioned above in “**All others**”. Revenue included in this category is mainly from the manufacturing and sale of power equipment, the provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation and sale.

(a) Segment results

In accordance with IFRS 8, segment information disclosed in the interim financial statements have been prepared in a manner consistent with the information used by the Group's senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated head office and corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

For the six months ended 30 June 2020

	Wind power RMB'000	Coal power RMB'000	All others RMB'000	Total RMB'000
Revenue from external customers				
– Sales of electricity	10,587,582	1,216,120	160,023	11,963,725
– Others	13,971	2,113,816	13,634	2,141,421
Subtotal	10,601,553	3,329,936	173,657	14,105,146
Inter-segment revenue	–	–	392,622	392,622
Reportable segment revenue	<u>10,601,553</u>	<u>3,329,936</u>	<u>566,279</u>	<u>14,497,768</u>
Reportable segment profit/ (loss) (operating profit/ (loss))	<u>6,211,780</u>	<u>224,066</u>	<u>(10,355)</u>	<u>6,425,491</u>
Depreciation and amortisation before inter-segment elimination	(3,583,946)	(195,786)	(98,874)	(3,878,606)
Provision of impairment losses of property, plant and equipment, trade and other receivables	(33,151)	–	(33)	(33,184)
Interest income	9,150	5,929	7,103	22,182
Interest expenses	(1,403,281)	(34,649)	(82,598)	(1,520,528)
Expenditures for reportable segment non-current assets during the period	6,714,640	124,645	2,948	6,842,233

For the six months ended 30 June 2019

	Wind power <i>RMB'000</i>	Coal power <i>RMB'000</i>	All others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers				
– Sales of electricity	9,907,692	1,422,633	215,039	11,545,364
– Others	7,087	2,330,093	139,120	2,476,300
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	9,914,779	3,752,726	354,159	14,021,664
Inter-segment revenue	<hr/> –	<hr/> –	<hr/> 265,327	<hr/> 265,327
Reportable segment revenue	<u>9,914,779</u>	<u>3,752,726</u>	<u>619,486</u>	<u>14,286,991</u>
Reportable segment profit (operating profit)	<u>5,866,742</u>	<u>297,128</u>	<u>37,879</u>	<u>6,201,749</u>
Depreciation and amortisation before inter-segment elimination	(3,462,788)	(194,002)	(112,734)	(3,769,524)
(Provision)/Reversal of impairment losses of property, plant and equipment, trade and other receivables	(390)	–	1,825	1,435
Interest income	8,847	9,710	37,929	56,486
Interest expenses	(1,481,482)	(42,120)	(105,736)	(1,629,338)
Expenditures for reportable segment non-current assets during the period	3,284,230	72,884	9,757	3,366,871

(b) **Reconciliations of reportable segment revenue and profit or loss**

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	14,497,768	14,286,991
Service concession construction revenue	112,712	15,994
Elimination of inter-segment revenue	<u>(392,622)</u>	<u>(265,327)</u>
Consolidated revenue	<u>14,217,858</u>	<u>14,037,658</u>
Profit		
Reportable segment profit	6,425,491	6,201,749
Elimination of inter-segment profit/(loss)	<u>7,152</u>	<u>(7,657)</u>
	6,432,643	6,194,092
Share of profits less losses of associates and joint ventures	(11,134)	41,135
Net finance expenses	(1,732,302)	(1,773,392)
Unallocated head office and corporate expenses	<u>(94,964)</u>	<u>(77,687)</u>
Consolidated profit before taxation	<u>4,594,243</u>	<u>4,384,148</u>

(c) **Geographical information**

As the Group does not have material operations outside the People's Republic of China (the "PRC"), no geographic segment reporting is presented.

(d) **Seasonality of operations**

The Group's wind power business generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the wind speed is more beneficial to power generation in spring and winter. As a result, the revenue from the wind power business fluctuates during the year.

4 REVENUE

The amount of each significant category of revenue recognised during the period is as follows:

For the six months ended 30 June 2020

	Wind power <i>RMB'000</i>	Coal power <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
Sales of electricity	10,587,582	1,216,120	160,023	11,963,725
Sales of steam	–	321,971	–	321,971
Service concession construction revenue	112,712	–	–	112,712
Sales of coal	–	1,595,838	–	1,595,838
Others	13,971	196,007	13,634	223,612
	<u>10,714,265</u>	<u>3,329,936</u>	<u>173,657</u>	<u>14,217,858</u>
Geographic markets				
Mainland China	10,456,630	3,329,936	173,657	13,960,223
Canada	107,565	–	–	107,565
South Africa	150,070	–	–	150,070
	<u>10,714,265</u>	<u>3,329,936</u>	<u>173,657</u>	<u>14,217,858</u>
Timing of revenue recognition				
Goods transferred at a point of time	10,587,582	3,247,175	160,023	13,994,780
Services transferred over time	126,683	82,761	13,634	223,078
	<u>10,714,265</u>	<u>3,329,936</u>	<u>173,657</u>	<u>14,217,858</u>

For the six months ended 30 June 2019

	Wind power <i>RMB'000</i>	Coal power <i>RMB'000</i>	Other business <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
Sales of electricity	9,907,692	1,422,633	215,039	11,545,364
Sales of steam	–	368,163	–	368,163
Service concession construction revenue	15,994	–	–	15,994
Sales of coal	–	1,784,446	–	1,784,446
Others	7,087	177,484	139,120	323,691
	<u>9,930,773</u>	<u>3,752,726</u>	<u>354,159</u>	<u>14,037,658</u>
Geographic markets				
Mainland China	9,638,607	3,752,726	354,159	13,745,492
Canada	110,684	–	–	110,684
South Africa	181,482	–	–	181,482
	<u>9,930,773</u>	<u>3,752,726</u>	<u>354,159</u>	<u>14,037,658</u>
Timing of revenue recognition				
Goods transferred at a point of time	9,907,692	3,664,559	215,135	13,787,386
Services transferred over time	23,081	88,167	139,024	250,272
	<u>9,930,773</u>	<u>3,752,726</u>	<u>354,159</u>	<u>14,037,658</u>

5 OTHER NET INCOME

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	403,655	415,759
Rental income from investment properties	7,373	5,854
Others	12,065	33,980
	<u>423,093</u>	<u>455,593</u>

6 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on financial assets	22,182	56,486
Dividend income	2,286	1,607
Net unrealised profits on trading securities and derivative financial instruments	7,255	–
Foreign exchange gains	801	1,074
	<u>32,524</u>	<u>59,167</u>
Finance income		
Less:		
Interest on banks and other borrowings	1,735,052	1,790,233
Interest expenses capitalised into property, plant and equipment and intangible assets	(214,524)	(160,895)
	<u>1,520,528</u>	<u>1,629,338</u>
Foreign exchange losses	7,447	10,837
Net realised and unrealised losses on other financial assets and liabilities	83,718	54,238
Bank charges and others	153,133	138,146
	<u>1,764,826</u>	<u>1,832,559</u>
Finance expenses		
Net finance expenses recognised in profit or loss	<u>(1,732,302)</u>	<u>(1,773,392)</u>

The borrowing costs have been capitalised at rates of 2.45% to 4.90% per annum for the period ended 30 June 2020 (six months ended 30 June 2019: 4.04% to 4.90%).

7 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>
Amortisation		
– intangible assets	259,968	255,980
Depreciation		
– investment properties	366	366
– property, plant and equipment	3,530,323	3,424,772
– right-of-use assets	71,260	73,155
Provision/(Reversal) of impairment losses		
– property, plant and equipment	33,151	–
– trade and other receivables	33	(1,435)
Cost of inventories	2,499,240	2,895,028

8 INCOME TAX

(a) Taxation in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the period	801,697	730,564
Underprovision in respect of prior years	28,839	28,543
	<u>830,536</u>	<u>759,107</u>
Deferred tax		
Origination and reversal of temporary differences	(12,512)	(6,489)
	<u>(12,512)</u>	<u>(6,489)</u>
	<u>818,024</u>	<u>752,618</u>

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Profit before taxation	<u>4,594,243</u>	<u>4,384,148</u>
Notional tax on profit before taxation	1,148,561	1,096,037
Tax effect of non-deductible expenses	5,960	4,625
Tax effect of share of profits less losses of associates and joint ventures	2,784	(10,284)
Effect of differential tax rates of certain subsidiaries of the Group (<i>Note (i)</i>)	(425,299)	(399,583)
Use of unrecognised tax losses in prior years	(36,561)	(8,860)
Tax effect of unused tax losses and timing differences not recognised	93,740	42,140
Underprovision in respect of prior years	<u>28,839</u>	<u>28,543</u>
Income tax	<u>818,024</u>	<u>752,618</u>

Note:

- (i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2020 and the six months ended 30 June 2019, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to the relevant tax authorities' approvals.

Pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, certain subsidiaries of the Group, which are set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

Pursuant to CaiShui [2011] No. 58, the Company's subsidiaries established in the Western Region of the PRC are entitled to a preferential income tax rate of 15% from 1 January 2011 to 31 December 2020. In addition, according to the announcement on continuation of enterprise income tax in West Development published by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, the aforementioned subsidiaries established in the Western Region of the PRC are authorised to be taxed at a preferential income tax rate of 15% till 31 December 2030.

Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong profits tax at 16.5%. Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), Hero Asia (BVI) Company Limited, a subsidiary of the Group, is not subject to any income tax in the BVI.

Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

The Company’s subsidiary in Canada is subject to income tax at a rate of 26.5%. The Company’s subsidiary in South Africa is subject to income tax at a rate of 28%.

9 OTHER COMPREHENSIVE (LOSS)/INCOME

	Six months ended 30 June	
	2020	2019
	RMB’000	RMB’000
Other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods		
Net (loss)/profit on equity investments in unlisted companies at fair value through other comprehensive income (“FVOCI”):		
Changes in fair value recognised during the period		
Net of tax amount	(161,748)	120,611
Net (loss)/profit on equity investments in listed companies at FVOCI:		
Changes in fair value recognised during the period		
Before tax amount	(8,644)	5,940
Tax expense	2,161	(1,486)
Net of tax amount	(6,483)	4,454
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		
Exchange difference on translation of financial statements of overseas subsidiaries:		
Before and net of tax amount	(52,426)	370
Exchange difference on net investment in foreign operations:		
Before and net of tax amount	(76,253)	8,515
Other comprehensive (loss)/income	(296,910)	133,950

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2020 of RMB3,209,720,000 (six months ended 30 June 2019: RMB3,086,841,000) and the number of shares in issue during the six months ended 30 June 2020 of 8,036,389,000 (six months ended 30 June 2019: 8,036,389,000 shares).

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the periods presented.

11 TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Amounts due from third parties	21,480,608	16,338,604
Amounts due from fellow subsidiaries	27,363	16,337
Amounts due from associates	8,620	22,648
	21,516,591	16,377,589
Less: Allowance for doubtful debts	(12,451)	(12,419)
	<u>21,504,140</u>	<u>16,365,170</u>

The ageing analysis of trade and bills receivables of the Group, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 1 year	21,456,046	16,253,651
Between 1 and 2 years	46,793	108,180
Between 2 and 3 years	1,301	3,339
	<u>21,504,140</u>	<u>16,365,170</u>

Pursuant to Caijian [2020] No. 4 Notice on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Notice on the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission of the PRC and the National Energy Administration in January 2020, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium have come into force since 2020 and approvals on a project by project basis are required before the allocation of funds to local grid companies. Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance in March 2012 was repealed at the same time.

As at 30 June 2020, most of the Group's related projects have been approved for the tariff premium of renewable energy and certain projects are in the process of applying for the approval. The directors are of the opinion that the approvals will be obtained in due course. The tariff premium receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. The trade receivables from tariff premium are fully recoverable, considering there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government.

The Group applies the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit loss provision for all trade receivables. To measure the expected credit loss of trade receivables excluding tariff premium receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

12 TRADE AND BILLS PAYABLES

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bills payables	3,818,623	2,550,875
Trade payables	638,073	790,250
Amounts due to associates	65,579	24,351
Amounts due to fellow subsidiaries	7,774	45,649
	<u>4,530,049</u>	<u>3,411,125</u>

The ageing analysis of trade and bills payables by invoice date is as follows:

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	4,190,614	3,131,458
Between 1 and 2 years	271,056	200,930
Between 2 and 3 years	5,300	52,764
Over 3 years	63,079	25,973
	<u>4,530,049</u>	<u>3,411,125</u>

As at 30 June 2020 and 31 December 2019, all trade and bills payables are payable and expected to be settled within one year.

13 DIVIDENDS

(i) Dividends payable to shareholders attributable to the interim period

The directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

(ii) Dividends payable to shareholders 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 in respect of the financial year ended 31 December 2019, approved during the following interim period, of RMB0.1076 per share (year ended 31 December 2018: RMB0.0977 per share)	<u>864,715</u>	<u>785,155</u>

Dividends in respect of the financial year ended 31 December 2019 have been fully paid on 10 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unless otherwise specified, the following information disclosure was based on financial information prepared in accordance with IFRSs)

In the first half of 2020, thanks to a series of national policies, Chinese economy has gradually overcome the negative impact of pandemic and achieved steady recovery. In the first half of the year, China's gross domestic product (GDP) was down by 1.6% year on year, the value-added of the industrial enterprises above designated size across the country was down by 1.3% year on year, the national investment in fixed assets (excluding rural households) was down by 3.1% year on year and the total retail sales of consumer goods nationwide was down by 11.4% year on year. As the orderly resumption of work and production of Chinese enterprises, the growth of energy production and consumption have gradually recovered with positive growth from the negative growth in the first quarter.

In the first half of 2020, according to the statistics from China Electricity Council, power consumption across the country was 3,354.7 billion kWh, representing a year-on-year decrease of 1.3%. The power generation from power plants above designated size across the country was 3,364.5 billion kWh, representing a year-on-year decrease of 1.4%; of which wind power generation amounted to 237.9 billion kWh, representing a year-on-year increase of 10.9%. The cumulative average utilisation hours of power generation equipment across the country were 1,727 hours, representing a year-on-year decrease of 107 hours, of which the utilisation hours of grid-connected wind power equipment were 1,123 hours, down by 10 hours year on year. As of 30 June 2020, the installed capacity of power plants with capacity of 6,000 kW and above across the country amounted to 1,936.22 GW, representing a year-on-year increase of 5.3%, of which grid-connected capacity of wind power amounted to 216.59 GW, representing a year-on-year increase of 12.4%. The trans-regional and trans-provincial power transmission across the country recorded a continuous growth. In the first half of the year, the trans-regional power transmission across the country was 245.4 billion kWh, representing a year-on-year increase of 9.4%. The total power transmission of all provinces across the country was 647.0 billion kWh, representing a year-on-year increase of 0.7%.

The year 2020 is a year which will witness the final success of winning the fight against poverty and the end of the “Thirteenth Five-Year Plan”, as well as a preparation year for the “Fourteenth Five-Year Plan”. The new energy industry plays an important role in promoting the transformation and update of energy structure, advancing the transformation of drivers of growth from old to new and satisfying people’s needs for a beautiful life. From the prospective of the nation’s opinion on the comprehensive energy plan and the key area development plan prepared recently, non-fossil energy will become the incremental subject, the long-term mechanism for the consumption and utilization of electricity from renewable energy has gradually been improved, revolution for the power market will be deepened. In the first half of the year, the nation and local government have regularly introduced policies that promote the storage technology and industry development, so as to encourage the investment in the application of power-side, grid-side and user-side energy storage with diversified social resources, thus the “new energy + energy storage” clout continues to increase. In the first half of the year, in order to better adapt to the rapid development of the renewable energy industry and achieve the steady transition to grid parity, relevant government authorities released a string of policies on management, and gradually adjusted relevant management mechanism.

Relevant policies of consumption:

In March 2020, the National Energy Administration (the “NEA”) issued the Notice on Monitoring and Warning Results of Wind Power Investment in 2020 and the Environment Monitoring and Evaluation Results of Photovoltaic Power Market in 2019 (Guo Neng Fa Xin Neng [2020] No. 24) (《2020年度風電投資監測預警結果》和《2019年度光伏發電市場環境監測評價結果》的通知(國能發新能[2020] 24號)), the warning result shows that all provinces and municipalities across the country have lifted their red alerts, which is another good news for the wind power industry. Gansu, Xinjiang (including the Corps) have lifted their “red hat” after many years, the suspension on the development and construction of wind power in red area has been replaced by the suspension on the new wind power projects in orange area, and Lanzhou city, Baiyin city, Tianshui city, Dingxi city, Pingliang city, Qingyang city, Longnan city, Linxia Hui Autonomous Prefecture and Gannan Tibetan Autonomous Prefecture in Gansu province can regulate the construction of wind power project according to green management and the requirement of the Notice on the Issues Related to the Development of Wind Power and Photovoltaic Power Projects in 2020 (Guo Neng Fa Xin Neng [2020] No.17) (《關於2020年風電、光伏發電項目建設有關事項的通知》(國能發新能[2020] 17號)) issued by the NEA.

In March 2020, the National Development and Reform Commission and the Ministry of Justice jointly issued the Notice on the Opinion on Accelerating the Establishment of Green Production and Consumption Regulation and Policy System (Fa Gai Huan Zi [2020] No. 379) (《關於加快建立綠色生產和消費法規政策體系的意見》的通知(發改環資[2020]379號)), which clearly proposed to promote the clean development of energy, establish and improve the laws, policies that are compatible with the large-scale development of renewable energy, make corresponding regulations and policies adjustment in the aspects of overall planning, grid connection and consumption, price mechanism and other aspects, establish and improve the guarantee mechanism of power consumption of renewable energy. We will increase policy support for distributed energy, smart grids, energy storage technologies and multi-energy complementarities, and study and formulate standards, specifications, and supporting policies for the development for new energy sources such as hydrogen and ocean energy.

In May 2020, the National New Energy Consumption Monitoring and Warning Center issued the Announcement on the Increase of Consumption Capacity of Wind Power and Photovoltaic Power across the Country in 2020 (《關於發佈2020年全國風電、光伏發電新增消納能力的公告》), and the NEA issued the Guidance Opinion on Establishing and Improving the Long-term Mechanism of Clean Energy Consumption (Draft) (《關於建立健全清潔能源消納長效機制的指導意見(徵求意見稿)》). It is estimated that the consumption capacity of wind power and photovoltaic power will increase by 85.10 million kW in 2020, including 36.65 million kW of wind power and 48.45 million kW of photovoltaic power. Wind power and photovoltaic power are still increasing rapidly, but in the future, we will encourage the construction of a new generation of grid-friendly new energy power stations to explore market-oriented business models, and carry out integrated operation demonstration of source, network and charge. We will encourage the construction of a comprehensive energy system centered on electricity, and take multiple measures to improve the development and utilization of clean energy. We will promote the development of power auxiliary service markets in all provinces and regions, and achieve full coverage of the power auxiliary service market. We will improve the medium and long-term trading market for electricity, and accelerate the release of preferential power generation plans across provinces and regions.

In June 2020, the National Development and Reform Commission and the NEA jointly issued the Notice on Issuing the Weight of Responsibility for Consumption of Renewable Energy Power for Provincial Level Administrative Regions in 2020 (Fa Gai Nengyuan [2020] No. 767) (《關於印發各省級行政區域2020年可再生能源電力消納責任權重的通知》(發改能源[2020] 767號)), clarifying the minimum amount and incentive amount of the weight of responsibility for consumption of renewable energy power and non-hydropower for all provinces (autonomous regions or municipalities) in 2020. The weight of the total minimum amount of responsibility for renewable energy power consumption for 10 provinces (autonomous regions or municipalities) including Shanghai, Hubei and Hunan exceeds 30%, and the weight of minimum amount of responsibility for non-hydropower consumption for 9 provinces (autonomous regions or municipalities) including Beijing, Shanxi and Inner Mongolia exceeds 15%.

Relevant policies of subsidies:

In January 2020, the Ministry of Finance, the National Development and Reform Commission and the NEA jointly issued the Opinion on Promoting the Health Development of Power Generation of Non-hydropower renewable Energy (Cai Jian [2020] No. 4) (《關於促進非水可再生能源發電健康發展的若干意見》(財建〔2020〕4號)) and the Notice on Measures for the Management of Additional Funds for the Electricity Prices of Renewable Energy (Cai Jian [2020] No. 5) (《可再生能源電價附加資金管理辦法》的通知(財建〔2020〕5號)). The No. 4 and No. 5 documents adhere to the principle of determining the expenditure by the revenue, the scale of new subsidies is determined by the increased income, to ensure that new projects not overdue. When allocating the subsidy funds, priority shall be given to four types of power generation project, and equal proportion shall be allocated for other power generation projects. Wind power and photovoltaic power truly enter into the era of parity or even low price. Considering power restriction, transaction and other factors, some projects have entered the era of low price. Local development demands, environmental protection demands, stability demands of power grid and enterprise investment demands are overlapped, and various contradictions are gradually exposed.

In March 2020, the Ministry of Finance issued the Notice on Verifying the List of Subsidies for Power Generation of the Renewable Energy (Cai Ban Jian [2020] No. 6) (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》(財辦建〔2020〕6號)), the projects in the first to seventh content will be included in the subsidy list directly by the power grid enterprises after the verification, and the existing projects will be included in the subsidy list in batches at the same time. The items in the list will comply with the principle “Include a batch, publish a batch”. In the first half of the year, the verification and publication of the first phase of subsidy list was completed before 30 April, and the first batch of subsidy list has been verified and published before 30 June.

By the end of June 2020, State Grid Corporation of China issued the Report on the Publication of the First List of Subsidies for Power Generation of the Renewable Energy by 2020 (《關於公佈2020年第一批可再生能源發電補貼項目清單的公告》), the First List of Subsidies for Power Generation of the Renewable Energy which has been published shall be reported to the national competent department, and the verification and publication of the first batch of the subsidy list will subsequently be completed.

Development planning and other related policies:

In March 2020, the NEA issued the Notice on Matters in Relation to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (Guo Neng Fa Xin Neng [2020] No. 17) (《關於2020年風電、光伏發電項目建設有關事項的通知》(國能發新能〔2020〕17號)), and issued 2020 Wind Power and Photovoltaic Projects Development plan at the same time. It focuses on supporting the wind power projects which have connected to the grid or within the verification period requiring state subsidies to transform into grid parity voluntarily, implement the grid parity supporting policy, and requires such projects to be verified and to commence construction before the end of 2020. It makes clear the methods for determining the scale of wind power requiring national grants that can be arranged for each province in 2020. The Photovoltaic Projects still control the new bidding capacity by way of the amounts of the subsidies.

In June 2020, the NEA issued the Guidance on Energy Work in 2020 (《2020年能源工作指導意見》), which put forward the main expected targets for 2020 from five aspects in terms of energy consumption, supply guarantee, quality efficiency, etc. It is proposed to expand the clean energy industry and promote the transformation of energy structure; accelerate the development of distributed photovoltaic and decentralized wind power in the central, eastern and southern regions; improve the level of clean energy utilization, strive to solve the relatively high abandonment of wind, solar and hydropower in some areas, and encourage the nearby development and utilization of renewable energy; increase energy storage development efforts, actively explore the application of energy storage to technologies and business models such as renewable energy consumption, power auxiliary services, distributed power and micro-grid, establish and improve energy storage standard system and information platform; promote the industrialization of new technologies, continue to do a good job in the acceptance of the “Internet +” smart energy pilot, and actively explore the integrated application of emerging technologies such as blockchain in the energy field.

I. BUSINESS REVIEW

1. Scientific management to fight the pandemic, production and operation continued to advance

Following the outbreak of COVID-19, the Group has conscientiously implemented the strategy of “one prevention and three guarantees” to combat the pandemic, and established a joint prevention and control system covering domestic and overseas units. Responsibilities should be shared among various levels, and we should always firmly and meticulously pay close attention to various prevention and control measures. We laid emphasis on care and concern, equipped with protective materials, and provided sufficient logistical support. During the pandemic, the Group’s employees enthusiastically donated money to the pandemic area, and domestic and overseas units actively donated money and materials to the areas where they are located, actively taking the initiative to fulfill the social responsibilities of central enterprises.

While doing a good job in pandemic prevention and control, the Group actively and steadily promoted the resumption of work and production. We scientifically and reasonably arranged positions of personnel, made full use of informatized and intelligent means to carry out remote work, and widely used online video to conduct shifting of duty and online training, ensuring the continuous production and operation of the Company. Priority is given to arranging Party members to take up their posts, and at the same time, they are prepared for duty according to the main post responsibility and deputy post responsibility, and adopt a combination of “working on shift every other week” and “remote mobile office” to ensure the production in an orderly way. In response to the changes in the pandemic situation, a guide manual for resuming work and production and pandemic prevention was formulated. After March, the Group’s sites resumed normal shifts, and all projects under construction resumed work, providing a solid protection for winning the pandemic and promoting production and development.

2. Upgraded management and hierarchical control, safe production to take well-targeted steps

In the first half of 2020, the Group closely focused on the decision-making and deployment of the annual working conference and the specific measures of the Safety and Environment Document No. 1, while unifying organization to win the battle against the pandemic, significant progress has been made in continuing to promote the governance of equipment and facilities, standardizing safety operation standards, and deepening the building of

intellectualisation and informatization, etc. We established and improved the hierarchical management and control standards for operational risk, and took multiple measures in the implementation process, and made precise efforts to help safe production.

Standardized the risk management and control system. The Group scientifically deployed and regulated the main line of work, organized risk identification and assessment management in an orderly manner, and guided pilot units to prepare and complete the manual for typical risk management and control, and strengthened professional training for all employees. We actively promoted the implementation of the Company's "Three Targets, One Body" target-setting plan, and completed the Company's "Ensuring electricity for the two sessions" work, the preparation of the "Fourteenth Five-Year Plan" safety and environmental protection plan, and a three-year implementation plan for special rectification. According to the different levels of operational risk, we established the "high, middle and low" hierarchical management and control standards, and made it clear that the responsible persons of the Party and government of enterprise and the deputy positions in charge are the management entities of high-risk operations, and the safety supervision department shall inspect and report on its "full coverage". We improved the Group's emergency management system, prepared the emergency response atlas, clarified the list of 10 special plans for the group headquarters, and organized the Company to complete 87 on-site disposal drills.

Supervised the implementation of supervision and control. The Group will combine centralized rectification with risk management and control, focus on the closed-loop governance of each unit's rectification based on the hierarchical management. Compiled a checklist of key tasks, covering core elements such as the implementation of the No. 1 file, the implementation of the "Ten Must and Two Strict" and standardization promotion. We completed site inspection of key work of 16 units, and continued to carry out remote spot checks, covering 65 sites. In response to this year's security situation and hot spots, we issued a special notice on "Strengthening Safety Management of On-site Operations", specifying "five requirements" and "five prohibitions", and organized two system-wide special meetings to publicize and implement the Company's safety management and control requirements. We formulated the work plan for flood control and drought relief, dynamically tracked the implementation of corporate prevention and control measures, and established and improved the mechanism for warning and responding to typhoon, torrential rain and mudslides.

Implemented the data upgrade of wind farms. The Group deployed and arranged on-site special inspections and realizes full coverage of its wind farms, focusing on the implementation of regulations and procedures, and three-level maintenance standards for wind turbines. Accelerated the acquisition of video materials and started remote access of live video. Completed bidding and procurement of positioning systems for people, vehicles and ships. Promoted the acquisition of full data of wind turbines in an orderly manner, prepare a data acquisition plan for booster stations, and streamline the business demands of the new monitoring system and the production management system. Comprehensively promoted the construction of informatization and intellectualisation.

For the first half of 2020, the Group generated a cumulative gross electricity output of 26,925 GWh, of which electricity generated from our wind power segment amounted to 22,772 GWh, representing a year-on-year increase of 6.19%. The increase in the Group's wind power generation is mainly due to the increase in installed capacity and the effectiveness of equipment management. In the first half of 2020, the Group's average utilization hours of the wind power segment were 1,187 hours, representing an increase of 15 hours as compared to the corresponding period of 2019 and 64 hours higher than the average utilization hours of the industry. The increase in the average utilization hours of the wind power were primarily attributable to the effectiveness of equipment governance.

During the period from 1 January 2020 to 30 June 2020, the consolidated gross power generation from coal power segment of the Group was 3,965 GWh, representing a decrease of 13.43% as compared with 4,580 GWh in the corresponding period of 2019. This was mainly due to the decrease in electricity load as a result of the pandemic. The average utilization hours of the Group's coal power segment in the first half of 2020 was 2,115 hours, representing a decrease of 328 hours as compared with 2,443 hours in the corresponding period of 2019.

3. Taking advantage of wind power scale and realizing the simultaneous development of wind and photovoltaic power

In the first half of 2020, the Group adhered to strategic guidance, and followed the development ideas of “coordinated onshore and offshore projects, wind and photovoltaic power simultaneously, multi-energy complementarity, up-down linkage and focused breakthroughs”, made overall plans for development strategies and focused on the development of large bases, offshore and decentralized projects. It accelerated the promotion of large-scale base projects in the northern region with good resource endowments and delivery channels; intensified the feasibility studies of offshore project evaluation and reserved high-quality offshore resources.

In the preparation of the “Fourteenth Five-Year” development plan, relying on the industrial synergetic advantages of eight sectors of the CHN Energy, namely coal, coal power, new energy, hydropower, transportation, coal chemical industry, technology and finance, the Group planned its medium and long-term new energy development goals, and gradually formed a clear overall development strategy. The Group distributed two energy bases with a capacity of 10 million kW-level each, deepened comprehensive development of energy utilization such as “coal power, wind and photovoltaic power storage”, accelerated the construction of a batch of new energy bases with a capacity of million-kW-level, and developed photovoltaics on a large scale. In accordance with the principle of “introducing mechanism, expanding scale and improving efficiency”, the Group steadily promoted strategic cooperation among enterprises, innovated cooperation models, and made every effort to promote cooperation featuring mutual complementarity and mutual benefit. In addition, it actively carried out the application of grid (bidding) parity projects with divisional management and tracking by dedicated personnel, carried out relevant analysis of policies, consumption and competitors, made excellent and detailed quotation plans, and actively participated in grid parity and bidding in various regions with high-quality.

In the first half of 2020, the Group entered into a new agreement for development of wind and photovoltaic power of 13,115MW, far exceeding the level of the same period last year, all located in areas with better resources. Among them, wind power is 6,220MW and photovoltaic power is 6,895MW. The approved (recorded) project has a capacity of 605MW, making a breakthrough from zero in photovoltaic development during the “Thirteenth Five-Year Plan” period.

4. Construction in progress steadily carried out under a safe environment, standardize management and strengthen control

In the first half of 2020, project construction of the Group was steadily carried out under a safe environment, no safety, quality, environmental protection accidents at significant or higher level or mass incidents affecting social stability were reported, no new cases of COVID-19 infection, and the project cost was controllable and under practical control.

The project progress is effectively advanced. Affected by the pandemic, the overall resumption time of the project has been delayed by more than 2 months. Having prior planning before resuming work, and adopting multiple measures after resuming work, we recovered the progress of work. As of the end of June, each project has been carried out on schedule, which was basically in step with the schedule and laid foundation for ensuring the completion of the annual commissioning.

The engineering quality management level is further improved. The quality of the project was ensured by strengthening the design audit, strengthening the supervision and management of the equipment and the quality acceptance check, and solving the problems in a timely manner.

The environmental protection work of the project was further strengthened. The construction start-up procedures were strictly implemented to carry out forest land and land formalities in time to ensure that projects were constructed in accordance with the laws and regulations. The Group standardized work concerning conservation of water and soil in the wind farms in terms of four aspects, that is design, tendering, construction, supervision and management, strictly implemented the “Three Concurrence” requirements for conservation of water and soil, and fully fulfilled the requirements of acceptance check and putting on record in relation to water conservation and environmental protection for projects already completed, in order to achieve a green and sustainable development.

Cost management was further strengthened. The Group adopted integrated design, optimized technical schemes and construction organization to reduce project cost, strengthened drawing review to effectively reduce project changes, completed the preparation of implementation budget, strictly changed the review and the price ceiling and controlled the cost within the decision-making range.

In the first half of 2020, four new wind power projects of the Group commenced operation, with the newly-added consolidated installed capacity of 193.5 MW. As at 30 June 2020, the consolidated installed capacity of the Group was 22,350.5 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 20,225.5 MW, 1,875 MW and 250 MW, respectively.

5. Strengthened marketing management and tariffs remained stable

Raised the standard of marketing management. In the first half of 2020, the Group made great efforts to expand the active consumption channel and face the competition for high-quality transactions, effectively reducing the negative impact of electricity load reduction due to the pandemic; actively coordinated with power grid companies to seek to broaden outgoing channels to improve structural power rationing; paid close attention to key links of power grid companies and financial departments in the subsidy issuance process, immediately grasped the distribution nodes, and focused on management and monitoring of receivables and outstanding, to ensure that the subsidy recovery rate is not lower than the proportion of regional installed capacity.

In the first half of 2020, the average on-grid tariffs for overall power generation segments of the Group amounted to RMB465 per MWh (value added tax (“VAT”) exclusive), representing an increase of RMB8 per MWh as compared with RMB457 per MWh (VAT exclusive) in the corresponding period of 2019. The average on-grid tariffs for wind power amounted to RMB484 per MWh (VAT exclusive), representing an increase of RMB6 per MWh as compared with RMB478 per MWh (VAT exclusive) in the corresponding period of 2019, which was primarily due to the combined impact of the significant increase in sale volume of offshore wind power with higher tariffs and the decrease in VAT rate. The average on-grid tariffs for coal power amounted to RMB331 per MWh (VAT exclusive), representing a decrease of RMB4 per MWh as compared with the average on-grid tariffs for coal power of RMB335 per MWh (VAT exclusive) in the corresponding period of 2019, which was primarily due to the combined impact of decrease in market transaction tariffs and the decrease in VAT rate.

6. Continued to deepen innovation in financing and strengthened its advantage in acquiring fund

In the first half of 2020, the Group has overcome the impact of the pandemic, established an emergency response mechanism, and studied and formulated relevant measures to guarantee the availability of funding, so as to ensure the safety of the capital chain during harsh times. Meanwhile, it captured the opportunity of the easy capital market to withdraw low-cost funds through multiple channels, and utilized its funding strength by guaranteeing the funds supply and controlling the cost. In the first half of the year, the Group continued to deepen its financing innovation and successfully issued two tranches of debentures for the pandemic prevention and control. One of them is the first debenture with a LPR interest rate swap mechanism nested in China, demonstrating the core competitive advantage of financial innovation in leading the creation of corporate value. The Group continued to dig into traditional financing channels and successfully issued 6 ultra-short-term financing debentures and 1 mid-term notes, of which, the interest rate of 1.28% of the fourth-tranche ultra-short-term financing debentures is the lowest interest rate in the history of financing debentures issued by the Company; the interest rate of the three-year financing debentures has dropped by nearly 50% from the benchmark. In addition, the Group issued RMB713 million of the first tranche of exchange asset-backed securities (ABS) in the first half of 2020, completed RMB282 million of the revolving purchase of property rights trust, RMB1,821 million of the revolving purchase of asset management scheme, and RMB507 million of the revolving purchase of ABN. The scale of stock asset securitization business reached RMB4,100 million and the effect of asset revitalization was significant.

7. Attached great importance to scientific and technological innovation and obtained new achievements doubled year on year

In the first half of 2020, with focus on the series of deployment of CHN Energy to implement the National Science and Technology Innovation and Development Strategy, the Group attached greater importance to scientific and technological innovation, and completed the approval procedures of 5 CHN Energy technical projects and 15 self-developed technical projects of the Group. There are currently 53 technical projects under research. In addition, the feasibility studies, project construction filing and preliminary design of access systems and power plants of the two group-level energy storage technology innovation projects of new energy power generation applied by the Company were completed. In the first half of the year, the Group took the lead in compiling Technical Guidelines for Intelligent Wind Farms, the first domestic energy industry standard in the field of intelligent wind power, and has completed the outline of the standard. The Group reviewed 11 energy industry standards including the Operation and Maintenance Regulations for Lightning Protection Systems in Wind Farms, all of which met the requirements for approval. In addition, it also reviewed 5 group standards of Chinese Society for Electrical Engineering, including the Specifications for the Design, Construction and Installation of Steel Structures for Offshore Step-up Substation, which also met the requirements for approval.

In the first half of 2020, the Group obtained 19 new patents including 2 invention patents and 17 utility model patents, both doubled year on year. It has published more than 30 papers in various scientific journals and written 20 various technical reports. The scientific and technological achievement of the Key Technology Research and Application of Smart Wind Power Operation Based on Group-level Big Data passed the technical appraisal of Chinese Society for Electrical Engineering and China Electricity Council, and was awarded the title of “International Leading”. Two research projects of the affiliated science and technology units, namely Research and Application of Key Technologies for Smart Dispatching and Safety Assurance of Offshore Wind Farm Operation and Maintenance, and Research and Application of Key Technologies for Improving the Safety and Reliability of Wind Power Variable Pitch Bearings and Connection Systems, passed the technical appraisal of the Chinese Society for Electrical Engineering and China Electricity Council, and were awarded the title of “International Advanced”.

8. Promoted “Going Global” strategy in a proactive and steady manner, and achieved positive performance in overseas businesses

In the first half of 2020, the Group implemented the overall arrangements for reform and development step by step. In accordance with the requirements of creating a world-class new energy company with international competitiveness, the Group implemented substantive operation reforms for its overseas companies to meet the needs of international development of the Company. According to the work plan of “Fourteenth Five-Year Plan” (「十四五」工作規劃) of the CHN Energy, the Group has benchmarked against world-class companies, researched and formulated its medium-term development ideas and goals in the future. It adhered to the development route of “wind and photovoltaic power simultaneously, multi-energy complementarity” and firmly implemented the strategy of internationalization.

The Group proactively responded to the adverse impact of the COVID-19 pandemic to ensure the smooth implementation of the preliminary projects. In the first half of the year, the COVID-19 pandemic spread, and the closed-door measures of various countries severely hindered the advancement of the preliminary projects. Under the support and guidance of the CHN Energy, the construction of Ukraine Yuzhne Wind Power Project is able to start in an unfavourable circumstance, and at the same time, the Group took multiple measures to seek more projects and market resources. The Group carried out in-depth research on a number of wind and photovoltaic power projects in Europe, Southeast Asia and Australia, and some projects have met the conditions for project approval or have been approved.

The Group continued to improve the level of refined management, and projects in operation are in good condition. Dufferin Wind Farm of the Group in Canada recorded cumulative power generation of 146.68 GWh, the utilization hours were 1,480 hours, and maintained safe production for a total of 2,038 days as of 30 June 2020. The De Aar Wind Farm in South Africa recorded cumulative power generation of 333.12 GWh, the utilization hours were 1,362 hours, and maintained safe production for a total of 974 days as of 30 June 2020.

II. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

Profit or loss and other comprehensive income

In the first half of 2020, the net profit of the Group amounted to RMB3,776 million, representing an increase of 4.0% as compared to RMB3,632 million in the corresponding period of 2019. Net profit attributable to equity holders of the Company amounted to RMB3,331 million, representing an increase of 3.8% as compared to RMB3,208 million in the corresponding period of 2019. Earnings per share amounted to RMB39.94 cents, representing an increase of RMB1.53 cents as compared to RMB38.41 cents in the corresponding period of 2019.

Operating revenue

Operating revenue of the Group amounted to RMB14,218 million in the first half of 2020, representing an increase of 1.3% as compared to RMB14,038 million in the corresponding period of 2019. The increase in operating revenue was primarily due to: (1) an increase of RMB686 million, or 6.9%, in electricity sales and other revenue of wind power segment to RMB10,601 million in the first half of 2020 as compared to RMB9,915 million in the corresponding period of 2019, which was primarily due to increases in electricity sales of wind power segment and the average unit price of electricity sales as compared to the corresponding period of 2019; (2) an increase of RMB97 million, or 606.3%, in service concession construction revenue of wind power segment to RMB113 million in the first half of 2020 as compared to RMB16 million in the corresponding period of 2019, which was primarily due to an increase in construction volume of service concession projects under construction in the first half of 2020 as compared to the corresponding period of 2019; (3) a decrease of RMB207 million, or 14.5%, in revenue from electricity sales of coal power segment to RMB1,216 million in the first half of 2020 as compared to RMB1,423 million in the corresponding period of 2019, which was primarily due to the decrease in electricity sales of coal power segment as compared to the corresponding period of 2019; (4) a decrease of RMB188 million, or 10.5%, in revenue from coal sales of coal power segment to RMB1,596 million in the first half of 2020 as compared to RMB1,784 million in the corresponding period of 2019, which was primarily due to the decrease in sales volume and the unit selling price of coal as compared to the corresponding period of 2019; (5) a decrease of RMB55 million, or 25.6%, in revenue from electricity sales of other renewable energy segments to RMB160 million in the first half of 2020 as compared to RMB215 million in the corresponding period of 2019, which was primarily due to the decrease in biomass power generation; and (6) no revenue from external Engineering Procurement Construction (“EPC”) of other segments in the first half of 2020 as compared to RMB123 million in the corresponding period of 2019.

Operating revenue of each segment and their respective proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Electricity sales and others of wind power segment	10,601	74.5%	9,915	70.6%
Electricity sales of coal power segment	1,216	8.6%	1,423	10.1%
Steam sales of coal power segment	322	2.3%	368	2.6%
Coal sales	1,596	11.2%	1,784	12.7%
Electricity sales of other renewable energy business	160	1.1%	215	1.5%
Service concession construction revenue	113	0.8%	16	0.1%
Others	210	1.5%	317	2.4%
Total	14,218	100.0%	14,038	100.0%

Other net income

Other net income of the Group amounted to RMB423 million in the first half of 2020, representing a decrease of 7.2% as compared to RMB456 million in the corresponding period of 2019, primarily due to the decreases in government grants and insurance claims as compared to the corresponding period of 2019.

The breakdown of other net income items and their respective proportions are set out in the table below:

Other net income	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Government grants	404	95.5%	416	91.2%
Others	19	4.5%	40	8.8%
Total	423	100.0%	456	100.0%

Operating expenses

Operating expenses of the Group amounted to RMB8,303 million in the first half of 2020, representing a decrease of 0.9% as compared to RMB8,377 million in the corresponding period of 2019, primarily due to: (1) a decrease of RMB210 million in coal consumption costs, an increase of RMB31 million in material costs and a decrease of RMB186 million in coal sales costs in the coal power segment; (2) an increase of RMB421 million in the depreciation and amortisation expenses, service concession construction costs, personnel costs, repair and maintenance expenses and other operating expenses in the wind power segment; (3) a decrease of RMB30 million in material costs and an occurrence of RMB16 million in donation outlay in other segments; and (4) a decrease of RMB121 million in external EPC costs in the period.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB3,862 million in the first half of 2020, representing an increase of 2.9% as compared to RMB3,754 million in the corresponding period of 2019, primarily due to: (1) an increase of RMB121 million or 3.5% in depreciation and amortisation expenses in the wind power segment over the corresponding period of 2019 as a result of the effect of expansion in the installed capacity of wind power projects; and (2) a decrease of RMB14 million or 12.3% in depreciation and amortisation expenses in other segments over the corresponding period of 2019.

Coal consumption costs

Coal consumption costs of the Group amounted to RMB862 million in the first half of 2020, representing a decrease of 19.6% as compared to RMB1,072 million in the corresponding period of 2019, which was primarily due to: (1) a decrease of approximately 13.8% in the consumption of standard coal for power generation and heat supply as a result of the decrease in power generation; and (2) a decrease of approximately 6.8% in the average unit price of standard coal for power generation and heat supply as affected by the decrease in the coal price in the first half of 2020.

Coal sales costs

Coal sales costs of the Group in the first half of 2020 amounted to RMB1,554 million, representing a decrease of 10.7% as compared to RMB1,740 million in the corresponding period of 2019, which was primarily due to a decrease of approximately 5.0% in the sales volume of coal in the first half of 2020 as well as a decrease of approximately 6.0% in the average procurement price of coal.

Service concession construction costs

The Group's service concession construction costs in the first half of 2020 amounted to RMB113 million, representing an increase of 606.3% as compared to RMB16 million in the corresponding period of 2019, primarily due to an increase in the construction volume of service concession projects under construction in the first half of 2020 as compared to the corresponding period of 2019.

Personnel costs

Personnel costs of the Group amounted to RMB900 million in the first half of 2020, representing an increase of 5.4% as compared to RMB854 million in the corresponding period of 2019, which was primarily due to: (1) an increase in headcounts as a result of expansion in the installed wind power capacity; (2) an increase in salary and benefits of staff; and (3) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

Material costs

Material costs of the Group amounted to RMB83 million in the first half of 2020, representing an increase of 1.2% as compared to RMB82 million in the corresponding period of 2019, which was primarily due to: (1) an increase in material procurement with the growth of the sales of coal power by-products of the coal power segment; and (2) a decrease of material consumption as a result of reducing the biomass power generation.

Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB357 million in the first half of 2020, representing an increase of 33.7% as compared to RMB267 million in the corresponding period of 2019, primarily due to an increase in the installed capacity of the wind power segment and an increase in the generating units after the warranty period.

Administrative expenses

Administrative expenses of the Group amounted to RMB198 million in the first half of 2020, representing an increase of 10.6% as compared to RMB179 million in the corresponding period of 2019, which was primarily due to an increase in the expenses including consulting fees, taxes, utilities and repair costs with the growth of the Group's business.

Other operating expenses

Other operating expenses of the Group amounted to RMB374 million in the first half of 2020, representing a decrease of 9.0% as compared to RMB411 million in the corresponding period of 2019, which was primarily due to a decrease in the EPC costs arising from the provision of external EPC services by the Group.

Operating profit

In the first half of 2020, the operating profit of the Group amounted to RMB6,338 million, representing an increase of RMB222 million or 3.6% as compared to RMB6,116 million in the corresponding period of 2019, which was primarily due to: (1) an increase of RMB345 million in operating profits of wind power segment with the growth of electricity sales and average sale price of electricity in the wind power segment; (2) a decrease of RMB73 million in operating profits of coal power segment as a result of the decrease in utilization hours of coal power segment; and (3) a decrease in electricity sales of other segments which leads to a decrease of RMB48 million in the operating profit of other segments.

Net finance expenses

Net finance expenses of the Group amounted to RMB1,732 million in the first half of 2020, representing a decrease of RMB41 million or 2.3% as compared to RMB1,773 million in the corresponding period of 2019, which was primarily due to: (1) a decrease in average interest rate which leads to a reduced amount of RMB108 million in interest expenses in the first half of 2020 as compared to the corresponding period of 2019; (2) a decrease of RMB3 million in the Group's net foreign exchange loss in the first half of 2020 as compared to the corresponding period of 2019; (3) an increase of RMB39 million in loss from changes in fair value of the interest rate swap contracts in the first half of 2020 as compared to the corresponding period of 2019; (4) an increase of RMB15 million in charges in the first half of 2020 as compared to the corresponding period of 2019; (5) an increase of RMB17 million in the unrealized profits recognized for trading securities held in the first half of 2020 as compared to the corresponding period of 2019; and (6) a decrease of RMB33 million in interest income on financial assets and dividend in the first half of 2020 as compared to the corresponding period of 2019.

Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB-11 million in the first half of 2020, representing a decrease of RMB52 million or 126.8% as compared to RMB41 million in the corresponding period of 2019, which was primarily due to the year-on-year significant decline in the net profit of Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司) during the first half of 2020.

Income tax

In the first half of 2020, the income tax of the Group amounted to RMB818 million, representing an increase of 8.6% as compared to RMB753 million in the corresponding period of 2019, which was mainly due to: (1) a year-on-year increase of 4.8% in profit before tax in the first half of 2020; and (2) a higher tax rate in the first half of 2020 as compared to that in the corresponding period of 2019 as a result of the end of tax exemption period for certain wind power projects.

Net profit

In the first half of 2020, the net profit of the Group amounted to RMB3,776 million, representing an increase of 4.0% as compared to RMB3,632 million in the corresponding period of 2019, which was mainly due to the increase in net profit of wind power segment.

Net profit attributable to equity holders of the Company

In the first half of 2020, the net profit attributable to equity holders of the Company amounted to RMB3,331 million, representing an increase of 3.8% as compared to RMB3,208 million in the corresponding period of 2019, mainly attributable to the increase in net profit of wind power segment.

Segment results of operations

Wind power segment

Operating revenue

In the first half of 2020, the operating revenue of the wind power segment of the Group amounted to RMB10,714 million, representing an increase of 7.9% from RMB9,931 million in the corresponding period of 2019, primarily due to an increase in revenue from electricity sales as a result of growing electricity sales of wind power segment caused by an increase in its installed capacity and average utilization hours.

Operating revenue in the wind power segment and proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	10,588	98.8%	9,908	99.7%
Service concession construction revenue	113	1.1%	16	0.2%
Others	13	0.1%	7	0.1%
Total	10,714	100.0%	9,931	100.0%

Operating profit

In the first half of 2020, the operating profit in the wind power segment of the Group amounted to RMB6,212 million, representing an increase of 5.9% from RMB5,867 million in the corresponding period of 2019, which was mainly attributable to the increase in revenue from electricity sales in the wind power segment. The growth rate of operating profit was lower than that of the revenue from electricity sales in the wind power segment, which was primarily due to the fact that the growth rate of revenue from electricity sales was less than that of the cost as a result of the increase in the repair and maintenance expenses and impairment losses of assets in the first half of 2020.

Coal power segment

Operating revenue

In the first half of 2020, operating revenue of the coal power segment of the Group amounted to RMB3,330 million, representing a decrease of 11.3% as compared to RMB3,753 million in the corresponding period of 2019, primarily due to: (1) a decrease of RMB207 million in electricity sales revenue of coal power segment as affected by the decrease in electricity sales in the first half of 2020; and (2) a decrease of RMB188 million in revenue of coal sales resulting from the combined impact of the decline in sales volume of coal and a decrease in unit selling price of coal.

Operating revenue of the coal power segment and proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	1,216	36.5%	1,423	37.9%
Revenue from sales of steam	322	9.7%	368	9.8%
Revenue from coal trading	1,596	47.9%	1,784	47.5%
Others	196	5.9%	178	4.8%
Total	3,330	100.0%	3,753	100.0%

Operating profit

In the first half of 2020, operating profit of coal power segment of the Group amounted to RMB224 million, representing a decrease of 24.6% as compared to RMB297 million in the corresponding period of 2019, which was mainly attributable to a decrease of approximately RMB207 million in electricity sales revenue resulting from the decline in utilization hours of coal power segment, while depreciation and amortization expenses, repair and maintenance expenses, administrative expenses and other operating expenses did not experience a comparable decrease.

Operating profit of the coal power segment and proportions are set out in the table below:

Operating profit	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Sales of electricity, steam and others	182	81.3%	253	85.2%
Coal trading business	42	18.7%	44	14.8%
Total	224	100.0%	297	100.0%

Other segments

Operating revenue

In the first half of 2020, the operating revenue of other segments of the Group amounted to RMB566 million, representing a decrease of 8.6% as compared to RMB619 million in the corresponding period of 2019, which was mainly attributable to a decrease of RMB55 million in revenue from electricity sales as compared to that in the corresponding period of 2019 as a result of the decrease in sales volume of electricity from biomass and PV power.

Operating revenue of other segments and proportions are set out in the table below:

Operating revenue	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Revenue from electricity sales	160	28.3%	215	34.7%
Other sales revenue	60	10.6%	60	9.7%
Revenue from EPC	336	59.4%	323	52.2%
Others	10	1.7%	21	3.4%
Total	566	100.0%	619	100.0%

Operating profit

In the first half of 2020, the operating profit of other segments of the Group amounted to RMB-10 million, representing a decrease of RMB48 million as compared to RMB38 million in the corresponding period of 2019, which was mainly attributable to a significant decrease in utilization hours of biomass as compared to the corresponding period of 2019.

Assets and liabilities

As at 30 June 2020, total assets of the Group amounted to RMB165,576 million, representing an increase of RMB8,773 million as compared with total assets of RMB156,803 million as at 31 December 2019. This was primarily due to:

- (1) an increase of RMB6,620 million in current assets including trade and bills receivables; and
- (2) an increase of RMB2,153 million in non-current assets including property, plant and equipment.

As at 30 June 2020, total liabilities of the Group amounted to RMB102,456 million, representing an increase of RMB6,308 million as compared to total liabilities of RMB96,148 million as at 31 December 2019. This was primarily due to:

- (1) a decrease of RMB6,630 million in non-current liabilities including long-term borrowings; and
- (2) an increase of RMB12,938 million in current liabilities including short-term borrowings.

As at 30 June 2020, equity attributable to equity holders of the Company amounted to RMB54,883 million, representing an increase of RMB1,960 million as compared with RMB52,923 million as at 31 December 2019, which was mainly earnings from business in the period.

Details of assets and liabilities are set out in the tables below:

Assets	30 June 2020	31 December 2019
	Amount	Amount
	<i>(RMB million)</i>	<i>(RMB million)</i>
Property, plant and equipment	117,560	114,607
Investment properties	8	9
Right-of-use assets	2,896	3,155
Intangible assets and goodwill	7,577	7,731
Other non-current assets	7,886	8,272
Current assets	<u>29,649</u>	<u>23,029</u>
Total	<u>165,576</u>	<u>156,803</u>
 Liabilities		
Long-term borrowings	42,843	48,881
Deferred income and deferred tax liabilities	1,479	1,588
Lease liabilities (long-term)	442	744
Other non-current liabilities	1,216	1,397
Current liabilities	<u>56,476</u>	<u>43,538</u>
Total	<u>102,456</u>	<u>96,148</u>

Capital liquidity

As at 30 June 2020, current assets of the Group amounted to RMB29,649 million, representing an increase of RMB6,620 million as compared with the current assets of RMB23,029 million as at 31 December 2019, which was mainly attributable to the increase in trade and bills receivables.

Current assets by item and proportions are set out in the table below:

Current assets	30 June 2020		31 December 2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Trade and bills receivables	21,504	72.5%	16,365	71.1%
Prepayments and other current assets	2,327	7.8%	1,963	8.5%
Cash at banks and on hand and restricted deposits	4,286	14.5%	3,432	14.9%
Others	1,532	5.2%	1,269	5.5%
Total	29,649	100.0%	23,029	100.0%

As at 30 June 2020, current liabilities of the Group amounted to RMB56,476 million, representing an increase of RMB12,938 million as compared with the current liabilities of RMB43,538 million as at 31 December 2019, which was mainly attributable to the increase in short-term borrowings, bills and trade payables, etc.

Current liabilities by item and proportions are set out in the table below:

Current liabilities	30 June 2020		31 December 2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Borrowings	40,520	71.7%	28,965	66.5%
Trade and bills payables	4,530	8.0%	3,411	7.8%
Other current liabilities	11,083	19.6%	10,840	24.9%
Lease liabilities (short-term)	28	0.0%	92	0.2%
Tax payable	315	0.7%	230	0.6%
Total	56,476	100.0%	43,538	100.0%

As at 30 June 2020, net current liabilities of the Group amounted to RMB26,827 million, representing an increase of RMB6,318 million as compared with the net current liabilities of RMB20,509 million as at 31 December 2019. The liquidity ratio was 0.52 as at 30 June 2020, representing a decrease of 0.01 as compared with the liquidity ratio of 0.53 as at 31 December 2019. The decrease in liquidity ratio was mainly attributable to the greater increase of current liabilities than the increase of current assets resulting from the increase in borrowings due within one year.

Restricted deposits amounted to RMB282 million, which mainly represent monetary funds deposited in the margin accounts opened by the Group or used for repaying bank loans.

Borrowings and bills payables

As at 30 June 2020, the Group's balance of the borrowings and bills payables amounted to RMB87,182 million, representing an increase of RMB6,785 million as compared with the balance of RMB80,397 million as at 31 December 2019.

As at 30 June 2020, the Group's outstanding borrowings and bills payables included short-term borrowings and bills payables of RMB44,339 million (including long-term borrowings due within one year of RMB12,205 million and bills payables of RMB3,819 million) and long-term borrowings amounting to RMB42,843 million (including debentures payables of RMB18,300 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB77,798 million, borrowings denominated in U.S. dollars of RMB2,913 million and borrowings denominated in other foreign currencies of RMB2,652 million. As at 30 June 2020, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB312 million and corporate bonds with fixed interest rates of RMB18,300 million. As at 30 June 2020, the balance of bills payables issued by the Group amounted to RMB3,819 million.

Borrowings and bills payables by category and proportions are set out in the table below:

Borrowings and bills payables	30 June 2020		31 December 2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Bank loans	48,491	55.6%	46,443	57.7%
Loans from other financial institutions	41	0.1%	41	0.1%
Loans from fellow subsidiaries	559	0.6%	568	0.7%
Corporate bonds	34,272	39.3%	30,794	38.3%
Bills payables	3,819	4.4%	2,551	3.2%
Total	87,182	100.0%	80,397	100.0%

Borrowings and bills payables by term and proportions are set out in the table below:

Borrowings and bills payables	30 June 2020		31 December 2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Within 1 year	44,339	50.8%	31,516	39.2%
1–2 years	10,723	12.3%	11,280	14.0%
2–5 years	18,814	21.6%	23,803	29.6%
Over 5 years	13,306	15.3%	13,798	17.2%
Total	87,182	100.0%	80,397	100.0%

The types of interest rate structure of borrowings and bills payables and their respective proportions are set out in the table below:

Borrowings and bills payables	30 June 2020		31 December 2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Bills payables	3,819	4.4%	2,551	3.2%
Fixed rate borrowings	35,929	41.2%	31,702	39.4%
Floating rate borrowings	47,434	54.4%	46,144	57.4%
Total	87,182	100.0%	80,397	100.0%

Capital expenditures

The capital expenditures of the Group amounted to RMB6,842 million in the first half of 2020, representing an increase of 103.2% as compared to RMB3,367 million in the corresponding period of 2019, among which, the expenditures for the construction of wind power projects amounted to RMB6,715 million. The sources of funds mainly included self-owned funds, the borrowings from banks and other financial institutions and the proceeds from the issuance of bonds.

Capital expenditures classified by use and proportions are set out in the table below:

Capital expenditures	For the six months ended 30 June			
	2020		2019	
	Amount (RMB million)	Proportion (%)	Amount (RMB million)	Proportion (%)
Wind power projects	6,715	98.1%	3,284	97.5%
Other renewable energy projects	-	-	1	0.1%
Others	127	1.9%	82	2.4%
Total	6,842	100.0%	3,367	100.0%

Net gearing ratio

As at 30 June 2020, the net gearing ratio of the Group, which is calculated by dividing net debt (the sum of total borrowings and lease liabilities less cash and cash equivalents) by the sum of net debt and total equity, was 55.84%, representing an increase of 0.3 percentage point from 55.54% as at 31 December 2019. This was primarily due to the increase in debts being greater than the increase in total equity during the first half of 2020.

Major investments

The Group made no major investment in the first half of 2020.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals in the first half of 2020.

Pledged assets

Part of the bank loans and bonds of the Group are secured by fixed assets and rights of electricity sales. As at 30 June 2020, the total net carrying amount of the fixed assets used for security was RMB2,299 million, representing a decrease of 12.0% from RMB2,612 million as at 31 December 2019, which was mainly due to the depreciation of fixed assets.

Contingent liabilities/Guarantees

As at 30 June 2020, the Group provided a guarantee of RMB95 million for bank loans of associates, and issued a counter-guarantee of no more than RMB18 million to the controlling shareholder of an associate. As at 30 June 2020, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.

Cash flow analysis

As at 30 June 2020, cash and cash equivalents held by the Group amounted to RMB4,005 million, representing an increase of RMB1,097 million as compared to RMB2,908 million as at 31 December 2019, which was mainly attributable to the large volume of projects under construction and the increase of cash holdings by the Group for payment for the project expenditures and repayment of the maturing borrowings. The principal sources of funds of the Group mainly included self-owned funds and external borrowings. The Group mainly used the funds for capital turnovers and the construction of projects.

The net cash inflow from the Group's operating activities amounted to RMB3,403 million in the first half of 2020, representing an increase of RMB1,103 million as compared to RMB2,300 million in the corresponding period of 2019, which was mainly attributable to the increase in revenue from electricity sales for the period.

The net cash outflow from investing activities of the Group was RMB6,415 million in the first half of 2020. The cash outflow from investing activities was mainly used for the construction for wind power projects.

The net cash inflow from financing activities of the Group was RMB4,167 million in the first half of 2020. The cash inflow from financing activities was mainly generated from the proceeds from the issuance of corporate bonds and bank loans. The cash outflow from financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a certain portion of Group's investments are carried out abroad, therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions denominated in foreign currencies. The Group's foreign exchange management principles are not involved in any speculative arbitrage, but for the purpose of hedging and risk aversion. Foreign exchange risk management runs through the whole lifetime cycle of project development and operations. The Group always pays high attention to monitoring and research of the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate and effectively carries out protection measures for currency exchange rate. Meanwhile, it designs appropriate means to use foreign currencies and adopts various approaches to improve risk management of the currency exchange rate.

III. PROSPECT FOR THE SECOND HALF OF 2020

In the second half of 2020, the Group will adhere to being under the guidance by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly carry through the Work Deployment of CHN Energy, and will strive for the goal of developing our Company into a world-class new energy giant with global competitiveness, highlight the orientation of high-quality sustainable development and value creation, lay a solid foundation for Party building and safe production of new energy segment, speed up the construction of informatization and intelligence, develop the domestic and international markets and build up two teams of both high-quality management cadres and professional talents, lay a solid foundation for developing a world-class new energy giant with global competitiveness through striving to complete various targets and tasks according to the requirements of "No change of target, No reduction of task, No lowering of standard".

In the second half of 2020, the Group will focus on the following five areas in work:

1. To adhere to the comprehensively strict governance of the Party, continue to strengthen Party-building, and further improve the quality and effectiveness of Party-building

To thoroughly implement the deployment of “A year for solidifying and deepening of Party-building for Central Government-controlled state-owned enterprises”, continue to strengthen the construction of primary-level party organizations and give full play to their role as fighting bastions. To enrich the work mode of “Party-building +”, to promote the deep integration between featured activities of Party-building and our core tasks, so as to produce a synergy to promote the reform and development of the Group.

2. To strengthen the implementation of responsibilities, accelerate system construction, and continuously improve the level of intrinsic safety

To comprehensively carry out a three-year campaign for improving production safety, implement a system of on-site working for leadership, strictly implement the relevant requirements of the CHN Energy and the Group and strive to eliminate accident risks to ensure the safety and stability of the site. To carry out “Three-standards and One-system” development, comprehensively promote the implementation of standards and build an intrinsically safe enterprise.

3. To strengthen confidence in development, boost the driving force for development, and continuously improve quality and efficiency of development

To stick to its development concept firmly, coordinate the development of large-scale base, photovoltaic, offshore and overseas projects to establish a new layout consisting of both wind and photovoltaic power projects. To optimize the organization of construction, focus on equipment supply, strengthen the control of various stages of projects and complete tasks of production with high quality meanwhile avoiding the fluctuation of electricity price. To implement the conditions for the construction of new projects to be launched in the second half of the year and make preparations for the production target for next year.

4. To deepen the improvement of quality and efficiency, explore more income sources and reduce expenditures, and strive to complete the annual goals and tasks

To continue to carry out equipment management, restore all existing power-limiting equipment within the year, accelerate the upgrading of the network to ensure “More power generation, Less shutdown, Less assessment”. To tap potential and improve efficiency during operation, implement various measures to increase net profit and strictly control the cost of electricity to ensure the realization of net profit target. To keenly grasp market window, coordinate the issue of short-term and long-term financial instruments so as to minimize the cost of capital.

5. To deepen reform and innovation, promote management improvement, and accelerate the construction of a world-class new energy company

To actively implement the plan to build itself into a world-class new energy company with global competitiveness. To deepen benchmarking at three levels, identify bottlenecks in weak links and improve the operation and management. To accelerate informationization and intelligentization, and basically form an informationization and intelligentization application system with ERP at the core based on a data platform and supplemented with a self-built system. To increase research on key areas such as multi-energy complementation and energy storage, emphasize the commercialization of technology and further promote the implementation of key technical projects such as floating offshore wind power projects as well as projects integrating wind power, photovoltaic and energy storage function both onshore and offshore.

OTHER INFORMATION

Share Capital

As of 30 June 2020, the total share capital of the Company amounted to RMB8,036,389,000 divided into 8,036,389,000 shares of RMB1.00 each. There has been no change in the share capital of the Company during the six months ended 30 June 2020.

Interim Dividend

The Board has not made any recommendation on the distribution of an interim dividend for 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 purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

Compliance with the Requirements of Appendix 14 of the Listing Rules

On 29 May 2020, the Company held the 2019 Annual General Meeting (the “**Annual General Meeting**”). As at the date of convening the Annual General Meeting, the chairman of each of the audit committee and remuneration and assessment committee of the Board of the Company and their members were unable to attend the above-mentioned Annual General Meeting due to business engagement. Save as aforesaid, during the period from 1 January 2020 to 30 June 2020, the Company had fully complied with the code provisions in the Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules, and had complied with most of the recommended best practices set out in the Appendix 14 to the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and supervisors in the securities of the Company. Upon specific enquiries to the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the period from 1 January 2020 to 30 June 2020. The Board will examine the corporate governance and operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect shareholders’ interests.

AUDIT COMMITTEE

The Company has established the audit committee of the Board (the “**Audit Committee**”) in accordance with the requirements of the Listing Rules. The primary responsibilities of the Audit Committee are to review the annual internal audit plan of the Company; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectiveness of external auditors and effectiveness of audit procedures; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company; review interim and annual financial statements before submission to the Board and oversee the financial reporting system and internal control procedures of the Company; evaluate the effectiveness of the internal control and risk management

system; review and supervise internal audit control system and risk management function to ensure the independence of the audit function, to ensure coordination between the internal and external auditors and to ensure that functions in respect of accounting, internal auditing and financial reporting are operating with adequate resources in the Company and the relevant staff have been trained with sufficient qualifications and experience and are provided with regular training programs or other similar arrangement. Moreover, the Audit Committee will discuss the risk management and internal control system with the management to ensure that the management has duly performed its duties and established effective system. It will also supervise relevant departments in disclosing the details about how the Company complies with code provisions in respect of risk management and internal control during the period from 1 January 2020 to 30 June 2020, under the Corporate Governance Report.

The Audit Committee consists of three Directors: Mr. Meng Yan (independent non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Yang Xiangbin (non-executive Director). Mr. Meng Yan serves as the chairman of the Audit Committee.

On 11 August 2020, the Audit Committee reviewed and confirmed the announcement of interim results of the Group for the six months ended 30 June 2020, the 2020 interim report and the unaudited interim financial statements for the six months ended 30 June 2020 prepared under IAS 34, *Interim Financial Reporting* and the disclosure requirements under the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND REPORT

This results announcement is published on the HKExnews website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the Company's website at . The Company's 2020 interim report, containing all the information required under the Listing Rules, will be dispatched to the Shareholders and will be published on the above websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
China Longyuan Power Group Corporation Limited*
Jia Nansong
Vice President, Board Secretary and Joint Company Secretary

Beijing, the PRC, 11 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Jia Yanbing and Mr. Sun Jinbiao; the non-executive directors are Mr. Liu Jinhuan, Mr. Yang Xiangbin and Mr. Zhang Xiaoliang; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* For identification purpose only