中国能建
ENERGY CHINA

Survey, Design and Consulting Services

Construction and Contracting

Industrial Manufacturing

Clean Energy, Environmental Protection and Water Utilities

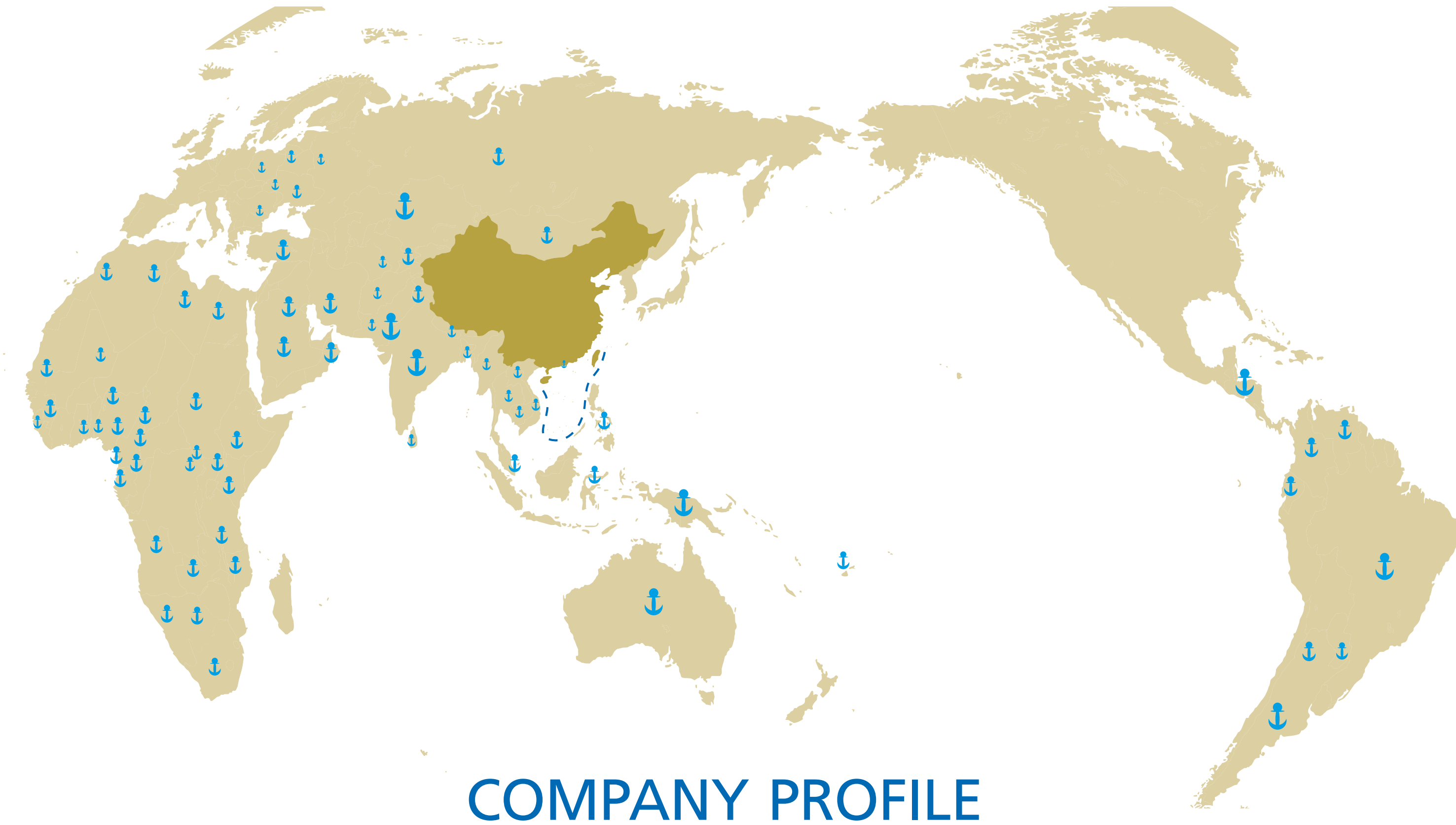
Investment and Other Businesses

ANNUAL REPORT 2020

Bringing Energy to the World
The Main Force of the Belt and Road

中国能源建设股份有限公司
CHINA ENERGY ENGINEERING CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3996)



COMPANY PROFILE

Founded on 19 December 2014, the Company is a joint stock company with limited liability established and co-sponsored by China Energy Engineering Group Co., Ltd. (a central enterprise supervised and administered by the SASAC), and its wholly-owned subsidiary, Electric Power Planning and Engineering Institute Co., Ltd. The Company issued H shares under the initial public offering on 10 December 2015 and got listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 3996.HK).

The Company is a comprehensive and ultra-large group company offering holistic solutions and full-chain services in energy power and infrastructure sectors in China and the world at large. Its businesses cover energy power, water conservancy and waterworks, railways and highways, ports and navigation channels, municipal engineering, urban rail, eco-environment protection and housing construction, with a complete industrial chain integrating planning and consulting, evaluations and review, survey and design, construction and contracting and management, operational maintenance and investment operation, technical services, equipment manufacturing, and building materials. The Company successfully entered Global 500 for seven consecutive years and obtained front-row rankings in ENR Top 150 Global Engineering Design Firms, Top 225 International Design Firms, Top 250 Global Contractors and Top 250 International Contractors. The Company has set up over 200 overseas branch offices in more than 80 countries and regions with its businesses extending to over 140 countries and regions outside China.

The Company serves the national strategies and leads industry development by virtue of its leading technological levels and superb innovation capabilities. As of the end of 2020, the Company had 3 academician expert workstations, 11 work stations of postdoctoral scientific researchers, 3 national research institutions and 49 provincial research institutions and 96 high and new technology enterprises. It obtained 48 National Science and Technology Progress Awards, more than 2,100 major scientific and technological achievements and 10,043 patents in force. It formulated and revised over 1,100 national and industry standards, In a series of major projects related to the national economy and people's livelihood, such as the Three Gorges Project, South-to-North Water Diversion, West-East Gas Transmission, West-East Power Transmission and Third-Generation Nuclear Power, as the main force of engineering construction and the national team, the Company successively undertook a number of major projects such as the world's first "300" thermal power project, the world's first AP1000, CAP1400 nuclear power project, the world's largest wind power and solar PV power generation, the world's first multi-terminal flexible direct current transmission project, the world's first 1,240MW high-efficiency ultra-supercritical coal-fired power project, the world's first UHV multi-terminal hybrid direct current project and the world's highest transmission and transformation project, creating many world firsts.

Adhering to a strategic vision of being an "industry-leading and world-class" company, the Company is committed to building a first-class energy integration solution provider, a first-class general engineering contractor, a first-class infrastructure investor, a first-class comprehensive ecological environment management provider, a first-class comprehensive urban development operator, a first-class provider of building materials, industrial products and equipment. Being at the forefront of implementing national strategies, promoting the energy revolution, speeding up high-quality development and building a better life, the Company accelerates the establishment of a world-class enterprise with global competitiveness, and continues to create biggest value for the customers, shareholders, employees and the society.

CONTENTS

COMPANY INFORMATION

COMPANY INFORMATION

Chinese Name:	中國能源建設股份有限公司
English Name:	China Energy Engineering Corporation Limited
Registered Office:	Room 01-2706, 1-24/F, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC
Head Office in the PRC:	Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC
Principal Place of Business in Hong Kong:	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Company's Website: www.ceec.net.cn
Tel.: +86 (10)59098818
Fax: +86 (10)59098711
E-mail: zgnj3996@ceec.net.cn

STOCK INFORMATION OF THE COMPANY

Stock Category:	H Shares
Stock Exchange:	The Stock Exchange of Hong Kong Limited
Stock Name:	CH ENERGY ENG
Stock Code:	3996

EXECUTIVE DIRECTORS

Mr. SONG Hailiang
(Chairman, appointed on 27 October 2020)
Mr. SUN Hongshui
(Vice Chairman, appointed on 30 June 2020)
Mr. MA Mingwei *(appointed on 30 June 2020)*
Mr. WANG Jianping *(resigned on 31 August 2020)*
Mr. DING Yanzhang *(resigned on 26 May 2020)*
Mr. ZHANG Xianchong *(resigned on 14 January 2020)*

NON-EXECUTIVE DIRECTORS

Mr. LI Shulei *(appointed on 5 February 2021)*
Mr. LIU Xueshi
Mr. SI Xinbo
Mr. MA Chuanjing *(resigned on 21 August 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHAO Lixin *(appointed on 30 June 2020)*
Mr. CHENG Niangao *(appointed on 30 June 2020)*
Dr. NGAI Wai Fung *(appointed on 5 February 2021)*
Mr. CHEUNG Yuk Ming
(retired upon expiration of term on 5 February 2021)
Mr. DING Yuanchen *(resigned on 30 June 2020)*

SUPERVISORS

Mr. WANG Zengyong
(Chairman, retired upon expiration of term on 5 February 2021)
Mr. HE Jiansheng
(Chairman, appointed on 5 February 2021)
Mr. FU Dexiang
(retired upon expiration of term on 5 February 2021)
Mr. WEI Zhongxin
(retired upon expiration of term on 5 February 2021)
Mr. LI Fangyi
Mr. KAN Zhen
Mr. MAO Fengfu *(appointed on 5 February 2021)*
Mr. LV Shisen *(appointed on 5 February 2021)*

AUTHORIZED REPRESENTATIVES

Mr. SONG Hailiang *(appointed on 27 October 2020)*
Mr. DUAN Qiurong
Mr. WANG Jianping *(resigned on 31 August 2020)*

STRATEGY COMMITTEE

Mr. SONG Hailiang
(Chairperson, appointed on 27 October 2020)
Mr. SUN Hongshui *(appointed on 30 June 2020)*
Mr. LI Shulei *(appointed on 5 February 2021)*
Mr. SI Xinbo
Mr. WANG Jianping *(resigned on 31 August 2020)*
Mr. DING Yanzhang *(resigned on 26 May 2020)*
Mr. MA Chuanjing *(resigned on 21 August 2020)*

NOMINATION COMMITTEE

Mr. SONG Hailiang
(Chairperson, appointed on 27 October 2020)
Mr. CHEUNG Yuk Ming
(retired upon expiration of term on 5 February 2021)
Mr. ZHAO Lixin *(appointed on 27 October 2020)*
Mr. CHENG Niangao
(appointed on 30 June 2020,
no longer served since 27 October 2020, and
re-appointed on 5 February 2021)
Mr. WANG Jianping *(resigned on 31 August 2020)*
Mr. DING Yuanchen *(resigned on 30 June 2020)*

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. CHENG Niangao
(Chairperson, appointed on 30 June 2020)
Mr. CHEUNG Yuk Ming
(retired upon expiration of term on 5 February 2021)
Mr. LIU Xueshi
Dr. NGAI Wai Fung *(appointed on 5 February 2021)*

AUDIT COMMITTEE

Mr. ZHAO Lixin
(Chairperson, appointed on 30 June 2020)
Mr. LI Shulei *(appointed on 5 February 2021)*
Dr. NGAI Wai Fung *(appointed on 5 February 2021)*
Mr. CHENG Niangao *(appointed on 27 October 2020,*
no longer served since 5 February 2021)
Mr. CHEUNG Yuk Ming *(retired upon expiration of*
term on 5 February 2021)
Mr. MA Chuanjing *(resigned on 21 August 2020)*
Mr. DING Yuanchen *(resigned on 30 June 2020)*

JOINT COMPANY SECRETARIES

Mr. DUAN Qiurong
Ms. LEUNG Suet Wing

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

INTERNATIONAL AUDITOR

KPMG
Registered Public Interest Entity Auditor
under the Financial Reporting Council Ordinance
8/F, Prince's Building, 10 Chater Road, Central,
Hong Kong

LEGAL ADVISERS

As to Hong Kong and U.S. Laws: Clifford Chance
27/F, Jardine House, One Connaught Place, Central,
Hong Kong

As to PRC Law: Jia Yuan Law Offices
Room F407, Ocean Plaza, 158 Fuxing Men Nei Avenue,
Beijing, the PRC

PRINCIPAL BANKS

China Construction Bank Beijing Jin'an Sub-branch
China Everbright Bank Beijing Fengtai Sub-branch

FINANCIAL SUMMARY

1 SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December					
	2020	2019	2018	2017	2016	Changes of 2020 over 2019
	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(%)
Revenue:						
Survey, design and consulting services	**14,095.1**	13,154.0	12,216.3	13,282.6	12,972.6	7.15
Construction and contracting	**211,539.0**	185,425.1	163,295.4	168,751.7	161,058.2	14.08
Industrial manufacturing	**24,084.9**	23,710.6	21,819.6	19,958.9	18,799.6	1.58
Clean energy, environmental protection and water utilities	**11,926.7**	16,173.2	20,826.1	23,982.5	15,323.0	(26.26)
Investment and other business	**21,726.7**	19,534.8	17,512.1	19,830.8	22,175.1	11.22
Inter-segment elimination and adjustment	**(13,044.7)**	(10,706.7)	(11,695.1)	(11,436.4)	(8,157.5)	21.84
Total	**270,327.7**	247,291.0	224,034.3	234,370.1	222,171.0	9.32
Gross profit	**36,101.0**	32,337.2	29,763.4	27,628.7	25,312.8	11.64
Profit before taxation	**12,754.8**	13,307.9	11,676.8	11,955.3	9,647.0	(4.16)
Net profit	**8,692.1**	9,600.4	8,551.5	9,064.2	7,438.6	(9.46)
Profit for the year attributable to equity holders of the Company	**4,680.3**	5,078.5	4,570.7	5,261.1	4,281.3	(7.84)
Basic and diluted earnings per share (RMB)	**0.15**	0.17	0.15	0.18	0.14	(11.76)

2 SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December					
	2020	2019	2018	2017	2016	Changes of 2020 over 2019
	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(%)
Current assets	**289,411.9**	264,677.0	257,593.0	242,329.4	212,729.1	9.35
Non-current assets	**186,640.0**	156,993.3	131,792.6	101,557.7	79,928.4	18.88
Total assets	**476,051.9**	421,670.3	389,385.5	343,887.1	292,657.5	12.90
Current liabilities	**253,102.3**	224,982.0	226,312.8	204,337.1	163,742.2	12.50
Non-current liabilities	**85,020.7**	83,397.9	67,908.8	59,694.3	54,926.3	1.95
Total liabilities	**338,123.0**	308,379.9	294,221.6	264,031.4	218,668.5	9.64
Total equity	**137,928.9**	113,290.4	95,163.9	79,855.7	73,989.0	21.75
Total equity and liabilities	**476,051.9**	421,670.3	389,385.5	343,887.1	292,657.5	12.90

CHAIRMAN'S STATEMENT

Song Hailiang
Chairman

Dear shareholders,

Years are flying like an arrow, and times are changing with each passing day. We have gone through an extraordinary and challenging year of 2020 hand in hand. On behalf of the Board of Directors of the Company, I would like to express my sincere gratitude to the shareholders for giving the Company care and support in the past year.

The year 2020 marks a year of courage, hard work and progress for Energy China. In the face of a complex environment caused by the outbreak of the COVID-19 pandemic, the severe recession of the world economy, and the increasing turmoil of the international situation, we persisted to the overall planning of pandemic prevention and control and business development, overcame numerous difficulties, made tremendous efforts, and achieved hard-won results.

The top-level design has been further improved. We have systematically planned and completed major tasks, including the "14th Five-Year" development plan, deepening of system reforms, and strengthening of scientific management. We have effectively promoted seven key tasks, including the organization reform of the headquarters, the reorganization of the regional headquarters, the optimization of the industrial layout and functional positioning of the Group and its subsidiaries. We have systematically studied and issued the policy of "Several Opinions on Comprehensively Strengthening Party Leadership, Accelerating High-Quality Development, Deepening System Reform and Strengthening Scientific Management", clarified the strategic goals of "one vision, four forefronts, six first-class" of Energy China. We are committed to becoming a first-class energy integration solution provider, a first-class general engineering contractor, a first-class infrastructure investor, a first-class comprehensive ecological environment management company, a first-class comprehensive urban development operator and a first-class provider of building materials, industrial products and equipment. We have strived to be at the forefront of implementing national strategies, promoting the energy revolution, accelerating high-quality development, and building a better life. We have accelerated our efforts in order to become a world-class enterprise with global competitiveness.

We wish to cooperate with domestic and overseas peers in good faith to achieve mutual development, share results of development and create a desired future!

We have achieved major victory in pandemic prevention and control. With the strongest responsibility, we quickly formed a mode of pandemic fighting of comprehensive mobilization, deployment, and prevention and control. The Company has woven densely a network of epidemic prevention and control, and continued to carry out normalized epidemic prevention and control. We have actively donated money and materials, and successively donated RMB10 million to Wuhan and RMB10 million to Yichang through CGGC Group. We reduced or exempted more than RMB4 million in rents for shops, venues, and warehouses in Wuhan, Yichang and other places; successively participated in and completed the constructions of designated hospitals for patients with COVID-19 in Wenzhou, Guangzhou, and other places and made contribution to the fight against the COVID-19 pandemic in China.

We have achieved outstanding results in production and operation. As a central state-owned enterprise in construction that was most severely affected by the pandemic, the Company quickly responded to changes in the situation and actively faced various challenges. The value of newly entered contracts and operating income for the whole year increased by 11.04% and 9.32%, respectively, year-on-year. The Company has fully participated in the implementation of major strategic such as the coordinated development of Beijing-Tianjin-Hebei, the development of the Yangtze River Economic Belt, the construction of the Xiong’an New District, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the construction of the Hainan Free Trade Port, and entered into a number of major projects. The Company has participated in the joint construction of the “One Belt and One Road” with high quality. The increase in the value of our newly entered contracts in international business was higher than the overall industry level. The Company has played the role of a think tank in the national industry to promote the research work of the national “14th Five-Year Plan” in energy, power and technological innovation planning. Our construction of major projects and key projects was advanced in an orderly manner, and 29 national quality engineering awards were awarded throughout the year (including 8 gold awards), 2 Luban awards, and 2 Zhan Tianyou awards. The Company has played the role of the main force and the national team in energy and infrastructure construction segment.

Enterprise management has made positive progress. The Company steadily improved quality and efficiency, strictly controlled the asset-liability ratio and interest-bearing liabilities, carried out external account collection and internal credit and debt liquidation, and sped up the revitalization and disposal of assets. It continued to improve its transformation and development capabilities, and its enterprises added and upgraded 25 high-level qualifications throughout the year. The Company focused on major scientific breakthroughs, obtained a number of landmark and influential innovative achievement, won 187 science and technology awards above the industry level, edited 36 international, national and industry standards, and obtained 1,472 authorized patents. Safety, quality and environmental protection are generally stable. The prevention and resolution of major risks has continued to deepen. The Company will coordinate laws, compliance, internal control and comprehensive risk management into all aspects of the work, and leverage efforts to keep the redline.

2021 is a year of special importance in the modernization process of China and also the 10th anniversary of Energy China. We will keep a foothold in the new development stage, implement new development concept, and integrate into new development pattern. We will accelerate the implementation of related strategic measures comprehensively, and ensure a good start of the "14th Five-Year Plan" to start a new journey of building a world-class enterprise with global competitiveness. We will focus on the following aspects:

Firstly, the Company will seek innovation, break the ideological constraints, emancipate the mind, keep up with the times, and lead development. We will use new ideas to promote new changes, bravely step out of the "comfort zone" and break into the "no man's land", being the pioneer and pathfinder. We firmly establish new development concepts, and promote the Company's systemic remodelling, overall reconstruction and historic changes. We will use new business formats to promote new development, aim at new strategic opportunities of CO2 Emission Peak and Carbon Neutrality, and increase the development efforts of new business such as integrated energy, new energy, energy storage and hydrogen energy. We will implement five major projects, namely "comprehensive going to sea", "systems entering the city", "multi-dimensional water control", "interconnection" and "creating a better life"; target strategic new industries such as new infrastructure, eco-environmental protection and smart cities, and combine the new trends of digitalization, intelligence and intelligence to create a new industrial ecosystem such as energy and infrastructure "smart +". We will use new models to build new advantages, innovate business models, seize the commanding heights of the market, grasp the initiative in development, and create more " new models of Energy China", "new solutions of Energy China", "new patterns of Energy China," and "new products of Energy China."

Secondly, the Company will stand on high ground, and comprehensively accelerate technological innovation and digital transformation to achieve integration of production and technology as well as production and credit and drive development. We will lay stress on the deployment of science and technology and informatization, focus on the needs of "six aspects", namely nation, industry, region, international, project and ourselves, and will accelerate the transformation of scientific and technological innovation and digitalization of informatization focusing on serving 11 key areas such as new national energy strategy, "adjustment, transfer, and upgrade" of traditional energy and new energy system research. We will vigorously tackle key core technologies, accelerate the implementation of scientific and technological breakthrough projects, and solve a number of core technologies and equipment that are in demand, competitive and industry-leading; give full play to the role of national-level high-end energy think tanks, improve the innovation platform system, and promote breakthrough and landmark major results. We will vigorously grasp the comprehensive digital transformation, accelerate the realization of construction of digitalization, industrialization and industrialization, and fully drive the digital construction of enterprise management; accelerate the innovation of digital products and services, explore the value of data, promote the integration of industry and credit, and form new digital models, new types of business and new industries. We will vigorously focus on the construction of innovation work mechanism, lay stress on improving the project establishment mechanism, technology investment mechanism, innovation incentive mechanism and scientific and technological talent development mechanism, and remove the mechanism barriers to stimulate innovation motivation and creative potential.

Thirdly, the Company will make efforts in effect to deepen reforms and improve quality in an all-round way, so as to consolidate fundamentals to foster our spirit, strengthen the foundation and our strengths. The year 2021 is the "year for reform deepening and quality improvement" of the Company. We will make great efforts to deepen the construction of adaptive organizations, complete the structural adjustment of the headquarters and set-up of regional headquarters, and perfect the operation and appraisal mechanism of business divisions and regional headquarters, refine the relationship between responsibilities and obligations, and realize the synergy and coordination at all levels. The Company will promote layout optimization and organizational reshaping in an orderly manner, and conduct overall design, scientific planning and promotion by classification of the overall reform plan. The Company will make great efforts to accelerate the three-year action of state-owned enterprises reforms, and to establish a simple, high efficient, effective and practical system and procedures within one to two years, with an aim to achieve management normalization, professionalization, standardization, digitization and refinement. The Company will advance the specialized reform projects including the mixed reform pilot, the "Double Hundred Action" and the "Scientific Reform Demonstration Action". The Company will optimize the emolument allocation and performance management system, highlighting the "Deserving More in Four Aspects (productivity, efficiency, quality, cost-effectiveness)". We will make great efforts to strengthen market expansion, exert the leading role of high-end marketing, investment, design and consulting, well implement the operation and planning, deepen the existing relationship and identify the new, make ensure that breakthrough progress will be achieved in key domestic cities, key fields, key regions and major projects. We will accelerate the construction of an international business network, optimize international business systems and mechanisms, and enhance international business management and control capabilities so as to fully empower the forefront of the market. We will make great efforts to the in-depth implementation of the management improvement, adhere to vertical and horizontal classification, comprehensively focus on the grassroots, strengthen the foundation, train basic skills, firmly hold comprehensive budget management, full cost accounting management, comprehensive performance appraisal, and implement the requirements of management professionalism, standardization, digitization and refinement, and promote the mega upgrade and improvement of the Company's management. We will make great efforts to improve the project management, accelerate the establishment of an integrated project management and control platform, build a new project management and control mechanism, improve the new project management system, and compile and issue new management documents. We will strengthen capacity building and improve the management and control, resource allocation, production organization and cost control level of the project department. We will improve the quality and efficiency of operations, and seek benefits from risk control, cost control, incentives and constraints, and communication and coordination. We will deepen subcontracting management and control, and implement management and control from the perspective of strategic resources, source of subcontracting access and the entire performance process. We will make great efforts to improve the management of financial business, deepen the integration of industry and finance, accelerate the construction of financial informationization, perfect the comprehensive budget control system, set up and improve the capital operation system and mechanism, so as to achieve good wealth collection, utilization and management. We will make great efforts to strengthen risk prevention and control, and focus on strengthening the prevention of foreign operation risk, financial risk, investment risk, contract and dispute case risk, so as to consolidate a strong foundation for risk control. We will fully implement the safety management, systematically promote the construction of "mega safety" management system and the "intrinsic safety" management capacity, push ahead the professionalization, standardization, digitalization and refined management of safety production, and create a safe and stable environment for the Company's reform and development.

In 2021, the Company will aspire to aim high with greater ambition, make every effort to fight with greater enthusiasm, reform and innovate with greater courage and create the future with greater wisdom, offering satisfactory results to society and shareholders with high quality development.

We hope that shareholders and all parties and friends who have been paying long-term attention to the Company will continue to give us help and support!

Song Hailiang
Chairman

19 March 2021

BUSINESS OVERVIEW

1 OVERVIEW OF INDUSTRY DEVELOPMENT

Fixed asset investment. In 2020, China's fixed asset investment increased by 2.9% year-on-year, slowing down by 2.5 percentage points year-on-year. The investment in primary industry, secondary industry and tertiary industry increased by 19.5%, 0.1% and 3.6% year-on-year, respectively. The infrastructure investment increased stably, grew by 0.9% year-on-year. Specifically, the road transport investment grew by 1.8%, slowing down by 7.2 percentage points from 2019; the information transmission investment increased 16.0%, slowing down by 1.4 percentage points; investment in ecological protection and environmental governance increased by 8.6%. The investment in the social sector maintained a double-digit growth. The investment for the whole year increased by 11.9% over the previous year, slowing down by 1.3 percentage points from the previous year.

Construction industry. In 2020, China's construction industry realized a total value of output of RMB26.4 trillion, rising by approximately 6.2% year-on-year, with its growth rate increasing by 0.5 percentage points year-on-year. The construction area of housing construction of China's construction industry was approximately 14,950 million square metres, which increased by 3.7% year-on-year. The retail sales of consumer goods for construction and decoration materials were approximately RMB174.9 billion, a year-on-year decrease of 2.8%.

Power industry. In 2020, China's total electricity consumption reached 7.5 trillion kilowatt hours, rising by 3.1% year-on-year, with the growth rate reducing by 1.4 percentage points over the same period of last year. Specifically, the power consumption of the secondary industry is 5.1 trillion kWh, a year-on-year increase of 2.5%, slowing down by 0.6 percentage point from the same period of the previous year. The growth rate of the tertiary industry and residential electricity consumption was 1.9% and 6.9%, respectively. China's power grid projects completed investment of RMB469.9 billion, which declined by 6.2% year-on-year. The power generation projects of nationwide major power enterprises completed investment of RMB524.4 billion, which grew by 29.2% year-on-year. Among which, the hydropower investment was RMB107.7 billion, up by 19.0% year-on-year; the thermal power investment was RMB55.3 billion, down by 27.3% year-on-year; the nuclear power investment was RMB37.8 billion, down by 22.6% year-on-year; the wind power investment was RMB261.8 billion, up by 70.6% year-on-year.

Overseas contracting. In 2020, China's enterprises signed overseas contracted engineering projects amounted to USD255.54 billion, and completed turnover amounted to USD155.94 billion. Among which, they signed 5,611 new contracts of overseas contracted engineering projects in 61 countries along the "One Belt and One Road", accounting for 55.4% of all the newly signed contracts of overseas contracted engineering projects of China in the same period, representing a year-on-year decrease of 8.7%. The completed turnover accounted for 58.4% of the total amount of the same period, down by 7% year-on-year.

Cement industry. In 2020, China's cement production was approximately 2.38 billion tonnes, up by 1.6% year-on-year. With the gradual stabilization of domestic epidemic control, the role of infrastructure projects in stabilizing economic fundamentals has been brought into full play, and the demand of cement market will gradually pick up.

Civil explosives industry. In recent years, the overall production and sales of China's civil explosives industry maintained growth, and operating efficiency has gradually improved. At the same time, the market concentration of the industry has further increased. In 2020, due to the impact of the epidemic, the operation of the industry has slowed down.

Real estate industry. In 2020, the national investment in property development increased by 7.0% year-on-year, down by 2.9 percentage points from the previous year. Specifically, residential investment grew by 7.6% year-on-year, with the growth rate increasing by 0.2 percentage point. The new area of housing construction of real estate development enterprises decreased by 1.2% year-on-year. The funds available for real estate development enterprises increased by 8.1% year-on-year, up by 1.5 percentage points from the previous year.

Situation of PPP Projects. According to the statistics conducted by the national PPP comprehensive information platform, as of 27 January 2021, a total of 9,906 PPP projects have been included in the platform project database in the PRC, with a total project amount of approximately RMB15.2 trillion. Among which, in terms of project categories, the corresponding top three and the corresponding numbers were 4,039 municipal engineering PPP projects, 1,361 transportation PPP projects and 942 PPP projects for ecological construction and environmental protection. In terms of project investment amount, the top three and the corresponding amounts were transportation PPP projects of approximately RMB5.0 trillion, municipal engineering PPP projects of approximately RMB4.4 trillion and urban comprehensive development PPP projects of approximately RMB1.9 trillion.

2 OVERVIEW OF BUSINESS DEVELOPMENT

2.1 Survey, Design and Consulting Services Business

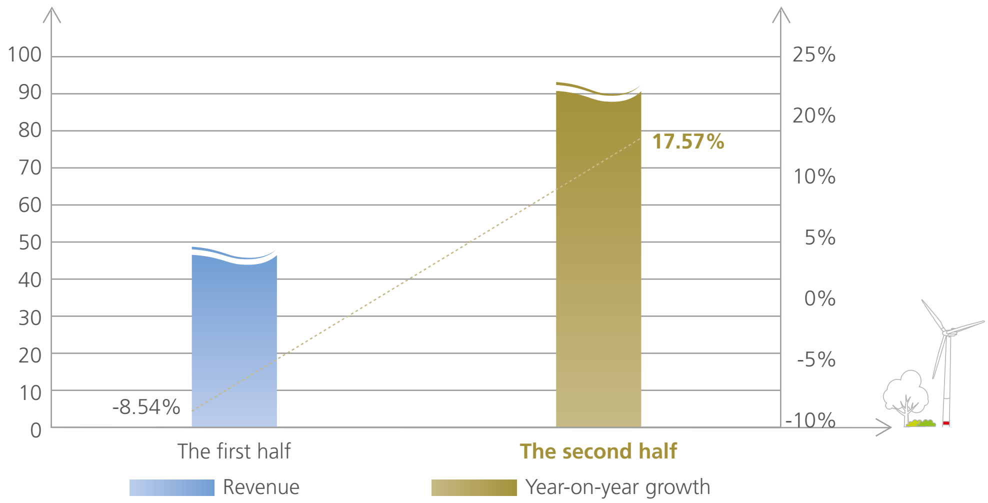
(1) The survey, design and consulting services business of the Company primarily provides planning, research, consulting, assessment, engineering survey, design and supervision services for energy and infrastructure field. Being an "industry-leading and world-class" energy integration solution provider, the Company has had the leading advantages in the research on industrial policy and development planning in the field of energy and power, including the ultra-supercritical units at million kilowatts level, third-generation nuclear power conventional islands, clean coal-fired power generation, ultra-high voltage AC power transmission and transformation, flexible AC transmission, offshore wind farms, solar thermal power generation. The Company continues to expand and improve its cross-industry comprehensive design capabilities, strengthen design consulting traction, and create higher value for customers with a full-process, high-quality design consulting service model.

In 2020, the value of the Company's newly signed contracts for the survey, design, and consulting services business amounted to RMB11.337 billion, a year-on-year decrease of 9.43%; the revenue before inter-segment elimination was RMB14.095 billion, representing a year-on-year increase of 7.15%, of which decreased by 8.54% year-on-year in the first half of the year, and increased by 17.57% year-on-year in the second half of the year.

(2) Key operating indicators of survey, design and consulting services business in 2020

Name of indicators	2020	Year-on-year change in 2020	Year-on-year change in the first half	Year-on-year change in the second half
Revenue of sector (RMB100 million)	**140.95**	7.15%	-8.54%	17.57%
Including: Power engineering	**130.96**	6.15%	-6.97%	14.28%
Non-power engineering	**9.99**	22.28%	-22.50%	104.51%
Gross profit of sector (RMB100 million)	**47.89**	3.06%	-6.05%	8.24%
Including: Power engineering	**44.73**	1.89%	-8.65%	7.98%
Non-power engineering	**3.16**	22.96%	46.25%	12.43%
Newly signed contract amount of sector (RMB100 million)	**113.37**	-9.43%	3.48%	–21.35%
Including: Power engineering	**102.82**	-10.85%	2.98%	–22.98%
Non-power engineering	**10.55**	7.15%	7.84%	6.00%

Revenue from survey, design and consulting services business (RMB100 million)



(3) Major contracted projects

Name of projects	Note
1. Domestic projects	
Survey and design of the alternative power supply project at the Guangdong Dongguan Ningzhou Plant	Thermal power
Survey and design for Qianwei (Leshan-Yibin Section) Avionics engineering in Minjiang, Sichuan Province	Waterworks and hydropower
Subcontract of design and technical services for conventional islands and the BOP construction drawing of the Works for Phase I of Guangdong Taipingling Nuclear Power Plant	Nuclear power
Scientific research and survey, design and technical services for Guangdong Huadian Yangjiang Qingzhou III Offshore Wind Power Project	New energy
Relocation and reformation project of 330kV overhead transmission line in northeast Xi'an	Power transmission and transformation
Urban ecological water system restoration project in Chongzuo, Guangxi	Non-power
2. International projects	
Survey and design of the power plant and supporting power transmission and transformation projects of No. 2 2×350MW coal-fired joint venture project in Jambi, Indonesia	Thermal power
Feasibility study and preliminary design of wind power and PV power PV power generation projects in Huaneng Southeast Asian countries (excluding Singapore, Brunei and East Timor)	New energy
220kV transformer substation and its distribution network project design service in Kinsuka, Congo (DRC)	Power transmission and transformation
Survey service for Nanshan industrial park project in Bintan of Indonesia	Non-power

Business Overview

(4) Projects in progress

Name of projects	Note
1. Domestic projects	
Design for Shenhua Fujian Luoyuan Bay Coal Storage Integrated Power Plant Project	Thermal power
Survey and design for expansion project of Power Plant Phase II (the first two 1,000MW units) in Taishan, Guangdong	Thermal power
Survey and design for Qiaogong Hydropower Station Project in Guangxi	Waterworks and hydropower
Survey and design contract for pre-feasibility study, feasibility study, tender and design and design phase of working drawings of the Nanning Pumped Storage Power Plant in Guangxi	Waterworks and hydropower
Design and technical service for conventional island of Yangjiang Nuclear Power Plant in Guangdong and its BOP	Nuclear power
Design and technical service for conventional island of SNPTC Lianjiang Nuclear Power Project (Phase I) and its BOP	Nuclear power
Preliminary development and technology consultancy project for Offshore Wind Farm Project in Shenquan, Jieyang and Jinhai of State Power Investment Corporation	New energy
Scientific research and survey, design and technical services for Guangdong Huadian Yangjiang Qingzhou III Offshore Wind Power Project	New energy
Survey and design for the Receiving-end Converter Station and Grounding Electrode Line of ±800kV Ultra High Voltage Direct Current Transformation and Transmission Project between Northwest Yunnan and Guangdong	Power transmission and transformation
Survey and design for the Fourth Section of Receiving-end Converter Station and Grounding Electrode Line of ±800kV Ultra High Voltage Direct Current Transformation and Transmission Project between Northwest Yunnan and Guangdong	Power transmission and transformation
Survey and design for survey and design, procurement, and construction EPC project of PPP project of the new-type urbanization project in East Area of Dianjiang County in Chongqing	Non-power
Survey, design and technical services for storm sewage pipe network project (Kengzi Area) in Pingshan New District, Guangdong (general contracting of design, procurement and construction)	Non-power
2. International projects	
Survey and design for Hassyan 4x600MW Clean Coal-fired Power Plant in Dubai, UAE	Thermal power
Design for 2×660MW Coal-fired Power Plant in Hunutlu, Turkey	Thermal power
Survey and design for Stung Atay Hydroelectric Power Project in Cambodia	Waterworks and hydropower
Full-stage survey and design technology development for Nuochangka River Gulang Hydropower Station in Myanmar	Waterworks and hydropower
Survey and design for 700MW Solar Thermal Power Generation Project in Dubai, UAE	New energy
Design for 300MW Wind Power Project in General Toshevo, Bulgaria	New energy
Survey and design for Angola SK Power Transmission Project	Power transmission and transformation
Survey and design for the convertor station and auxiliary works of Brazil ±800kV Ultra High Voltage Direct Current Transformation Phase II	Power transmission and transformation
Survey service for Nanshan industrial park project in Bintan of Indonesia	Non-power

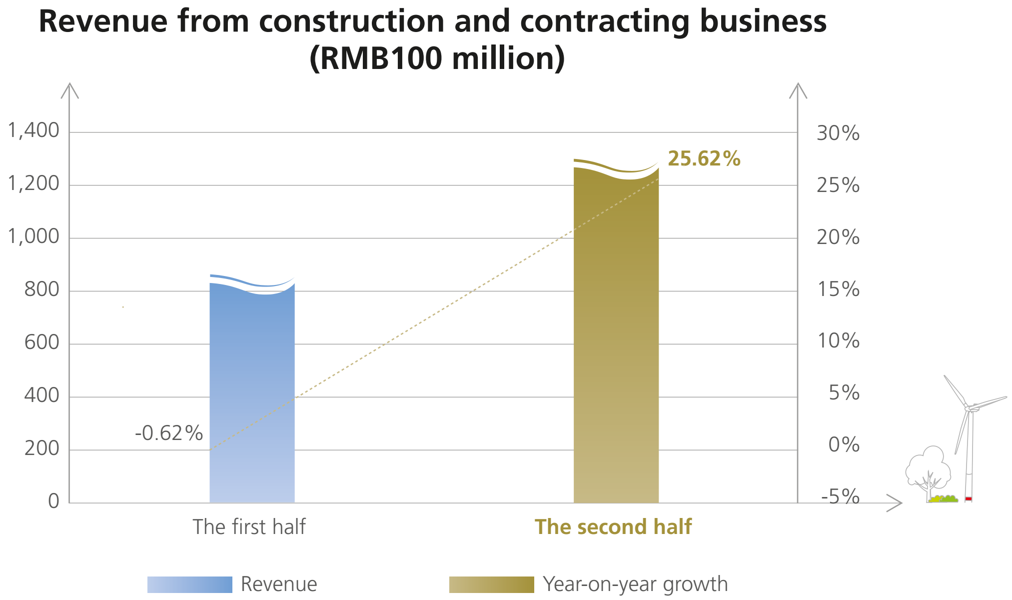
2.2 Construction and Contracting Business

(1) The Company primarily undertakes large-scale conventional power generation projects, new energy power generation projects, power transmission and transformation projects and various infrastructure and civil building construction projects both domestically and internationally in its construction and contracting business. The Company possesses stronger core competitiveness in the fields of power and large infrastructure investment and construction. The Company has first-class project management capability, engineering technology innovation capability, resource integration capability, and increasingly enhanced engineering management information capability, providing customers with high-level integrated services of full value chain integration and full life cycle management.

In 2020, the value of the Company's newly signed contracts for the construction and contracting business amounted to RMB556.562 billion, up by 11.93% year-on-year; the revenue before inter-segment elimination was RMB211.539 billion, representing a year-on-year increase of 14.08%.

(2) Key operating indicators of construction and contracting business in 2020

Name of indicators	2020	Year-on-year change in 2020	Year-on-year change in the first half	Year-on-year change in the second half
Revenue of sector (RMB100 million)	**2,115.39**	14.08%	-0.62%	25.62%
Including: Power engineering	**1,482.09**	9.92%	0.48%	17.03%
Non-power engineering	**633.30**	25.17%	-3.30%	50.19%
Gross profit of sector (RMB100 million)	**181.67**	17.10%	-6.72%	33.70%
Including: Power engineering	**101.46**	0.74%	-13.38%	10.10%
Non-power engineering	**80.21**	47.36%	4.62%	80.01%
Newly signed contract amount of sector (RMB100 million)	**5,565.62**	11.93%	11.10%	12.87%
Including: Power engineering	**2,946.89**	6.06%	-2.40%	16.14%
Non-power engineering	**2,618.73**	19.36%	29.20%	8.99%



(3) Major contracted projects

Name of projects	Note
1. Domestic projects	
EPC general contract project for the 2×1,000MW project of Shaanxi Yanchang Petroleum Fu County Power Plant	Thermal power
Water Conservancy Main Works General Contracting Project of Maiwan, Nandu River, Hainan	Waterworks and hydropower
Installation project for conventional islands of Unit 1 and 2 of Phase I of Guangdong Taipingling Nuclear Power Plant and its BOP	Nuclear power
Guangdong Huadian Yangjiang Qingzhou III 500MW Offshore Wind Power Construction General Contracting Project (Phase I)	New energy
EPC general contract project for Yuyang Affordable New Energy Projects in Shaanxi	Power transmission and transformation
PPP project of Shaanxi Yan'an East Ring Expressway Project	Non-power
2. International projects	
1,000MW Oil and Gas Power Station Project in Maysan, Iraq	Thermal power
Egirdir Pumped Storage Power Station Project in Turkey	Waterworks and hydropower
PV Power Station Project in Tijuana and Sonora, Mexico	New energy
Chimura-Dondo Power Transmission and Transformation Project in Mozambique	Power transmission and transformation
South Keraniganj Project of Dhaka in Bangladesh	Non-power

(4) Projects in progress

Name of projects	Note
1. Domestic projects	
EPC contract project for Shenhua Shendong Electric Power Chongqing Wanzhou Power Plant 2×1,000MW new construction	Thermal power
EPC contract project for Leilongwan Power Plant construction (2×1,000MW) of Shaanxi Energy Zhaoshipan Coal and Electricity Co. Ltd	Thermal power
Investment and construction project of Xinjiang Yulong Kashi Water Conservancy Works	Waterworks and hydropower
Civil construction and metal structure installation project of Wudongde Hydropower Station Dam in Yunnan	Waterworks and hydropower
EPC construction contract project for Zhuhai Jinwan Offshore Wind Farm in Guangdong	New energy
Guangdong Yuedian Zhanjiang Wailuo Offshore Wind Power EPC Contract Project	New energy
EPC contract for Yuyang Affordable New Energy Projects in Shaanxi	Power transmission and transformation
Coordination and entry project for 10kV electric power line in the north of Yingshang County, Anhui	Power transmission and transformation
Zhaoqing to Gaoming (Airport West) Expressway Project in Guangdong	Non-power
Guizhou Nayong to Qinglong and Liuzhi to Anlong Expressway Project	Non-power
2. International projects	
2×600MW Coal-fired Power Station Project Phase I in Nanding Vietnam	Thermal power
EPC contract project for Attarat 2×277MW Oil Shale-fueled Power Plant in Jordan	Thermal power
Neelum–Jhelum Hydropower Plant Project in Pakistan	Waterworks and hydropower
Argentina Santa Cruz CC/LB Hydropower Station Project	Waterworks and hydropower
Karachi Nuclear Power Plant Project in Pakistan	Nuclear power
EPC contract for Ukraine 510.07MW PV Power Station Group	New energy
Vietnam No. 2 Yard Sinshun 75MW Offshore Wind Power Project	New energy
Banha-Banlaike 25-Sekong Power Transformation and Transmission Project in Laos	Power transmission and transformation
Laos Nantun 500kV Transmission Line Project	Power transmission and transformation
Amur Gas Processing Plant Project in Russia	Non-power
150MIGD Seawater Desalination Project in Umm Al Quwain, UAE	Non-power

2.3 Industrial manufacturing business

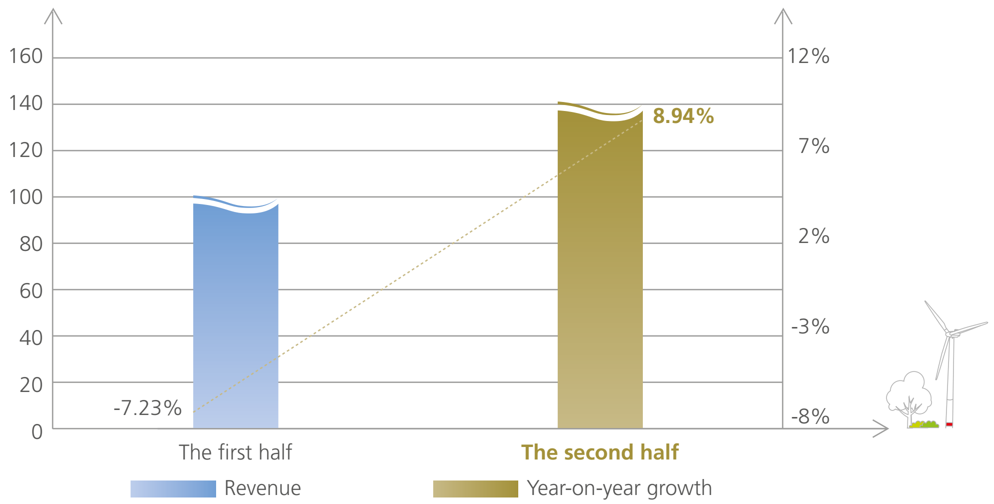
(1) The industrial manufacturing business of the Company primarily includes cement production, civil explosives and equipment manufacturing businesses. The cement production business of the Company fully implements the "environmental protection, relevance, high-end" strategy, and is equipped with a complete industrial chain covering research and development and manufacturing, new construction materials, environmental engineering, gravel aggregates, commercial concrete services, logistics and distribution, and technology consulting services. The parent cement enterprise is one of the 60 large-scale cement enterprises (groups) supported by the state and the first batch of pilot and demonstration companies of integration of informatization and industrialization for promoting energy-saving and emission reduction in China. The civil explosives business of the Company has a strong strength that integrates a complete industrial chain of scientific research, production, sales and explosive services, and provides professional, high-quality as well as personalized and integrated civil explosives services. The Company insists on optimizing its business structure and extending the industrial chain. The market covers both domestic and international markets, and its industrial explosive production licensing capacity ranks the top in the domestic industry. The equipment manufacturing business of the Company covers the research and development, design, manufacturing, sales and service of equipment, environmental protection equipment and other related equipment in the power industry. It vigorously implements transformation and upgrading, technological innovation and internationalization strategies, and is committed to building the industry-leading equipment manufacturing and integration capabilities.

In 2020, the revenue before inter-segment elimination of industrial manufacturing business of the Company was RMB24.085 billion, representing a year-on-year increase of 1.58%, of which decreased by 7.23% year-on-year in the first half of the year, and increased by 8.94% year-on-year in the second half of the year.

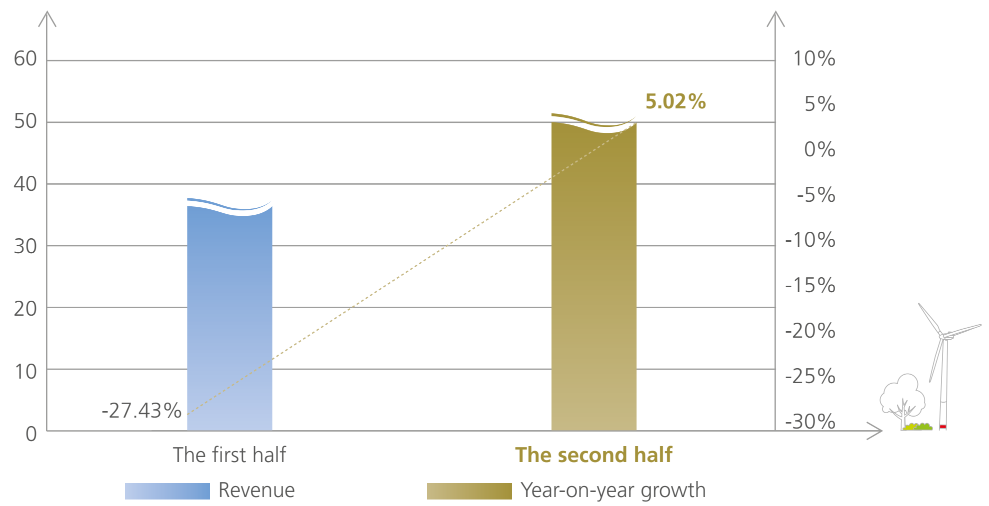
(2) Key operating indicators of industrial manufacturing business in 2020

	2020	Year-on-year change in 2020	Year-on-year change in the first half	Year-on-year change in the second half
Revenue of sector (RMB100 million)	**240.85**	1.58%	-7.23%	8.94%
Including: Cement production	**85.87**	-11.50%	-27.43%	5.02%
Civil explosives	**46.57**	18.32%	10.14%	25.00%
Manufacturing of equipment	**108.41**	7.64%	9.67%	6.25%
Gross profit of sector (RMB100 million)	**64.81**	0.22%	-5.45%	4.42%
Including: Cement production	**37.53**	-8.06%	-16.71%	-0.72%
Civil explosives	**12.14**	37.02%	16.20%	51.14%
Manufacturing of equipment	**15.14**	1.00%	20.08%	-9.22%
New contract amount of sector (RMB100 million)				
Including: Cement production	**N/A**	N/A	N/A	N/A
Civil explosives	**N/A**	N/A	N/A	N/A
Manufacturing of equipment	**99.28**	-6.73%	-2.44%	-13.70%
Segment capacity indicators				
Indicators in relation to segments	**2020**	2019	2018	Year-on-year change in 2020
Cement capacity (10 thousand tonnes/year)	**2,550**	2,550.00	2,460.00	0.00%
Cement production (10 thousand tonnes)	**2,118.26**	2,492.32	2,322.74	-15.01%
Cement and clinker sales (10 thousand tonnes)	**2,377.69**	2,634.00	2,542.00	-9.73%
Industrial explosives capacity (10 thousand tonnes/year)	**38.65**	32.65	32.65	18.38%
Industrial explosives production (10 thousand tonnes)	**36.00**	30.88	27.50	16.58%
Industrial explosives sales (10 thousand tonnes)	**36.00**	30.88	27.50	16.58%

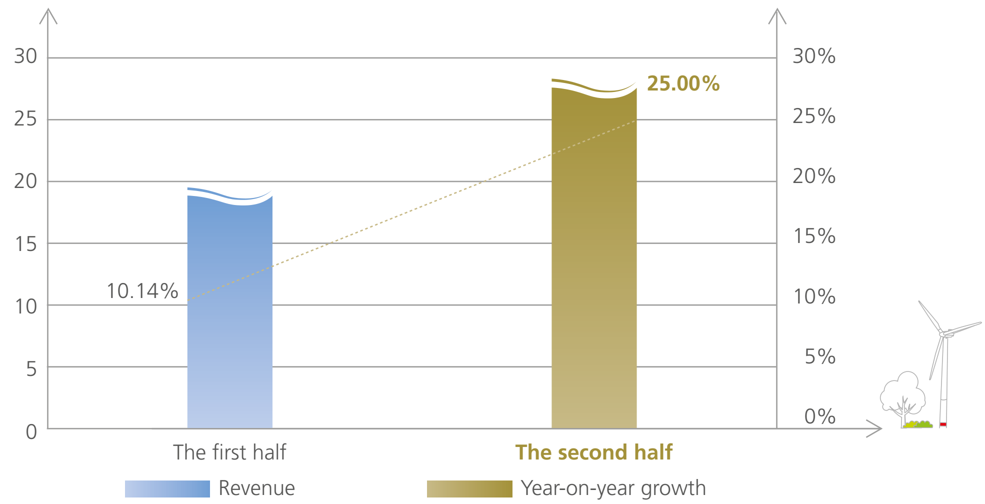
Revenue from industrial manufacturing business (RMB100 million)



Revenue from cement production (RMB100 million)



Revenue from civil explosives (RMB100 million)



2.4 Clean Energy, Environmental Protection and Water Utilities Business

(1) The Company regards clean energy business as the core business of providing integrated energy solutions, and is committed to becoming a first-class comprehensive ecological environment management company. The Company's clean energy business includes the investment, construction and operation of clean and efficient thermal power, hydropower, wind power, PV, solar thermal and biomass power generation, etc. Following the trend of energy green and low-carbon development and focusing on clean energy, the Company has developed and constructed a number of clean energy projects in many places in China, Vietnam and Pakistan, and the scale, influence, driving force and competitiveness of clean energy business have continued to increase. The Company's ecological and environmental protection business surrounds the subdivisions such as water environment treatment, soil remediation, sewage and sludge treatment and landscaping, and vigorously promotes the research and development of advanced technologies to provide customers with ecological and environmental environment management system solutions. The Company's water utilities business focuses on water supply and sewage treatment businesses, has one of the few domestic surface water four-standard sewage treatment plants, stable operation of advanced technology and intelligent pipe network information management system. It has researched and mastered certain key technologies in the fields of advanced sewage treatment, water environment restoration and smart water utilities, which have been successfully applied in projects in Xiong'an New District, Haikou, Hainan, and Tongzhou, Beijing.

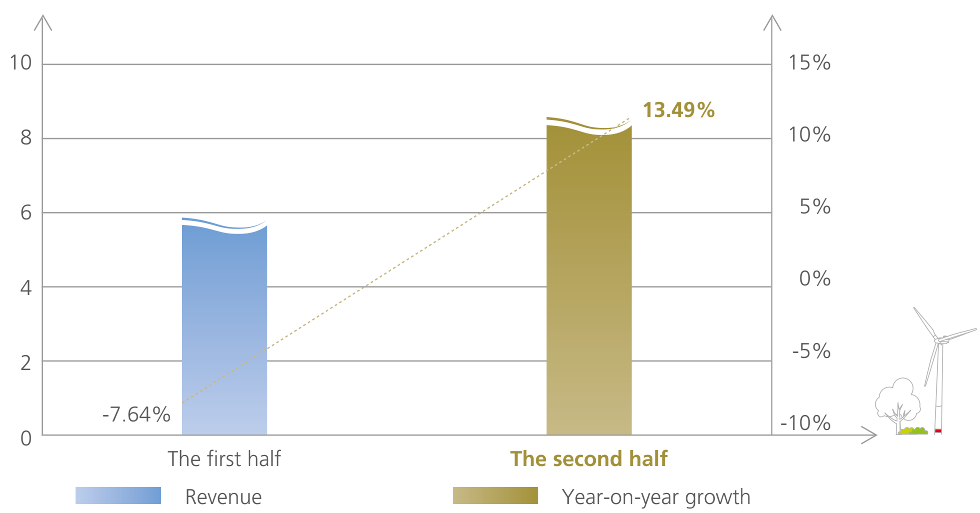
In 2020, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company was RMB11.927 billion, representing a year-on-year decrease of 26.25%. Among which, the revenue before inter-segment elimination of clean energy business was RMB1.457 billion, representing a year-on-year increase of 3.70%; the revenue before inter-segment elimination of environmental protection business was RMB9.032 billion, representing a year-on-year decrease of 31.77%; the revenue before inter-segment elimination of water utilities business was RMB1.438 billion, representing a year-on-year decrease of 6.01%.

Business Overview

(2) Key operating indicators of clean energy, environmental protection and water utilities business in 2020

Name of indicators	2020	Year-on-year change in 2020	Year-on-year change in the first half	Year-on-year change in the second half
Revenue of sector (RMB100 million)	**119.27**	-26.25%	-21.18%	-31.65%
Including: Clean energy	**14.57**	3.70%	-7.64%	13.49%
Environmental protection business	**90.32**	-31.77%	-25.09%	-40.00%
Water utilities business	**14.38**	-6.01%	3.08%	-3.23%
Gross profit of sector (RMB100 million)	**10.02**	102.02%	-2.45%	1,100.00%
Including: Clean energy	**7.49**	18.14%	-14.53%	58.66%
Environmental protection business	**-3.84**	-47.83%	-53.77%	-64.92%
Water utilities business	**6.37**	6.52%	47.55%	-14.72%
Segment capacity indicators				
Indicators in relation to segments	**2020**	2019	2018	Year-on-year change in 2020
Capacity of installed power units held by the Company (MW)	**2,866**	1,533	1,420	87.08%
Capacity of installed power units under construction (MW)	**2,034**	2,687	2,400	-24.30%
Annual power output (KWH)	**45.13**	39.16	38.23	15.25%
Water handling capacity (million tonnes/day)	**336**	330	300	1.82%

Revenue from clean energy (RMB100 million)



2.5 Investment and other business

(1) The Company's investment and other businesses mainly cover real estate investment and development, expressway investment and operation, and financial services, etc. The Company actively builds a first-class infrastructure investor and a first-class urban comprehensive development operator. The real estate business of the Company adheres to high-quality positioning and differentiated development, and targets the green, healthy and technological residential market segments. In 2020, it has increased the intensity of inventory removal, inventory land development and development model innovation. The Company has advantages in the entire industry chain in expressway investment, construction, operation and capital operation. In 2020, the investment amount of property development of the Company amounted to RMB10.802 billion, the investment amount of expressway amounted to RMB33.773 billion, and the investment amount of PPP projects was RMB40.902 billion. The financial business of the Company includes the financial business for financial companies etc., strengthening centralized management of capital and the development of main business projects of its enterprises for the Company, enriching financing strategies and providing strong support for saving financing costs.

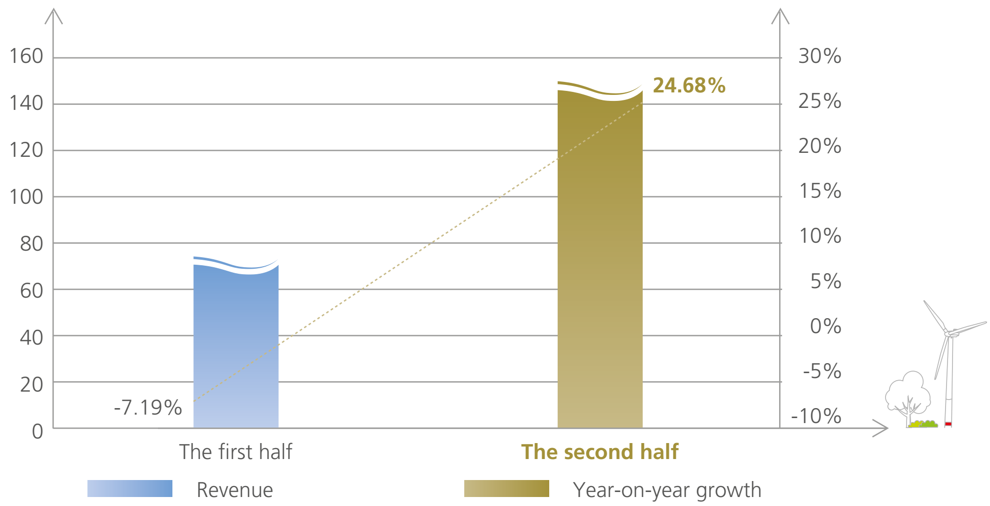
In 2020, the revenue before inter-segment elimination of investment and other business was RMB21.727 billion, representing a year-on-year increase of 11.22%, of which decreased by 7.19% year-on-year in the first half of the year, and increased by 24.68% year-on-year in the second half of the year. Among which, the revenue before inter-segment elimination from real estate business was RMB12.071 billion, representing a year-on-year increase of 33.41%; the revenue before inter-segment elimination from expressway operation business was RMB1.399 billion, representing a year-on-year decrease of 39.20%; the revenue before inter-segment elimination from financial services was RMB1.394 billion, representing a year-on-year increase of 38.98%; the revenue before inter-segment elimination from other business was RMB6.863 billion, representing a year-on-year decrease of 4.45%.

Business Overview

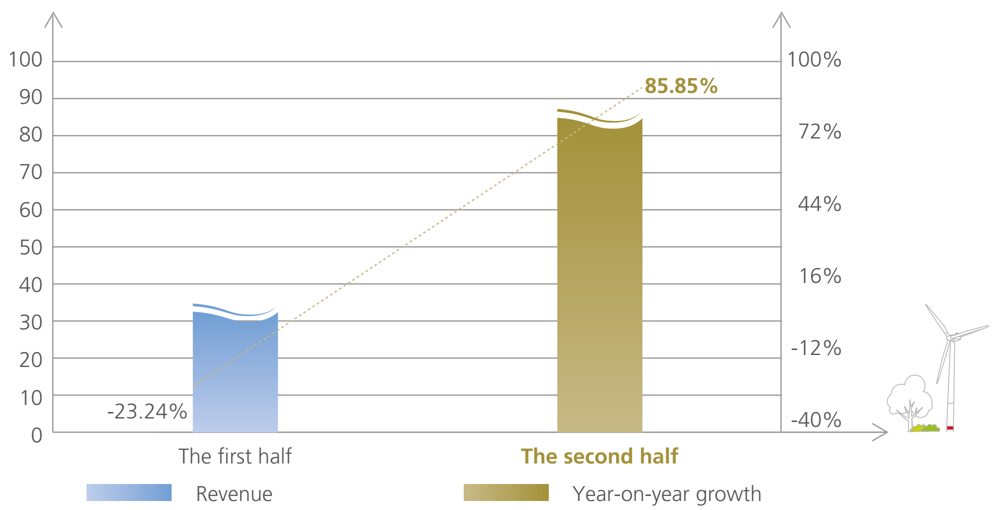
(2) Key operating indicators of investment and other businesses in 2020

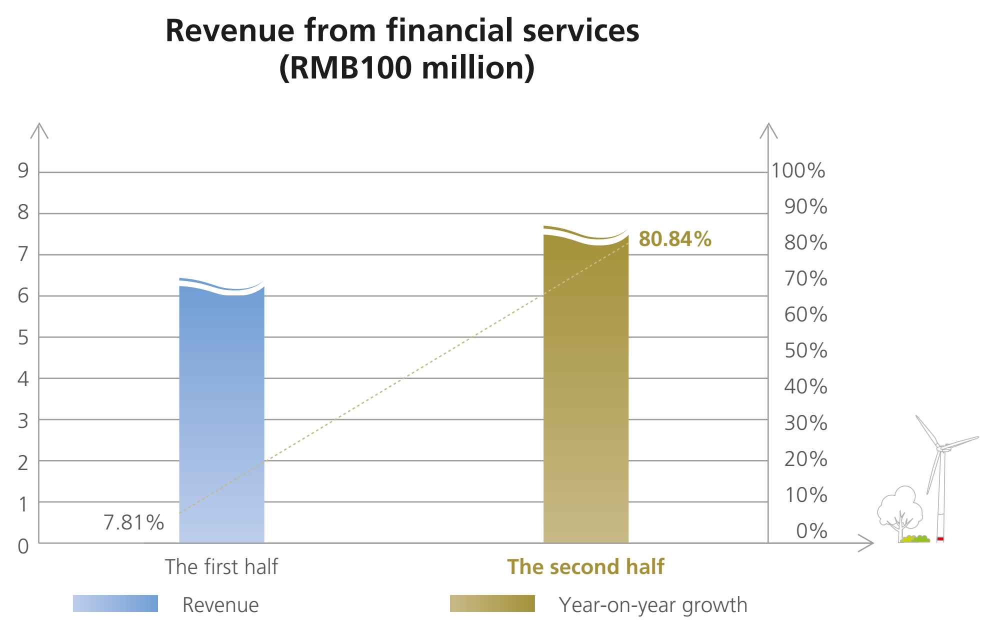
Name of indicators	2020	Year-on-year change in 2020	Year-on-year change in the first half	Year-on-year change in the second half
Revenue of sector (RMB100 million)	**217.27**	11.22%	-7.19%	24.68%
Including: Real estate business	**120.71**	33.41%	-23.24%	85.85%
Expressway operation business	**13.99**	-39.20%	-55.90%	-24.86%
Financial services	**13.94**	38.98%	7.81%	80.84%
Other businesses	**68.63**	-4.45%	42.64%	-26.17%
Gross profit of sector (RMB100 million)	**54.70**	1.43%	-27.79%	27.66%
Including: Real estate business	**20.27**	22.03%	-14.74%	64.38%
Expressway operation business	**10.73**	-32.13%	-61.70%	-6.71%
Financial services	**7.02**	29.28%	-4.82%	92.63%
Other businesses	**16.68**	3.73%	-19.03%	16.50%
Segment capacity indicators				
Indicators in relation to segments	**2020**	2019	2018	Year-on-year change in 2020
Area of interests of new land reserves (10 thousand square meters)	**0.00**	25.06	18.34	-100.00%
Gross area of newly commenced work (10 thousand square meters)	**70.04**	70.54	75.71	-0.71%
Gross area of completed projects for the year (10 thousand square meters)	**105.90**	128.65	75.89	-17.68%
Mileage of expressways in operation (kilometers)	**775.11**	477.67	456.67	62.28%
Mileage of in-construction expressways (kilometers)	**882.61**	1,008.87	1,077.00	-12.51%
Investment amount completed of PPP projects (RMB100 million)	**409.02**	326.03	193.74	25.45%

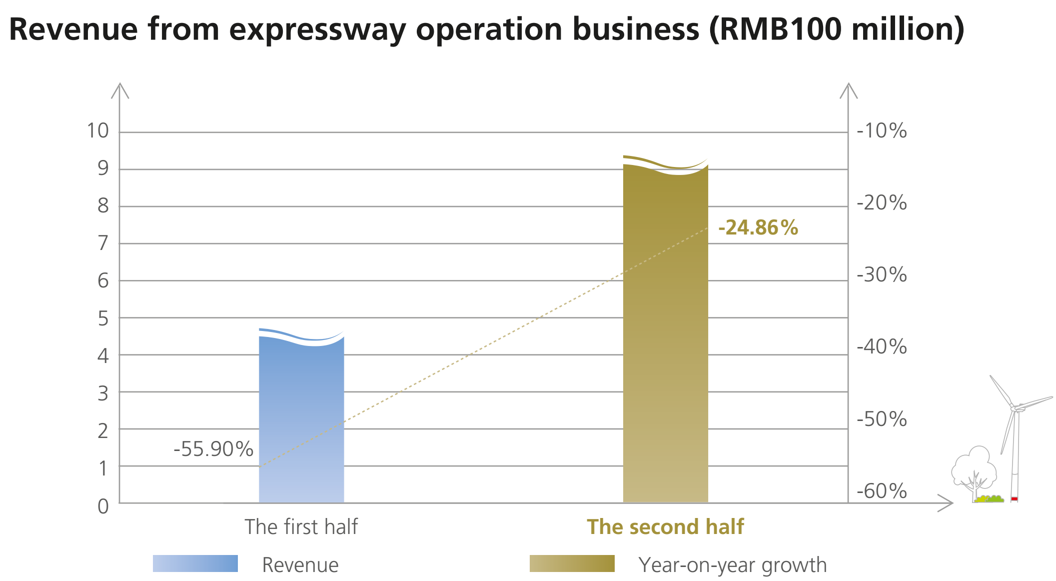
Revenue from investment and other businesses (RMB100 million)



Revenue from real estate business (RMB100 million)




Revenue from financial services
(RMB100 million)
9
8
7
6
5
4
3
2
1
0
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
7.81%
80.84%
The first half
The second half
Revenue
Year-on-year growth


Revenue from expressway operation business (RMB100 million)
10
9
8
7
6
5
4
3
2
1
0
-10%
-20%
-30%
-40%
-50%
-60%
-55.90%
-24.86%
The first half
The second half
Revenue
Year-on-year growth

2.6 Summary of Business Development

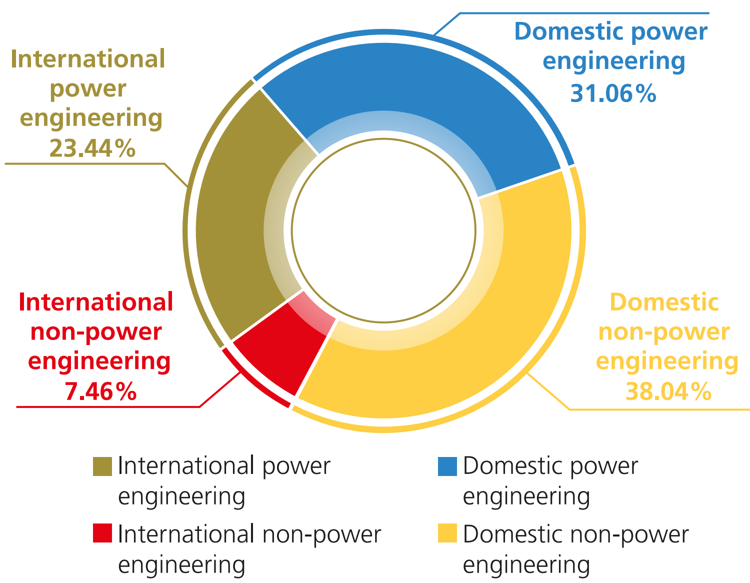
(1) Value of Newly Signed Contracts

In 2020, the Company overcame the significant impact of COVID-19 Pandemic, optimized the foreign and domestic market and regional layout, perfected and deepened the marketing network, reshaping and upgrade the marketing system, the market share continued to increase with the value of newly signed contracts of the Company amounting RMB577.828 billion, up by 11.04% year-on-year. In the domestic market, the Company has strengthened group marketing, strategic marketing, regional marketing and major project marketing, seized market opportunities such as "new infrastructure, new urbanization initiatives and major projects (兩新一重)", and made breakthroughs in major strategic fields and major project development, and further expanded into the fields of whole business market including the "whole power, whole water transport, whole transportation and whole city". The Company has coordinated and developed the overseas business in priority and in quality, and acted as the leading role in the construction of "One Belt and One Road". The overseas power engineering business maintained the leading position in the world, and the overseas new energy and real estate and other businesses achieved rapid growth.

Statistics of Value of Newly Signed Contracts of the Company in 2020

No.	Name of indicators	Unit RMB	Value of Newly Signed Contracts 2020	2019	Year-on-year growth
I	**Classified by domestic and international projects**	100 million	**5,778.28**	5,203.98	11.04%
1	Domestic	100 million	**3,993.02**	3,664.07	8.98%
2	International	100 million	**1,785.26**	1,539.91	15.93%
II	**Classified by power engineering and non-power engineering projects**	100 million			
1	Power engineering	100 million	**3,148.99**	3,000.17	4.96%
2	Non-power engineering	100 million	**2,629.29**	2,203.81	19.31%

2020 Value of Newly Signed Contracts Composition Figure



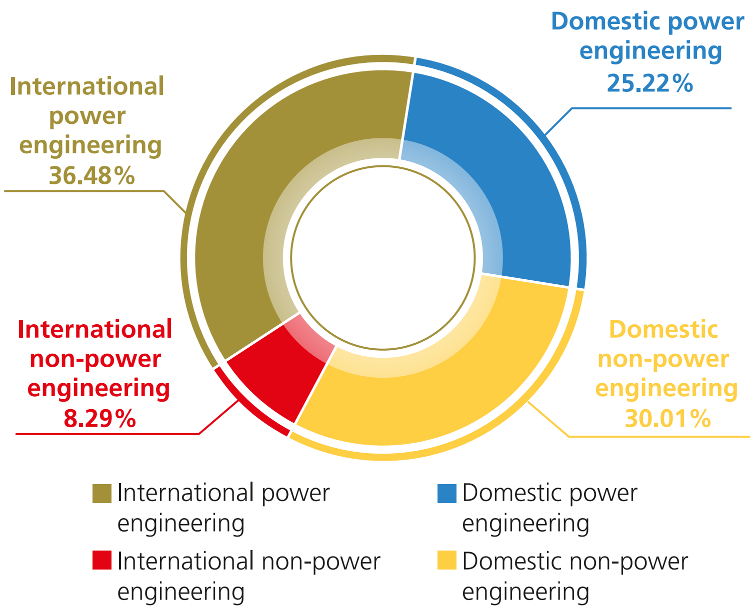
(2) Outstanding Contract Value of the Company

As of the end of 2020, the outstanding contract value of the Company was RMB1,342.766 billion, representing an increase of 11.17% as compared with the end of 2019.

Statistics of Outstanding Contract Value of the Company in 2020

No.	Name of indicators	Unit RMB	Value of Outstanding Contracts		
			2020	2019	Year-on-year growth
I	**Outstanding Contract Value**	100 million	**13,427.66**	12,078.24	11.17%
1	Domestic	100 million	**7,415.79**	6,843.50	8.36%
2	International	100 million	**6,011.87**	5,234.74	14.85%
II	**Classified by power engineering and non-power engineering projects**				
1	Power engineering	100 million	**8,284.62**	8,449.94	-1.96%
2	Non-power engineering	100 million	**5,143.04**	3,628.30	41.75%
III	**Classified by segments**				
1	Survey, design and consulting	100 million	**254.35**	286.27	-11.15%
2	Construction and contracting	100 million	**13,029.52**	11,661.86	11.73%
3	Equipment manufacturing	100 million	**143.79**	130.11	10.52%

2020 Value of Outstanding Contracts Composition Figure



3 SCIENTIFIC AND TECHNOLOGICAL INNOVATION

In 2020, the Company highlighted the scientific innovation, vigorously implemented the innovation-driven development strategies, and continuously improved the scientific and technological innovation system. It has established a research and development system comprising 3 national and 49 provincial research institutions, 3 academician expert workstations, 11 work stations of postdoctoral scientific researchers, with its high-tech enterprises numbering as many as 96. The technological innovation capability was further elevated.

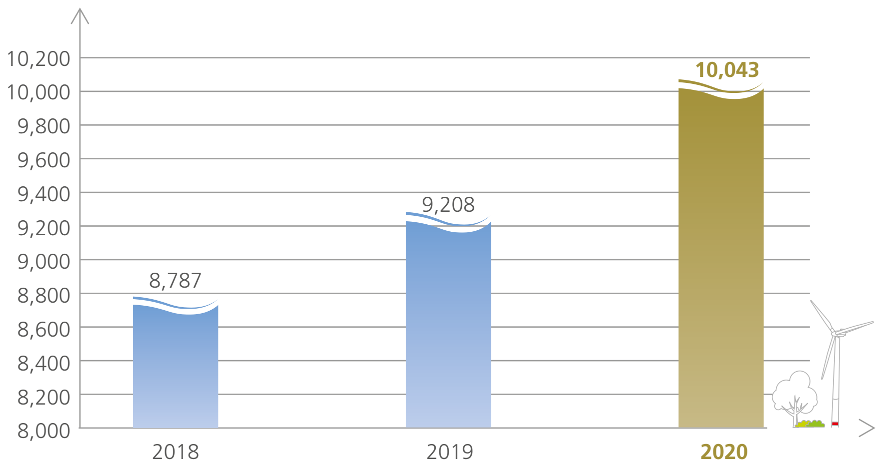
In 2020, in order to perform the top-level design of the Company's scientific innovation, the Company organized the preparation of the Company's "14th Five-Year" technological development plan. After systematic planning, forward-looking layout, and focusing on principal business, we put forward our key tasks of technological innovation during the "14th Five-Year" period, laying the foundation for the Company's next step of scientific innovation work.

In 2020, the Company focused on organizing and advancing the implementation of the "2019-2020 Science and Technology Innovation Action Plan". 28 main tasks were implemented in the form of major scientific projects. The Company conducted the core technology and equipment research and development in seven key fields including the Power Internet of Things, green energy, green and smart manufacturing, water affairs and environmental protection, high-end equipment. Particularly, the first major scientific and technological project, namely the "Technology Research on Engineering and Construction Safety Protection", has been inspected and accepted. The project broke through a number of key technologies such as "Slope Stability Monitoring", "Safety Control of Blasting Operation", "Natural Disaster Monitoring Technology of Muds Flow", "Instability Control of Tall Construction Sites", and applied in more than 20 projects including Phase III Expansion Project of Shaanxi Guohua Jinjie Power Plant and Phase I PPP Project of Comprehensive Pipe Gallery in Hefei High-tech Zone, effectively ensuring the safety of project construction. A number of projects have achieved breakthroughs and application demonstrations have been carried out, such as "Application Research and Engineering Demonstration of Internet of Things in Power Grid", "Research and Application of Key Technologies of Hydrogen Energy Comprehensive Utilization System", "Research on Application Technology of Smart Sites", "Development and Application of Key Equipment for Flexible and Direct Power Transmission Based on High-power Power Electronics".

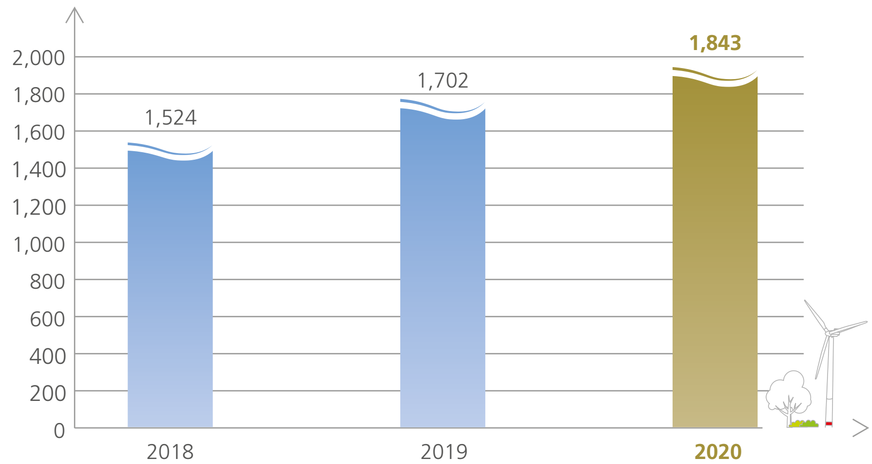
In 2020, the total research and development expenses of the Company amounted to RMB6.785 billion, representing a year-on-year increase of 23.10%, and the ratio of investment in research and development reached 2.51%. The Company completed the research and development and application of the "Key Technology for Jacket Foundation Design and Construction of Offshore Wind Turbines", the "Key Technology for Large-scale Power Grid Transmission Engineering Structure", the "Design and Construction Technology for Long-distance High Slope Water Conveyance Penstocks Across Active Faults", the "Design Technology for Indirect Air Cooling System of Coal-fired Power Plant", the "Fine Aggregate Pre-cooling and Coarse Aggregate Water Cooling Technology", the "Key Design Technology Research and Application of Digital Offshore Wind Farms", the "Design Technology Research, Engineering and Application of Large-capacity Flexible DC Transmission" and other key core technologies, obtaining numerous scientific research results and enhancing the Company's market competitiveness. The Company has been granted a total of 14 provincial and ministerial-level science and technology awards and 173 industry-level science and technology awards throughout the year.

In 2020, the Company obtained 1,472 patent licenses, up by 3.8% year-on-year, including 181 invention patents, with the patents in force of the Company adding up to 10,043, including 1,843 invention patents; obtained 218 software copyrights; formulated and issued 1 international standards, and 35 national and industry standards. For the last three years, the number of effective patents owned by the Company increased continuously from 8,787 in 2018 to 10,043 in 2020, with an average growth rate of 6.9%. Specifically, the effective invention patents owned increased from 1,524 in 2018 to 1,843 in 2020, with an average growth rate of 10%. The conversion and application of research results in the hydropower, thermal power, power grids, new energy, environmental protection and water utilities and non-power projects constructed by the Company, has created significant economic and social benefits.

Effective Patents



Effective Invention Patents



4 OUTLOOK

According to the prediction of the Center for Forecasting Science of Chinese Academy of Sciences, due to the low economic growth base in 2020, and taking into account the cross-cyclical design and adjustment of macro control, China's economic growth rate is expected to be around 8.5% in 2021, representing a significant increase from 2020. The economic trend throughout the year will show a trend of being high at the beginning and declining afterwards, with the growth rates of approximately 16.3%, 7.3%, 6.3% and 5.9% in the first, second, third and fourth quarter, respectively. In particular, the value-added growth rates of the primary industry, secondary industry and tertiary industry are to be 3.2%, 9.5% and 8.4%, respectively. The contribution of consumption, investment and net exports to gross domestic product (GDP) growth rate will be 4.9, 3.3 and 0.3 percentage points, respectively.

(I) Domestic Power Market

Looking forward to 2021 and the period of "14th Five-Year Plan", the power industry will remain to be one of the foundations supporting China's economic development. It is expected that energy conservation and emission reduction of the coal-fired power will accelerate and expand; the natural gas power will continue to maintain a steady development momentum since the "13th Five-Year Plan"; the new conventional hydropower will mainly focus in Sichuan Province and Yunnan Province; the investment and development in the wind power industry will become more rational, and all wind power grid-connected subsidies will be ended at the end of 2021, with a large number of wind power projects connected to the grid, which may squeeze a certain room of growth of the PV power. Together with the reduction in subsidies and the narrowing of profit from the development side of the PV power, the growth of the scale of the PV power will slow down. In the future, the major new nuclear power projects of China will be concentrated in Tianwan, Hongyanhe, Fuqing, Fangchenggang and Shidaowan nuclear power plants, etc. It is expected that the overall annual average new installed capacity of biomass power generation during the "14th Five-Year Plan" will achieve 2.5 million kilowatt focusing on waste incineration power generation.

(II) Domestic Non-power Market

In general, infrastructure construction will remain an important means of stabilizing economic growth of China, and there shows a significant trend of recovery in the non-power infrastructure construction market, particularly:

(1) Hydropower projects: In 2021, China will accelerate the construction of 150 major hydropower projects, including flood control and calamity reduction, optimization of water resources allocation and water ecological protection and restoration, and will gradually focus on water resources deployment and safety (urban and rural water environment). The strategical major hydropower projects comprise of the subsequent projects of eastern and middle lines and the west line project of the South-to-North Water Diversion Project, etc.

(2) Transport projects: In 2021, the transportation development of China will be in a period of recovery and growth in general, and focus on optimizing the comprehensive three-dimensional transportation network, developing modern logistics, perfecting business environment, accelerating the promotion of development of smart transportation and vigorously developing green transportation.

(3) Urban infrastructure: In 2021, China will build an urban system with central cities, metropolitan areas and urban communities as the main body, and coordinated development of large, medium and small cities and small towns. China will carry out the urban ecological restoration and functional improvement project, and comprehensively promote the transformation of old communities in cities and towns. China will systematically promote the construction of sponge cities across the country, coordinate the promotion of urban waterlogging treatment, and consolidate the effectiveness of urban black and odorous water treatment.

(4) Housing construction: In 2021, China will steadily implement the real estate long-term mechanism and plan, strengthen the responsibilities of the city as the main body, improve policy coordination, control and linkage, monitoring and early warning, public sentiment guidance, market supervision and other mechanisms so as to maintain the stable operation of the real estate market. China will steadily promote the transformation of shanty towns.

(III) International Market

According to the prediction of the Chinese Academy of Social Sciences, the growth rate of the world economy scale in 2021 will be 5.5% in terms of purchasing power parity and 5.2% in terms of market exchange rates, both up by 9.9 percentage points from 2020. In 2020, China and 15 countries signed the "Regional Comprehensive Economic Partnership", continuously deepening the "One Belt and One Road" initiative and other international cooperation, constantly promoting "Made in China" to the world. The infrastructure construction, as one of the primary means for counter-cyclical adjustment of all countries and regions during the epidemic, will bring huge market space.

(1) In the medium and long run, the international market will remain in a period of development opportunities. In 2020, the COVID-19 epidemic spread globally. Various countries have successively launched unprecedented stimulus plans. After the global epidemic is gradually under control and under the quantitative easing environment, increasing infrastructure investment and improving livelihood will become important means for countries to stimulate economy. The Company will exert the advantages of global layout and proactively grasp opportunities in the international project construction market. Meanwhile, during the course of the global anti-pandemic, bilateral economic and trade and third-party market cooperation between China and the European Union, Japan, South Korea and Middle Eastern countries will usher in better "opportunities of window". The Company will strengthen foreign cooperation in the international market and promote project development and effective financing.

(2) The global power construction market is picking up. According to the "Power Market Report" issued by the International Energy Agency (IEA), the global power demand is expected to increase by approximately 3% in 2021, the power generation of renewable energy will continue to grow by more than 6%. In the future, the Company will strengthen cooperation with financial and insurance institutions while consolidating its traditional power business, continue to explore in depth the international market, and expand investment, construction and operation services in the fields of new energy and new businesses of energy.

(3) There is huge potential of the international non-power infrastructure construction. According to the "Country Guidelines for Infrastructures (基礎設施國別指南)" issued by the Global Infrastructure Hub (GIH) in 2020, it is expected that the global infrastructure investment gap will be approximately USD15 trillion in the next 20 years. The Company will continue to promote the transformation of non-power business, improve qualifications and enrich performance, enhance the construction and operation service level of non-power infrastructure, perfect the diversified development structure with the power sector as the core and non-power infrastructure sector as the focus, and push ahead high-quality development of international business.

(IV) The Company's Development Measures and Prospects in 2021

In accordance with the new tread, new tasks and new requirements, as for production and operation, the Company will strive to achieve faster growth of key indicators, higher operational quality and efficiency and better management level in 2021. Specifically, the Company will uphold the concepts of "market being the lifeline of the enterprise" and "customer-oriented, order first", deepen the important strategic markets in China, profoundly reshape the Company's marketing system, and coordinate the promotion of market development in the "whole power, whole city, whole transportation and whole water transport" and other whole fields.

(V) Development Outlook of the Company during the "14th Five-Year Plan"

During the "14th Five-Year Plan" and a certain period in the future, the Company will strengthen the high-end layout in upstream of industrial chains and value chains in compliance with the principle of vertical integration, horizontal diversification and highlighting professionalism, and build a new layout of business development with outstanding main business supporting by diversified supplementary businesses, professional uniqueness and multi-polarity, gradually forming an industrial system with focus on both engineering and construction as well as investment and operation, integration of main industries and principle businesses with capital and finance, and mutual promotion and coordinated development of multiple fields, thereby optimizing the productivity and industrial layout.

1. Focus on three major increments and optimize business layout.

Firstly, the Company will focus on the increment of optimized development and integrated development of traditional businesses. The Company will extend, expand and strengthen the whole industrial chain in the traditional power field, focus on new industrial cities, comprehensive urban development and new urbanization businesses, and optimize the development of real estate business. The Company will merge with and acquire high-quality civil explosive entities, vigorously implement the strategy of going out as for cement business. The Company will expand the supply, mixing of urban aggregates, mining gravel business, as well as optimize the development of high-end equipment manufacturing business. Secondly, the Company will focus on the increment in new energy and comprehensive energy and other emerging energy fields. The Company will vigorously develop the new energy project market, conduct investment in the new energy industry, actively step into the energy storage and other related industries and perform research on transaction mechanisms. The Company will continue to improve the competitiveness of geothermal business and proactively participate in high-quality geothermal project investment. The Company will accumulate energy Internet planning and design technical strengths and project construction experience. The Company will enter into the field of charging piles for new energy automobiles, track and study the development trend of hydrogen energy, and grasp the development opportunities in the hydrogen energy industry. Thirdly, the Company will focus on the increment in the field of non-power infrastructure and urban construction. The Company will seize the opportunity of construction of major national water conservancy projects for grasping the market. The Company will accumulate project performance, improve qualification capabilities, actively explore highway business and participate in railway and airport investment and construction. The Company will concentrate in urban rail transits, municipal roadways, integrated pipeline corridors, sponge cities and smart cities, energetically develop the municipal business and urban construction market. The Company will concentrate in watershed treatment, water environment treatment, sewage treatment and garbage treatment (including solid waste treatment), and vigorously develop ecological environmental protection business.

2. Consolidate and strengthen the whole industrial chain and improve the integrated development level.

Firstly, the Company will consolidate and strengthen the planning and consulting business. The Company will strengthen the deficiency in research capabilities in non-power industry, give full play to the coordinated and leading role of planning and consulting for survey and design and project construction businesses, thereby driving and incubating large-scale high-quality power investment projects. Secondly, the Company will consolidate and strengthen the survey and design business. The Company will enhance the industrial concentration and scale competitiveness of design enterprises by virtue of strategic reorganization, speed up the supplementing shortcomings in water conservancy and non-power survey and design, exert the leading role of survey and design for general contracting and investment businesses, and expand the whole-process consulting business. Thirdly, the Company will consolidate and strengthen the investment business. The Company will balance the resource allocation between the investment-leading business and investment-driven operation, constantly optimize the investment structure, intensify the industrial investment, build an investment industry platform in accordance with professional concept, and promote functional supplementing shortcomings through investment, mergers and acquisitions. Fourthly, the Company will consolidate and strengthen the construction and contracting business. The Company will enhance the industrial concentration and scale competitiveness of construction enterprises by virtue of strategic reorganization, vigorously carry out general contracting business of projects, persistently make efforts in the field of non-power infrastructure projects, and play the leading role of new business model of financing and construction in the field of non-power engineering. Fifthly, the Company will consolidate and strengthen the operation service business. The Company will strengthen the operation service management of self-investment projects, actively carry out market-oriented and professional operations, and deeply expand the external operation service market.

MANAGEMENT DISCUSSION AND ANALYSIS

Sun Hongshui
Vice Chairman and
General Manager

1 OVERVIEW

In 2020, the Company achieved the revenue of RMB270,327.7 million, representing a year-on-year increase of 9.32%; the total profit amounted to RMB12,754.8 million, representing a year-on-year decrease of 4.16%; the net profit attributable to the equity holders of the Company was RMB4,680.3 million, representing a year-on-year decrease of 7.84%. The revenue from domestic business was RMB238,177.3 million, representing a year-on-year increase of 15.22%; the revenue from power business was RMB151,850.6 million, representing a year-on-year increase of 8.12%; the revenue from non-power business was RMB118,477.1 million, representing a year-on-year increase of 10.89%.

2 CONSOLIDATED OPERATING RESULTS

	For the year ended 31 December		
Item	**2020 (RMB in million)**	2019 (RMB in million)	Percentage of change (%)
Revenue	**270,327.7**	247,291.0	9.32
Cost of sales	**(234,226.7)**	(214,953.7)	8.97
Other income	**1,613.1**	2,110.1	(23.55)
Net impairment losses on financial assets and contract assets	**(1,610.5)**	(1,118.4)	44.10
Other net gains and losses	**132.8**	2,420.9	(94.51)
Selling expenses	**(1,940.7)**	(2,383.9)	(18.58)
Administrative expenses	**(11,905.0)**	(12,126.2)	(1.82)
Research and development expenses	**(6,784.8)**	(5,511.6)	23.10
Finance income	**388.5**	1,055.1	(63.13)
Finance costs	**(3,480.2)**	(4,355.7)	(20.11)
Share of profits of joint ventures	**208.1**	169.0	23.08
Share of profits of associates	**32.5**	711.2	(95.50)
Profit before taxation	**12,754.8**	13,307.9	(4.16)
Income tax expense	**(4,062.8)**	(3,707.5)	9.57
Net profit	**8,692.1**	9,600.4	(9.46)

In 2020, the selling expenses of the Company amounted to RMB1,940.7 million, representing a year-on-year decrease of 18.58%, primarily due to the decrease in sales of CGGC's cement business due to the rainy season, and the decline in sales-related transportation expenses, and due to the impact of the epidemic, daily business activities were blocked, and sales-related service fees and other expenditures decreased. The percentage of selling expenses to the revenue decreased from 0.96% in 2019 to 0.72% in 2020.

In 2020, the administrative expenses of the Company amounted to RMB11,905.0 million, representing a year-on-year decrease of 1.82%, primarily due to the increase in online office working and the decrease in commuting due to the epidemic, which in turn reduced management-related travel expenses. The percentage of administrative expenses to the revenue decreased from 4.90% in 2019 to 4.40% in 2020.

In 2020, the finance costs of the Company amounted to RMB3,480.2 million, representing a year-on-year decrease of 20.11%, primarily due to the decline in the global economy and the decline in overall interest rates due to the impact of the epidemic in 2020 and the interest rate of new borrowings during the year was lower than the interest rate of previous years. The percentage of finance costs to the revenue decreased from 1.76% in 2019 to 1.29% in 2020.

In 2020, the research and development ("R&D") expenses of the Company was RMB6,784.8 million, representing a year-on-year increase of 23.10%, primarily due to the increased R&D efforts of CGGC, CEEPE and others, and the increased resource input for R&D projects such as the research and application of prefabricated electrical building construction technology, tunnel mechanization construction technology, high-efficiency lignite power generation technology and ultra-high voltage transmission technology. The percentage of R&D expenses to the revenue increased from 2.23% in 2019 to 2.51% in 2020.

3 OPERATING RESULTS BY SEGMENTS

	Conditions of Industry Segments of Principal Businesses (For the year ended 31 December)								
Industry segments	**2020**			2019			Percentage of changes (%)/ percentage points		
	Revenue	**Cost of sales**	**Gross profit margin**	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin
	(RMB in million)		**(%)**	(RMB in million)		(%)			(%)
Survey, design and consulting services	**14,095.1**	**9,306.6**	**33.97**	13,154.0	8,506.4	35.33	7.15	9.41	(1.36)
Construction and contracting	**211,539.0**	**193,372.2**	**8.59**	185,425.1	169,910.9	8.37	14.08	13.81	0.22
Industrial manufacturing	**24,084.9**	**17,604.8**	**26.91**	23,710.6	17,243.5	27.28	1.58	2.10	(0.37)
Clean energy, environmental protection and water utilities	**11,926.7**	**10,923.9**	**8.41**	16,173.2	15,676.8	3.07	(26.26)	(30.32)	5.34
Investment and other businesses	**21,726.7**	**16,257.0**	**25.18**	19,534.8	14,141.7	27.61	11.22	14.96	(2.43)
Inter-segment elimination[(1)]	**(13,044.7)**	**(13,237.9)**	**–**	(10,706.7)	(10,526.6)	–	–	–	–
Unallocated items[(2)]	**–**	**0.1**	**–**	–	1.0	–	–	–	–
Total	**270,327.7**	**234,226.7**	**13.35**	247,291.0	214,953.7	13.08	9.32	8.97	0.27

Notes:

(1) Inter-segment elimination mainly represents the provision of goods or services between business segments.

(2) Unallocated items mainly represent the provisions for impairment of inventories which could not be attributed to any business segment.

The revenue of the Company increased by 9.32% from RMB247,291.0 million in 2019 to RMB270,327.7 million in 2020. The increase was mainly attributable to the increase in business volume in the survey, design and consulting segment, engineering construction segment, industrial manufacturing segment, investment and other business segments.

The cost of sales of the Company increased by 8.97% from RMB214,953.7 million in 2019 to RMB234,226.7 million in 2020. The increase was generally in line with the increase in revenue during the same period.

The gross profit of the Company was RMB32,337.2 million and RMB36,101.0 million in 2019 and 2020, respectively, and gross profit margin of the Company remained stable at 13.08% and 13.35% during the same period, respectively.

3.1 Survey, Design and Consulting Services Business

This business generates revenue primarily from providing survey and design services for thermal, hydropower, nuclear power, wind power, solar power projects and power grid projects in China and overseas. The Company also generates revenue from providing a wide range of consulting services in respect of power industry policies, as well as power project testing, assessment and supervision services.

Revenue before inter-segment elimination of survey, design and consulting services business of the Company increased by 7.15% from RMB13,154.0 million in 2019 to RMB14,095.1 million in 2020. The increase was mainly due to the increase in the businesses such as new energy, power transmission and transformation business and municipal construction.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company increased by 9.41% from RMB8,506.4 million in 2019 to RMB9,306.6 million in 2020. The increase was higher than revenue growth over the same period, which was mainly due to the increase rate in the cost of power transmission and transformation business and new energy business was higher than that of the revenue.

The gross profit before inter-segment elimination of survey, design and consulting services business of the Company was RMB4,647.6 million and RMB4,788.5 million in 2019 and 2020, respectively, and the gross profit margin of the segment during the same period was 35.33% and 33.97%, respectively, representing a slight year-on-year decrease.

3.2 Construction and Contracting Business

This business generates revenue primarily from providing construction services for construction projects in China and overseas.

Revenue before inter-segment elimination of construction and contracting business of the Company increased by 14.08% from RMB185,425.1 million in 2019 to RMB211,539.0 million in 2020. The increase was mainly due to the increase in income from non-power business driven by new energy general contracting business and PPP projects.

Cost of sales before inter-segment elimination of construction and contracting business of the Company increased by 13.81% from RMB169,910.9 million in 2019 to RMB193,372.2 million in 2020, which was generally in line with the increase in revenue.

The gross profit before inter-segment elimination of construction and contracting business of the Company was RMB15,514.2 million and RMB18,166.8 million in 2019 and 2020, respectively, and the gross profit margin of the segment for the same period was 8.37% and 8.59%, respectively, remaining steady on a year-on-year basis.

3.3 Industrial Manufacturing Business

This business generates revenue primarily from the design, manufacture and sale of equipment for use in the fields of power industry, including ancillary equipment for power plants, power grid equipment, steel structure and energy conservation and environmental protection equipment, manufacture and sale of civil explosives and cement products, and the provision of explosive service.

Revenue before inter-segment elimination of industrial manufacturing business of the Company increased by 1.58% from RMB23,710.6 million in 2019 to RMB24,084.9 million in 2020, remaining steady on a year-on-year basis.

Cost of sales before inter-segment elimination of industrial manufacturing business of the Company increased by 2.10% from RMB17,243.5 million in 2019 to RMB17,604.8 million in 2020, which was basically in line with the increase in revenue.

The gross profit before inter-segment elimination of industrial manufacturing business of the Company was RMB6,467.1 million and RMB6,480.1 million in 2019 and 2020, respectively, and the gross profit margin of the segment for the same period was 27.28% and 26.91%, respectively, remaining steady on a year-on-year basis.

3.4 Clean Energy, Environmental Protection and Water Utilities Business

This business generates revenue primarily from businesses including power generation business, environmental protection business and water plant construction and operation, etc.

Revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company decreased by 26.26% from RMB16,173.2 million in 2019 to RMB11,926.7 million in 2020, the decrease was mainly due to the decline in revenue from the environmental protection business segment.

Cost of sales before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company decreased by 30.32% from RMB15,676.8 million in 2019 to RMB10,923.9 million in 2020, which was generally in line with the changes in revenue.

The gross profit before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company was RMB496.4 million and RMB1,002.8 million in 2019 and 2020, respectively, while the gross profit margin of this segment during the same period was 3.07% and 8.41%, respectively, which was mainly due to the increase in the proportion of revenue and gross profit from the water utilities business and power generation business with higher gross profit margin.

3.5 Investment and Other Businesses

This business generates revenue primarily from real estate development, expressway operation, financial services and other businesses.

Revenue before inter-segment elimination of investment and other businesses of the Company increased by 11.22% from RMB19,534.8 million in 2019 to RMB21,726.7 million in 2020, the increase was primarily due to the increase in income from real estate development business and financial service business.

Cost of sales before inter-segment elimination of investment and other businesses of the Company increased by 14.96% from RMB14,141.7 million in 2019 to RMB16,257.0 million in 2020. This increase was slightly higher than the revenue growth over the same period, which was mainly due to the increase rate in the cost of real estate development business and financial services business, which accounted for a large proportion of revenue and gross profit, was greater than the increase in revenue.

The gross profit before inter-segment elimination of investment and other businesses of the Company was RMB5,393.1 million and RMB5,469.7 million in 2019 and 2020, respectively. Gross profit margin of the segment decreased from 27.61% in 2019 to 25.18% in 2020, which was mainly due to the decline in gross profit from real estate development business and financial service business.

4 CASH FLOWS

	For the year ended 31 December	
	2020	2019
	(RMB in million)	(RMB in million)
Net cash (used in)/generated from operating activities	**6,490.1**	10,963.6
Net cash (used in)/generated from investing activities	**(20,191.8)**	(14,513.3)
Net cash (used in)/generated from financing activities	**22,136.5**	(1,974.3)
Net increase/(decrease) in cash and cash equivalents	**8,434.8**	(5,524.0)
Cash and cash equivalents at the beginning of the year	**42,624.5**	47,643.1
Effects of exchange rate changes	**(1,198.1)**	505.5
Cash and cash equivalents at the end of the year	**49,861.2**	42,624.6

4.1 Cash Flow Generated from Operating Activities

The net cash generated from operating activities decreased from RMB10,963.6 million in 2019 to RMB6,490.1 million in 2020, representing a decrease of RMB4,473.5 million or 40.80%, which was mainly attributable to: (i) the increase in taxes such as prepaid value-added tax and the payment of income tax, which affected the cash outflow of RMB5,018.8 million, and the increase in other payables such as taxes and fees, which affected the cash outflow of RMB3,609.0 million; (ii) the increase in contract assets and contract liabilities, which comprehensively affected the cash outflow of RMB932.4 million. The cash outflow was partially offset by the increase in contract construction receivables, which affected the cash inflow of RMB13,935.9 million.

4.2 Cash Flow Used in Investing Activities

Net cash used in investing activities increased from RMB14,513.3 million in 2019 to RMB20,191.8 million in 2020, representing an increase of RMB5,678.5 million or 39.13%, which was mainly attributable to: (i) payment of RMB14,959.2 million for the purchase of intangible assets, property, plant and equipment; (ii) an increase of RMB9,892.5 million in capital injection to associates and joint ventures; (iii) an increase of RMB6,113.9 million in the purchase of financial assets. The cash outflows were partially offset by RMB5,658.8 million in cash obtained from the disposal of financial assets and RMB3,364.4 million obtained by the recovery of funds from related parties.

4.3 Cash Flow Generated from Financing Activities

The net cash generated from financing activities increased from RMB-1,974.3 million in 2019 to RMB22,136.5 million in 2020, representing an increase of RMB24,110.8 million, which was mainly attributable to: (i) new loans and bonds of RMB40,458.0 million; (ii) issuance of perpetual capital instruments of RMB14,804.4 million. The cash inflows were partially offset by the following items: repayment of bank borrowings, other borrowings and corporate bonds of RMB31,861.9 million; payment of borrowings and bond interest of RMB5,395.9 million, payment of dividends of RMB1,069.6 million to equity holders and holders of perpetual capital instruments.

5 CAPITAL EXPENDITURE

In the past, the Company incurred capital expenditures primarily for expenditures on property, plant and equipment, as well as intangible assets (such as concession rights of toll roads). The following table sets forth the components of capital expenditures of the Company for the years indicated:

	For the year ended 31 December	
	2020	2019
	(RMB in million)	(RMB in million)
Property, plant and equipment	**7,823.4**	6,084.0
Intangible assets	**10,744.3**	12,459.8
Investment properties	**21.3**	–
Total	**18,589.0**	18,543.8

6 CAPITAL AND FINANCIAL POLICIES

The Finance and Property Department of the Company is responsible for the capital and financial policies for the Company's overall business operations. The Company expected to jointly finance its management capital and other capital needs from a variety of sources, including but not limited to internal financing and external financing at a reasonable market interest rate. The Group continued to focus on improving return on equity and assets while maintaining prudent capital and financial policies.

7 INDEBTEDNESS

As at 31 December 2020, the Company's total liabilities amounted to RMB338,123.1 million and total assets amounted to RMB476,052.0 million, with a gearing ratio of 71.03%, representing a decrease of 2.1 percentage points from 73.13% for last year. The Company's total indebtedness amounted to RMB117,158.8 million. The following table sets forth the details of bank borrowings, other borrowings and corporate bonds of the Company as at the dates indicated:

	As at 31 December	
	2020	2019
	(RMB in million)	(RMB in million)
Long-term		
Bank borrowings		
Unsecured	**29,288.9**	26,552.0
Secured	**33,568.3**	26,012.0
Other borrowings		
Secured	**117.7**	11.9
Corporate bonds[(1)]	**9,995.4**	18,393.6
Subtotal	**72,970.3**	70,969.5
Short-term		
Bank borrowings		
Unsecured	**12,731.8**	15,249.2
Secured	**4,764.5**	3,195.4
Other borrowings		
Unsecured	**17,588.3**	15,188.2
Secured	**79.5**	53.0
Corporate bonds[(1)]	**9,024.4**	1,385.0
Subtotal	**44,188.5**	35,070.8
Total	**117,158.8**	106,040.3

Note:

(1) The corporate bonds of the Company are unsecured medium-term notes and corporate bonds.

The following table sets forth the bank and other borrowings mainly denominated in main currencies other than the functional currencies of respective entities:

	As at 31 December	
	2020 **(RMB in million)**	2019 (RMB in million)
USD	**13,142.1**	14,147.7
EUR	**537.7**	–
JPY	**113.4**	120.1
Brazilian Real	**2,785.0**	3,947.2
Total	**16,578.2**	18,215.0

The following table sets forth the guaranteed portion of bank borrowings and other borrowings of the Company:

	As at 31 December	
	2020 **(RMB in million)**	2019 (RMB in million)
Guaranteed by:		
Third parties	**113.4**	120.1
Total	**113.4**	120.1

The following table sets forth the maturity profile of indebtedness of the Company as at the dates indicated:

	As at 31 December	
	2020 **(RMB in million)**	2019 (RMB in million)
Repayable within 1 year	**44,188.5**	34,043.2
Repayable after 1 year but within 2 years	**6,672.9**	20,243.8
Repayable after 2 years but within 3 years	**19,318.5**	4,747.7
Repayable after 3 years but within 4 years	**5,451.7**	7,185.3
Repayable after 4 years but within 5 years	**1,336.4**	5,770.9
Repayable after 5 years	**40,190.8**	34,049.4
Total	**117,158.8**	106,040.3

The following table sets forth the effective interest rate ranges of bank borrowings, other borrowings and corporate bonds of the Company as at the dates indicated:

	As at 31 December	
	2020	2019
	%	%
Bank borrowings	**1.05-7.50**	1.05-8.00
Other borrowings	**4.00-4.79**	3.92-4.90
Corporate bonds	**3.14-5.37**	3.14-5.37

The following table sets forth the fixed and floating rate of bank and other borrowings of the Company as of the dates indicated:

	As at 31 December			
	2020		2019	
	(RMB in million)	**%**	(RMB in million)	%
Fixed rate bank and other borrowings	**51,178.3**	**1.05-6.70**	46,409.8	1.05-8.00
Floating rate bank and other borrowings	**46,960.6**	**2.30-7.50**	39,851.9	1.20-7.50
Total	**98,138.9**		86,261.7	

Bank borrowings of the Company were incurred primarily for the purposes of working capital and investment in fixed assets. Other borrowings mainly represented deposits of Energy China Group and its subsidiaries (excluding the Company) with Finance Company.

Indebtedness of the Company increased by RMB11,118.5 million from 1 January 2020 to 31 December 2020, mainly due to: (i) the discount of certain banks and commercial acceptance bills did not meet the conditions for derecognition, resulted in an increase of RMB2.66 billion in borrowings; (ii) issuance of short-term financing bills of RMB3.00 billion by CGGC Group; (iii) increase in borrowings for PPP projects of RMB3.33 billion by certain subsidiaries during the year.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms. In addition, as at 31 December 2020, the Company had RMB35.20 billion of authorized but unissued debt securities, namely the unsecured and unguaranteed corporate bonds and perpetual bonds.

As at 31 December 2020, the Company had RMB475.73 billion of unutilized and unrestricted bank facilities. As at the lastest practicable date, the Company was not subject to any material restrictive terms in the borrowings.

8 PLEDGE OF ASSETS, CONTINGENCIES AND CONTINGENT LIABILITIES

8.1 Pledge of Assets

As at 31 December 2020, the Company's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

	As at 31 December	
	2020	2019
	(RMB in million)	(RMB in million)
Property, plant and equipment	**821.5**	1,248.2
Intangible assets	**31,357.3**	26,464.9
Trade and bills receivables	**18,101.2**	5,090.3
Properties under development for sale	**17,291.5**	18,690.3
Bank deposits	**5,836.5**	5,242.2
Total	**73,408.0**	56,735.9

8.2 Contingencies

(a) The Company was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Company on those legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice.

(b) Guarantees

The following contingent liabilities arise from guarantees given to banks and non-financial institutions in respect of certain facilities, as well as mortgage loan guarantees provided to banks in favor of the customers of the Company.

	As at 31 December	
	2020	2019
	(RMB in million)	(RMB in million)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to:		
Associates	**1,329.3**	1,532.2
Joint ventures	**18.0**	18.0
Third parties	**1,390.5**	243.4
Investee recognised as financial assets at fair value though other comprehensive income	**18.2**	21.4
	2,756.0	1,815.0
Mortgage loan guarantees provided by the Company to banks in favor of its customers	**4,681.1**	1,578.2
Total	**7,437.1**	3,393.2

The Company had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Company's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Company is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Company is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate. The fair values of these financial guarantee contracts of the Company are insignificant at initial recognition, and the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realizable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial data for these guarantees.

At initial recognition, the fair value of these guarantee contracts is insignificant. There has been no material change in contingent liabilities of the Company since 31 December 2020 and up to the date of this report.

8.3 Contingent Liabilities

(i) Legal proceedings with financial institutions

During the year ended 31 December 2020 and the year ended 31 December 2019, Gezhouba Huanjia and Huanjia Connected Suppliers were involved as defendants in 20 legal proceedings with certain financial institutions. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

As at 31 December 2020, these financial institutions sued Gezhouba Huanjia and other defendants for repayment of loans amounted to RMB1,056 million in total (2019: RMB1,056 million). Most of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the investigation as there are in duty related crimes and/or crimes involved. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by these financial institutions and subject to further investigations after the completion of the investigation and that Gezhouba Huanjia may lose these proceedings under further investigations. As at 31 December 2020, given the investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

(ii) Legal proceedings with lenders other than the financial institutions ("other lenders")

During the year ended 31 December 2020 and the year ended 31 December 2019, Gezhouba Huanjia and Huanjia Connected Suppliers were involved as defendants in 4 legal proceedings with 3 other lenders. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

As at 31 December 2020, the Group made full provision for estimated liabilities of RMB119 million (2019: RMB0) for the 3 legal proceedings with other lenders that were likely to cause losses to the Group in the above legal proceedings based on the rulings of the court. The remaining one legal proceeding with amount sued of RMB268 million was rejected by the court, given the legal proceeding is subject to the conclusion of the investigation. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by the other lenders after the completion of the investigation. Subject to further investigations, Gezhouba Huanjia may lose the proceeding. As at 31 December 2020, given the investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

(iii) Legal proceedings with Huanjia Connected Suppliers

Gezhouba Huanjia was involved as defendants in 3 legal proceedings with Huanjia Connected Suppliers. As at 31 December 2020, the Group has made full provision for estimated liabilities of RMB148 million (2019: RMB0) for the above 3 legal proceedings that were likely to cause losses to the Group based on the rulings of the court.

(iv) Legal proceedings with other parties

Gezhouba Huanjia was also involved as defendant in 27 legal proceedings with other parties in the ordinary course of business. CGGC Green Technology was also one of the defendants in above-mentioned legal proceedings. As at 31 December 2020, the Group has made full provision for estimated liabilities of RMB46 million (2019: RMB0) for the 10 legal proceedings that were likely to cause losses to the Group in the above legal proceedings based on the rulings of the court. 17 legal proceedings with amount sued of RMB102 million was still in process. Based on the advice from the Company's legal counsel, the Company is of the opinion that the likelihood of an outflow of economic benefits in relation to the above-mentioned outstanding legal proceedings is remote.

9 SUBSEQUENT EVENTS

Impact of the COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's overseas operating environment and has impacted the Group's operations and financial position.

As far as the Group's businesses are concerned, the COVID-19 pandemic has resulted in a decrease in revenue from its overseas operations in 2020. The exact timing and extent of recovery of the Group's overseas business are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the Directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

Very Substantial Acquisition and Connected Transaction in relation to the Absorption and Merger of CGGC

For details, please refer to this section headed "PLANS OF THE COMPANY FOR SIGNIFICANT INVESTMENT OR PURCHASE OF CAPITAL ASSET"

10 RISK

10.1 Business Risk

1. Macroeconomic risk

Great changes that have not been seen in the world in a century are currently accelerating. Changes in the global strategic pattern, vaccine research and development progress as well as economic openness have a profound impact on overall economic transformation and upgrading, industry development and company reform and development in the PRC. Although the domestic pandemic has been effectively controlled and the economic situation is improving, the downward pressure is still relatively high. 2021 is the first year of the "14th Five-Year Plan", it is expected that the new fiscal and monetary policies, regional coordinated development policies and industrial policies will play a joint role, especially the "carbon peak and carbon neutral" strategy of China, will bring positive energy to the power market.

Countermeasures: The Company will strengthen the analysis of the macroeconomic situation, closely follow the development trend of the industry, and prevent the risk of policy mutation; actively carry out relevant industrial policy research, seize opportunities to carry out the top-level design and layout of the development of related industries; strengthen the sharing of internal information, and improve the Company's overall sensitivity to policy changes and the ability to link up and down.

2. International operation risk

Affected by the overall global political and economic environment, it is still difficult to expand overseas markets for us. The rebound of the overseas pandemic has led to the continued risk of disruption of the global industrial chain and supply chain, and also restricted the flow of personnel, and it is generally difficult to perform international projects. Continued spread of unilateralism and extremism and political changes in some countries or regions have brought threats to the Company's property and our employees' personal safety. The chaos of elections in some countries or regions, the continuous adjustment of policies and laws and regulations, the lack of national governance capabilities, the shortage of funds for infrastructure construction and the large fluctuations in exchange rates have caused us to face the risk of financial losses.

Countermeasures: The Company will use the overall advantages of the Group to promote the coordinated development of business segments and enhance the competitiveness in the international market; continue to improve the layout of the international business market, strengthen risk tracking and early warning of key projects and key countries; actively and steadily carry out the prevention and control of overseas pandemics, and promote the normal performance of international projects.

3. Safe production risk

Risks such as safety production risks in the traditional construction field, safety risks in new businesses and new areas and safety risks in overseas businesses are intertwined. In addition, affected by factors such as the need to strengthen the foundation of production safety and the uneven quality of employees, production safety accidents are prone to occur, resulting in loss of life and property. Once a company has been identified as an untrustworthy subject for safety production violations, it will be included in the "blacklist" for joint punishment by relevant authorities, which will bring major risks to the Company's reform and development.

Countermeasures: The Company will fully implement the safety production requirements of "twelve in place", including (among others) risk identification and control in place, system in place, measures in place, rigid training in place, resource allocation in place and reward and punishment mechanism in place, and resolutely prevent systemic and disruptive safety production risks.

4. Investment risk

With the continuous expansion of investment business and the continuous expansion of its field, the scale of investment may grow rapidly, and investments may face the risk of scientific decision-making; investment projects in new business areas may face the risk that projects cannot achieve the expected return due to the insufficient feasibility studies, sudden changes in industry development policies and poor management. In addition, in the post-pandemic era, economic growth will slow and financial supervision will become increasingly stringent. Therefore, there may be various risks such as financing difficulties, increased costs and reduced benefits or the failure of the project.

Countermeasures: The Company will continue to strengthen investment policy research, grasp the development trend of the industry, and improve the investment management system; systematically plan the investment industry layout, adhere to the principles of pre-calculation and selection of the best, focus on risk management and control, and solidly carry out investment business; strengthen the investment process management to ensure continuous improvement of project quality and efficiency.

5. Project performance risk

Since the outbreak of the COVID-19 pandemic, the resources and organization of projects have been affected by the prevention and control measures for the pandemic, and there have been problems such as poor contract performance and project delays in engineering projects. In order to speed up the progress of the contract performance and achieve the target milestone on time, there may be problems with inadequate subcontracting supervision, which may lead to problems in construction quality. The increase in labor costs caused by the pandemic, the capital investment for pandemic prevention measures and the increase in the costs of resources and organization, resulted in increased project implementation costs, and the project's operating benefits may be greatly affected.

Countermeasures: Under the premise of effective pandemic prevention and control, the Company will increase resource and organization, strengthen internal coordinated operations, effectively integrate internal and external resources, further optimize construction organization and technical plans, and take all effective measures to promote normal project performance; at the same time, we will comprehensively strengthen the project management infrastructure, increase supervision and inspection efforts, strengthen subcontracting management throughout the process, strengthen cost control and change and claims management, continuously improve the level of refined management, prevent project performance and operating risks, and ensure that the project achieves expected business objectives.

10.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, thus the functional currency applied in the financial statements of the Company is RMB. The Company plans to continue to expand the overseas business, and it is expected that, as a result, the incomes and expenses dominated in foreign currencies will increase significantly. The exchange rate fluctuation may have influence on the service pricing and the expenses of procurement of materials and equipment by the Company in foreign exchange and therefore influence the financial position and operating performance of the Company.

Countermeasures: The Company will use contracts, financial tools and others to prevent and control risks, make reasonable commercial arrangements, and select appropriate foreign currencies and exchange rates for foreign exchange settlement or payment to prevent exchange rate fluctuation risk.

11 NUMBER OF EMPLOYEES, SHARE OPTION SCHEME AND TRAINING PROGRAM

At the end of 2020, the Company has a total of 117,830 employees, and a legion of high-quality talents, including 37,398 management personnel, 39,510 professional technicians and 24,980 skilled operators.

The Company has 15,402 talents with various national registered qualifications. Also, the Company has a team of top talents of China, including 33 experts who enjoy the State Council governmental special subsidies, 6 national engineering survey and design masters, 2 national nuclear industry engineering survey and design masters, 5 national candidates of the "Millions of Talents of the New Century" project, 2 national young and middle-aged experts with outstanding contribution and 24 national technical experts.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee's quality and professional skills continuously. The Company planned to train 552,400 employees in 2020 and actually trained 659,400 employees, including on-the-job trainings for 451,300 employees, continuing education trainings for 32,200 employees and other trainings for 175,900 employees.

12 PLANS OF THE COMPANY FOR SIGNIFICANT INVESTMENT OR PURCHASE OF CAPITAL ASSET

(I) Situation of Real Estate Projects

As of 31 December 2020, the Company held 31 operating real estate projects exceeding 5% of the Company's market value, all of which are existing projects. Details are shown in the table below.

Table of Situation of Operating Real Estate Projects

No.	Name of projects	Location	Land area (square meters)	GFA (square meters)	The Company's shareholding percentage	Percentage of completion	Note
1	Beijing China Residence	Beijing	104,578	347,037	100%	76.93%	
2	Beijing Zijun Orchid Court	Beijing	74,773	241,764	100%	92.04%	
3	Shanghai Yulan Garden South	Shanghai	115,759	258,228	100%	99.76%	
4	Shanghai Yulan Garden North	Shanghai	119,426	175,624	100%	69.72%	
5	Shanghai Zijun Mansion	Shanghai	25,267	62,287	100%	97.46%	
6	Shanghai Rose Mansion	Shanghai	15,086	31,346	51%	99.14%	
7	Suzhou Zijun Orchid Court	Suzhou	74,775	263,160	22%	74.93%	Non-consolidated item
8	Project 20 in Suzhou	Suzhou	38,557	63,300	100%	75.27%	
9	Nanjing China Residence	Nanjing	26,380	114,033	100%	89.78%	
10	Nanjing Zijun Orchid Court	Nanjing	143,744	559,642	35.70%	73.17%	

Table of Situation of Operating Real Estate Projects

No.	Name of projects	Location	Land area (square meters)	GFA (square meters)	The Company's shareholding percentage	Percentage of completion	Note
11	Nanjing Zijun Residence	Nanjing	45,636	135,718	51%	92.26%	
12	Nanjing G30 Project	Nanjing	42,783	232,925	33.90%	67.12%	Non-consolidated item
13	Nanjing Guyin Orchid Court	Nanjing	24,499	95,741	35.70%	85.69%	Non-consolidated item
14	Nanjing G49 Project	Nanjing	43,708	173,306	100%	75.24%	
15	Hangzhou Jing Lin Longfor Mansion	Hangzhou	42,907	141,691	34%	94.15%	Non-consolidated item
16	Hangzhou China Residence	Hangzhou	56,755	229,319	70%	60.88%	
17	Hefei Zijun Residence	Hefei	42,901	111,027	100%	93.97%	
18	Heifei China Residence – Phase I and III	Hefei	68,482	182,997	100%	86.35%	
19	Wuhan Zijun Orchid Court	Wuhan	58,304	267,732	100%	61.55%	
20	Wuhan Jiangyue Orchid Court	Wuhan	47,315	204,490	30%	60.90%	Non-consolidated item
21	Wuhan International Plaza South	Wuhan	42,570	364,000	50%	69.29%	Non-consolidated item
22	Wuhan International Plaza North	Wuhan	59,171	311,258	100%	99.62%	
23	Wuhan Kunyu Residence	Wuhan	107,544	779,370	40%	73.68%	Non-consolidated item
24	Wuhan City Garden Phase II	Wuhan	40,319	219,632	100%	99.33%	
25	Chongqing Expo City	Chongqing	618,622	1,615,764	49%	83.81%	Non-consolidated item
26	Chongqing European Garden	Chongqing	813,401	2,073,763	49%	68.13%	Non-consolidated item
27	Chongqing Bishan Project	Chongqing	120,838	353,211	100%	44.34%	
28	Chengdu Zijun Orchid Court	Chengdu	99,626	334,424	51%	93.57%	
29	Guangzhou Zijun Residence	Guangzhou	35,272	207,579	100%	88.40%	
30	Guangzhou Nansha Project	Guangzhou	342,754	1,048,426	61.82%	27.96%	
31	Hainan Haitang Blessed Bay	Sanya	374,200	298,617	100%	81.30%	

(II) Future Investment Orientation

The Company will adhere to the principles of "value investment, full life cycle investment, rational investment and high-quality investment", build a multi-level investment development system, vigorously increase the proportion of investment in upgrade projects of traditional energy and new energy projects, and optimize the layout of industries, regions and resources. The Company will actively carry out mergers and acquisitions and reorganization of high-quality assets in the PRC and abroad. In accordance with the principles of making up for shortcomings, strengthening weaknesses, promoting advantages and increasing strength, we will quickly cut into emerging industries and regions such as new urbanization and prefabricated buildings, and accelerate the establishment of the Company's new competitive advantages in the fields of hydrogen energy, comprehensive water environment management, rail transit, airports, etc., and play the leading role of investment mergers and acquisitions to forge a better and new development pattern.

The Company will continue to optimize financing strategies, reduce financing costs, coordinate the use of multi-channel financing such as mixed reforms, funds and insurance funds, increase the proportion of equity financing, and strengthen the ability to obtain bank loans, bond issuance and other debt funds; and to revitalize the stock investment assets and enhance the depth and efficiency of industry-finance integration through equity transfers, asset securitization, REITs and other channels.

References are made to the announcements of the Company dated 15 October 2020, 27 October 27, 2020 (the "27 October Announcement"), 8 February 2021, and 19 March 2021, as well as the circular of the Second Extraordinary General Meeting of 2021, the Second Domestic Shareholders' Class Meeting of 2021 and the Second H Shareholders' Class Meeting of 2021 dated 25 March 2021 (the "Circular"), in relation to (among others), the Proposed Absorption and Merger of CGGC through Share Swap by the Issuance of A Shares by the Company to the shareholders of CGGC except for CGGC Group. Unless otherwise defined, the terms used in this paragraph shall have the same meaning as defined in the above announcements and Circular. On 27 October 2020, the Company entered into the merger agreement with CGGC regarding the possible absorption of CGGC through share swap. Upon the full implementation of the merger, the Company will (among other things) issue a total of 11,645,760,553 A shares to shareholders of CGGC (except CGGC Group) who are registered on the equity registration date of the merger, in exchange for the shares of CGGC held by these shareholders. Upon the completion of the merger, CGGC will terminate its listing on the Shanghai Stock Exchange. As its surviving company, the Company will inherit and undertake all the assets, liabilities, business, contracts, qualifications, personnel and all other rights and obligations of CGGC through the receiving party, CGGC Group. CGGC will eventually cancel its legal personality. The Company will apply for listing of the A shares issued by the Company as a result of the merger on the main board of the Shanghai Stock Exchange. The Company's original domestic shares will be converted into A shares and be applied for listing on the main board of the Shanghai Stock Exchange. The Company will pay constant concern and make timely disclosures to it. **As of the Latest Practicable Date, the implementation of the Merger remains subject to the satisfaction of the conditions precedent as set out in the Merger Agreement, and the Merger may or may not proceed or become unconditional or effective accordingly. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of Company.**

In 2020, except for the above projects, the Company does not hold major investment projects which must be reviewed and approved by the Board meeting according to the Articles of Association.

(III) Progress of Mixed Ownership Reform

As of the end of 2020, one subsidiary under the Company that has completed the mixed ownership reform is Hunan Institute. Through the mixed ownership reform, the subsidiary took improved governance as its guidance, further clarified the power and responsibility boundaries of each governance bodies, and improved the upstream and downstream industrial chain. The subsidiary is currently operating well, and its operating data for 2020 has been significantly improved as compared to 2019.

In the next step, the Company will closely follow the national policy, and in accordance with the requirements of improving governance, strengthening incentives, highlighting the main business and improving efficiency, starting with "promoting advantages and supplementing deficiencies" as well as improving the expansion of the industrial chain, the Company will actively and steadily deepen the reform of mixed ownership in its subsidiaries at all levels based on their actual situations, as well as emancipate their mind, innovate boldly, and enhance their vitality and efficiency.

13 GEARING RATIO

As at 31 December 2020, the gearing ratio of the Company was 84.9%, representing a decrease of 8.7 percentage points as compared to 93.6% for the same period of 2019. Gearing ratio represents interest-bearing debts divided by total equity at the end of the year.

14 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the acquisition and disposal of subsidiaries during the Reporting Period, please refer to the share swap and absorption of Gezhouba shares described in the chapter of the Company's major investment or acquisition of capital assets plan.

15 SIGNIFICANT INTANGIBLE ASSETS

Details of the significant intangible assets of the Company for the year ended 31 December 2020 are set out in note 14 to the Consolidated Financial Statements of this annual report.

16 OTHER SIGNIFICANT EXPENDITURE

The Company saw no other significant expenditure in 2020.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors, supervisors and senior management of the Company have no relationships among each other, including financial affairs, businesses, family and other material relationships. The table below sets forth certain information of the Directors, supervisors and senior management of the Company:

	Name	Age	Position
Board of Directors	SONG Hailiang[1]	55	Chairman of the Board and Executive Director
	WANG Jianping[2]	60	Chairman of the Board and Executive Director
	SUN Hongshui[3]	58	Vice Chairman of the Board and Executive Director
	DING Yanzhang[4]	56	Vice Chairman of the Board and Executive Director
	MA Mingwei[5]	56	Executive Director
	ZHANG Xianchong[6]	61	Executive Director
	MA Chuanjing[7]	63	Non-executive Director
	LI Shulei[8]	56	Non-executive Director
	LIU Xueshi	55	Non-executive Director
	SI Xinbo	53	Non-executive Director
	DING Yuanchen[9]	71	Independent Non-executive Director
	ZHAO Lixin[10]	66	Independent Non-executive Director
	CHENG Niangao[11]	64	Independent Non-executive Director
	CHEUNG Yuk Ming[12]	67	Independent Non-executive Director
	NGAI Wai Fung[13]	58	Independent Non-executive Director
Board of Supervisors	WANG Zengyong[14]	59	Chairman of the Supervisory Committee
	LI Fangyi	56	Employee Representative Supervisor and the Head of Auditing Department
	KAN Zhen	57	Employee Representative Supervisor and the Head of the Party-Masses Work Department
	FU Dexiang[15]	70	Supervisor
	WEI Zhongxin[16]	67	Supervisor
	HE Jiansheng[17]	56	Chairman of the Supervisory Committee
	MAO Fengfu[18]	56	Supervisor
	LV Shisen[19]	52	Supervisor
Senior Management	SUN Hongshui[20]	58	General Manager
	DING Yanzhang [21]	56	General Manager
	WU Chunli	57	Deputy General Manager
	YU Gang	59	Deputy General Manager
	ZHOU Hougui	58	Deputy General Manager
	CHEN Guanzhong	51	Chief Accountant
	WU Yun	56	Deputy General Manager
	DUAN Qiurong	59	Secretary to the Board and the Joint Company Secretary

Profile of Directors, Supervisors and Senior Management

Notes:

(1) Mr. Song Hailiang was appointed as the executive director and the chairman of the Board of the Company on 27 October 2020.

(2) Mr. Wang Jianping resigned as the executive director and the chairman of the Board of the Company on 31 August 2020.

(3) Mr. Sun Hongshui was appointed as the executive director and the vice chairman of the Board of the Company on 30 June 2020.

(4) Mr. Ding Yanzhang resigned as the executive director and the vice chairman of the Board of the Company on 26 May 2020.

(5) Mr. Ma Mingwei was appointed as the executive director of the Company on 30 June 2020.

(6) Mr. Zhang Xianchong resigned as the executive director of the Company on 14 January 2020.

(7) Mr. Ma Chuanjing resigned as the non-executive of the Company on 21 August 2020.

(8) Mr. Li Shulei was appointed as the non-executive Director of the Company on 5 February 2021.

(9) Mr. Ding Yuanchen resigned as the independent non-executive Director of the Company on 30 June 2020.

(10) Mr. Zhao Lixin was appointed as the independent non-executive Director of the Company on 30 June 2020.

(11) Mr. Cheng Niangao was appointed as the independent non-executive Director of the Company on 30 June 2020.

(12) Mr. Cheung Yuk Ming ceased to act as the independent non-executive Director of the Company on 5 February 2021 due to the expiration of his term of office.

(13) Dr. Ngai Wai Fung was appointed as the independent non-executive director of the Company on 5 February 2021.

(14) Mr. Wang Zengyong ceased to act as the chairman of the Supervisory Committee of the Company on 5 February 2021 due to the expiration of his term of office.

(15) Mr. Fu Dexiang ceased to act as the supervisor of the Company on 5 February 2021 due to the expiration of his term of office.

(16) Mr. Wei Zhongxin ceased to act as the supervisor of the Company on 5 February 2021 due to the expiration of his term of office.

(17) Mr. He Jiansheng was appointed as the chairman of the Supervisory Committee of the Company on 5 February 2021.

(18) Mr. Mao Fengfu was appointed as the supervisor of the Company on 5 February 2021.

(19) Mr. Lv Shisen was appointed as the supervisor of the Company on 5 February 2021.

(20) Mr. Sun Hongshui was appointed as the general manager of the Company on 26 May 2020.

(21) Mr. Ding Yanzhang resigned as the general manager of the Company on 26 May 2020.

1 BOARD OF DIRECTORS

1.1 Executive Directors

Mr. Song Hailiang born in July 1965, chief senior engineer. He graduated from Wuhan Institute of Water Transportation Engineering with a major in port machinery design and manufacture and obtained an on-job postgraduate, bachelor's degree in engineering and a doctor's degree in management. He joined the Group in 2020 and is currently an executive Director, the chairman of the Board, the chairman of the strategy committee and the chairman of the nomination committee of the Board of the Company, he is also the chairman of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司). Mr. Song commenced his career in 1987 and successively served as the deputy officer, officer of Division II of Water Transport Planning and Design Institute of Ministry of Transport, the assistant to president, vice president, president of CCCC Water Transportation Consultants, the chairman and general manager of CCCC Water Transportation Consultants Co., Ltd., the chairman of Shanghai Zhenhua Heavy Industries Co., Ltd. (listed on the Shanghai Stock Exchange, Stock Code: 600320), the assistant to general manager and the general manager of the marine heavy equipment manufacturing division of China Communications Construction Company Limited (listed on the Shanghai Stock Exchange, Stock Code: 601800; and listed on the Hong Kong Stock Exchange, Stock Code: 1800), deputy general manager, executive director, general manager of China Communications Construction Company Limited, and the director and general manager of China Communications Construction Group Limited.

Mr. Sun Hongshui born in January 1962, chief senior engineer, holds a bachelor's degree in water conservancy and hydropower engineering and construction and a bachelor's degree in management in capital construction management and engineering (international engineering management). Mr. Sun joined the Group in 2020, and is currently an executive Director, the vice chairman of the Board, the general manager, member of the strategy committee of the Board, he is also the director and the general manager of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司). Mr. Sun started his career in 1984, and has successively served as the head of Sinohydro Bureau 6, the deputy general manager of Sinohydro Corporation, the general manager of Sinohydro Group Ltd., a director and the general manager of Power Construction Corporation of China, and the vice chairman and general manager of Power Construction Corporation of China, Ltd. (listed on the Shanghai Stock Exchange, stock code: 601669).

Mr. Ma Mingwei born in June 1964, senior economist, holds a master's degree in management science and engineering. He joined the Group in 2019, and is currently an executive Director of the Company, he is also the chairman of the labor union of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司). Mr. Ma has successively served as a deputy director-level cadre of the China Institute of Workers' Movement* (中國工運學院); an assistant researcher of the National Federation of Trade Unions, a deputy director-level researcher of the Fifth Bureau of the Cadre of the Organization Department of the CPC Central Committee, a deputy director-level cadre, deputy director of Division II, researcher and director of Division I (Talents Division), director of Division III, director of Division IV of the First Bureau of Management of Enterprise Leaders of the SASAC, and the deputy secretary of the Disciplinary Committee of the SASAC, deputy secretary of the party committee of the SASAC, deputy secretary of the party committee and secretary of the Disciplinary Committee of the SASAC.

Profile of Directors, Supervisors and Senior Management

1.2 Non-executive Directors

Mr. Li Shulei born in February 1964, with a postgraduate degree. He joined the Group in 2021, and is currently a non-executive Director, the member of the Strategy Committee and the Audit Committee of the Company, and concurrently a non-executive Director of China State Shipbuilding Group Co., Ltd. and GRINM Group Corporation Limited. Mr. Li successively served as deputy general manager and general manager of Anhui Huainan Pingwei Electric Power Generating Company Limited, deputy general manager and general manager of Northwest Branch of China Power Investment Corporation, deputy general manager, general manager and chairman of Huanghe Company, director of human resources department and assistant to general manager of China Power Investment Corporation, assistant to general manager and general manager of hydropower and new energy department of State Power Investment Corporation, assistant to general manager of State Power Investment Corporation.

Mr. Liu Xueshi born in July 1965, obtained a bachelor's degree in economics, majoring in industrial economy from Dongbei University of Finance & Economics. He joined the Group in 2017 and is currently a non-executive Director, member of the Remuneration and Assessment Committee of the Board of the Company and he is also the chief accountant of the China Reform Holdings Corporation Ltd.(中國國新控股有限責任公司). Mr. Liu started his career in 1988 and has successively worked as the director of the No.1 Assessment, the director of the System Division, the deputy director-level cadre of the Department of Corporation of the Ministry of Finance(財政部企業司), the deputy head of the Service Administration Bureau (the Administration Bureau of the Former and Retired Staff) under the SASAC.

Mr. Si Xinbo born in December 1967, is a senior accountant and obtained master's degree in business administration from Tsinghua University. He joined the Group in 2017 and is currently a non-executive Director and member of the Strategy Committee of the Board of the Company. He also currently serves as a deputy general manager of Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Mr. Si started his career in 1990 and has successively served as deputy director of the Asset Restructuring Department of the Asset Restructuring and Preservation Bureau of China Development Bank (國家開發銀行), director of the No. 4 and No. 3 Audit Divisions of the Audit Appraisal Bureau and director of the Department of Audit Affairs Management of China Development Bank, and vice president of Qinghai Branch of China Development Bank.

1.3 Independent Non-executive Directors

Mr. Zhao Lixin

born in December 1954, holds a bachelor's degree. He joined the Group in 2020 and is currently an independent non-executive Director, the chairman of the Audit Committee and member of the Nomination Committee of the Board of the Company, He has successively served as the deputy chief designer of the Design and Research Institute, the deputy head of the Chief Engineer Office, the head of the Chief Engineer Office, the deputy chief engineer, the deputy chief engineer and the chief production officer, the deputy secretary of the party committee, the secretary of the party committee and the deputy general manager of China First Heavy Industries Group Co., Ltd.* (中國第一重型機械集團公司), and the external director of China Grain Reserves Group Company Ltd.* (中國儲備糧管理集團有限公司).

Mr. Cheng Niangao

born in September 1956, holds a master's degree of business administration from Tsinghua University. He joined the Group in 2020. He is currently an independent non-executive Director, the chairman of the Remuneration and Assessment Committee and member of the Nomination Committee of the Board of the Company, and concurrently serves as the external director of China National Building Materials Group Co., Ltd.* (中國建材集團有限公司). Mr. Cheng has successively served as the director of the Hydropower Bureau of the Planning Department of Ministry of Electric Industry* (電力工業部規劃計劃司水電處), the assistant to general manager and the head of the Planning Management Department of State Power Grid Development Company* (國家電網建設有限公司), the deputy director of the Planning Department of Ministry of Electric Industry* (電力工業部規劃計劃司), the deputy head of the Planning and Investment Department of the State Power Corporation (國家電力公司), the president and the secretary of the party group of China Renewable Energy Engineering Institute* (中國水電水利規劃設計總院), the chairman of the Board of Directors, the general manager and the secretary of the party group of China Hydropower and Renewable Energy Engineering Consulting Group Co., Ltd.* (中國水電水利及新能源發電工程顧問有限公司), the head of the Comprehensive Planning & Financing Department of the State Power Corporation, and a member of the party group, the deputy general manager, the deputy secretary of the party group, a director and the general manager of China Huadian Corporation* (中國華電集團公司).

Profile of Directors, Supervisors and Senior Management

Dr. Ngai Wai Fung born in January 1962, has obtained a Ph.D. degree. He joined the Group in 2021, and is currently an independent non-executive Director, the member of the Remuneration and Appraisal Committee and the Audit Committee of the Company, and concurrently is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, formerly known as SW Corporate Services Group Limited. Dr. Ngai is currently a member of the General Committee and the Chairman of Membership Services of Sub-Committees of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC. He was the president of The Hong Kong Institute of Chartered Secretaries (2014-2015), a non-official member of the Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013-2018) and a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants (2013-2018). Dr. Ngai is a fellow of The Association of Chartered Certified Accountants in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a fellow of The Hong Kong Institute of Chartered Secretaries, a fellow of The Hong Kong Institute of Directors, a member of The Hong Kong Securities and Investment Institute and a member of The Chartered Institute of Arbitrators. Dr. Ngai obtained a Doctoral Degree in Finance at Shanghai University of Finance and Economics, a Master's Degree in Corporate Finance from Hong Kong Polytechnic University, a Master's Degree in Business Administration from Andrews University of Michigan and a Bachelor's Degree in Law at University of Wolverhampton. Dr. Ngai is currently the independent non-executive director of the following companies, namely Bosideng International Holdings Limited (Stock Exchange, Stock Code: 03998), Powerlong Real Estate Holdings Limited (Stock Exchange, Stock Code: 01238), BaWang International (Group) Holding Limited (Stock Exchange, Stock Code: 01338), Beijing Capital Grand Limited (Stock Exchange, Stock Code: 01329), BBMG Corporation (English translation denotes for identification purposes only) (Stock Exchange, Stock Code: 02009), TravelSky Technology Limited (Stock Exchange, Stock Code: 00696) and China Communications Construction Company Limited (Stock Exchange, Stock Code: 01800). Dr. Ngai is also the independent director of SPI Energy Co., Ltd. (Nasdaq: SPI). Dr. Ngai was the independent non-executive director of China Coal Energy Company Limited from December 2010 to June 2017, China Railway Group Limited from June 2014 to June 2017, Renco Holdings Group Limited from March 2016 to April 2018, Yangtze Optical Fibre and Cable Joint Stock Limited Company from September 2014 to January 2020, Health and Happiness (H&H) International Holdings Limited from July 2010 to May 2020 and SITC International Holdings Company Limited from September 2010 to October 2020. He was the independent director of LDK Solar Co., Limited ("LDK") from July 2011 to April 2020. The Grand Court of the Cayman Islands appointed joint official liquidators to wind up LDK's affairs for liquidation on 6 April 2016.

2 SUPERVISORY COMMITTEE

Mr. He Jiansheng born in February 1964, is a professorate senior engineer, and a postgraduate of Huazhong University of Science and Technology majoring in economic law. He joined the Group in 1983, and is currently the chairman of the Supervisory Committee of the Company. Mr. He started his career in 1983, and successively served as the deputy head and the head of the quality and security division of China Gezhouba Water Conservancy and Hydropower Engineering Group No. 5 Company* (中國葛洲壩水利水電工程集團五公司), the manager of Three Gorges Construction Company* (三峽建設公司), the vice general manager of China Gezhouba Group No. 5 Company* (中國葛洲壩集團五公司), the chairman and general manager of China Gezhouba Group No. 4 Engineering Co., Ltd.* (中國葛洲壩集團第四工程有限公司), the chairman and general manager of China Gezhouba Group No. 1 Engineering Co., Ltd.* (中國葛洲壩集團第一工程有限公司), the vice general manager, general manager, director of China Gezhouba Group Stock Company Limited, the chief engineer of China Energy Engineering Group Co., Ltd., and the chief engineer of the Company. When the Company implemented the initial grant of the Restricted Share Incentive Scheme in 2016, Mr. He Jiansheng participated in the Restricted Share Incentive Scheme as a grantee. Pursuant to which, as of the Latest Practicable Date, Mr. He Jiansheng holds equity interest in 264,000 shares of the Company.

Mr. Li Fangyi born in November 1964, is a professor-level senior engineer and with a master's degree in management, majoring in business management. He joined the Group in 1983, and is currently the employee representative supervisor, director of Supervisory Committee Office under the audit department of the Company, as well as a supervisor of China Electric Power Planning and Engineering Institute Co., Ltd. Mr. Li started his career in 1983, and has successively served as the deputy head of the environmental protection department, the human resources department and the corporate development department, the head of the human resources department of Central Southern China Electric Power Design Institute of State Electric Power Corporation* (國家電力公司中南電力設計院), the deputy secretary of committee for discipline inspection, the head of the human resources department and the assistant to the president of Central Southern Electric Power Design Institute* (中南電力設計院) of China Power Engineering and the deputy head of the human resources department of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司).

Mr. Kan Zhen born in September 1963, is a professor-level senior economist. He joined the Group in 1983, and is currently the employee representative supervisor, the head of the party-masses work department (formerly known as corporate culture department) of the Company. Mr. Kan started his career in 1983, and served as the assistant to the president and the head of the general office of Bureau of Industry and Tertiary Industry (工業三產業局) of CGGC Group, the head of Beijing office of CGGC Group, the head of the labor union department of China Energy Engineering Group Co., Ltd., and the general manager of the asset management center of Energy China Group.

Mr. Mao Fengfu born in April 1964, is a senior economist, and an engineering postgraduate of School of Mechanical Science and Engineering of Huazhong University of Science and Technology majoring in machinery engineering. He joined the Group in 1987, and is currently a supervisor of the Company and concurrently a dispatched director (no specific position yet) of the Company. Mr. Mao started his career in 1987, and successively served as the deputy chief of general manager office, head of corporate management office, vice president and president of Beijing General Power Equipment Plant* (北京電力設備總廠), the head of construction business department of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司), the director, general manager and chairman of China Energy Engineering Group Equipment Co., Ltd.* (中國能建集團裝備有限公司), and the chairman (executive director) of Asset Management Company.

Mr. Lv Shisen born in November 1968, is a professorate senior engineer, and a postgraduate of School of Economics and Management of Tsinghua University majoring in business management. He joined the Group in 1989, and is currently a supervisor of the Company and concurrently the deputy secretary of party committee and secretary of discipline inspection committee of EPPE Company. Mr. Lv started his career in July 1989, and successively served as deputy head, head of technology and economy center of China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司), the assistant to general manager and the head of human resources department of Electric Power Planning & Engineering Institute Co., Ltd., the vice general manager of Electric Power & Planning Engineering Institute Co., Ltd..

3 SENIOR MANAGEMENT

Mr. Sun Hongshui born in January 1962, professorate senior engineer, holds a bachelor's degree in water conservancy and hydropower engineering and construction and a bachelor's degree in management in capital construction management and engineering (international engineering management). Mr. Sun joined the Group in 2020, and is currently an executive Director, the vice chairman of the Board, the general manager, member of the strategy committee of the Board, he is also the director and the general manager of China Energy Engineering Group Co., Ltd.* (中國能源建設集團有限公司). Mr. Sun started his career in 1984, and has successively served as the head of Sinohydro Bureau 6, the deputy general manager of Sinohydro Corporation, the general manager of Sinohydro Group Ltd., a director and the general manager of Power Construction Corporation of China, and the vice chairman and general manager of Power Construction Corporation of China, Ltd. (listed on the Shanghai Stock Exchange, stock code: 601669).

Mr. Wu Chunli born in March 1963, is a professorate senior engineer and obtained a bachelor's degree in hydrogeology. He joined the Group in 1985, and is currently the deputy general manager of the Company. Mr. Wu started his career in 1985, and served as the deputy director, assistant to the chairman and the director of the Human Resources Department, and the vice president of Exchange Service Center of Electric Power Planning & Engineering Institute (電力規劃設計總院人才交流服務中心), the deputy general manager of China Power Engineering Consulting Corporation (中國電力建設工程諮詢公司), the deputy general manager, general manager and the executive director of China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司).

Profile of Directors, Supervisors and Senior Management

Mr. Yu Gang

born in January 1961, is a professorate senior engineer and obtained a doctor's degree in engineering, majoring in electrical engineering. He joined the Group in 2001, and is currently the deputy general manager of the Company. Mr. Yu started his career in 1982, and served as president of Shandong Weifang Electricity Affairs Bureau (山東濰坊電業局), the president of Shandong Electric Power Engineering Consulting Institute (山東電力工程諮詢院), the general manager of China Power Construction Engineering Consulting Corporation (中國電力建設工程諮詢公司), the deputy general manager of CPECC, the vice president of Electric Power Planning & Engineering Institute (電力規劃設計總院) and the deputy general manager of China Energy Engineering Group Co., Ltd..

Mr. Zhou Hougui

born in November 1962, is a professorate senior engineer and obtained a doctor's degree in engineering, majoring in water structural engineering. He joined the Group in 1982, and is currently the deputy general manager of the Company. Mr. Zhou started his career in 1982, and served as the chief engineer of Gezhouba Engineering Bureau Three Gorges Headquarter (葛洲壩工程局三峽指揮部), the deputy general manager of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司), the deputy general manager and the chief engineer of CGGC Group, the deputy general manager and chief engineer of CGGC, the deputy general manager and chief engineer of China Energy Engineering Group Co., Ltd., and the president of the Engineering Institute of Energy China Group.

Mr. Chen Guanzhong

born in January 1969, is a professorate senior accountant and obtained a bachelor's degree in economics, majoring in enterprise management. He joined the Group in 2004, and is currently the chief accountant of the Company. Mr. Chen started his career in 1990, and served as the deputy head and head of the Finance Department, the head of the Audit Department, the deputy chief accountant and the chief accountant of China National Chemical Engineering Six Construction Company (中國化學工程第六建設公司), the chief accountant of CPECC, and the deputy chief accountant and chief accountant of China Energy Engineering Group Co., Ltd.

Mr. Wu Yun

born in August 1964, is a professorate senior engineer and obtained a bachelor's degree in engineering, majoring in electric power system and automation. He joined the Group in 1986, and is currently the deputy general manager of the Company. Mr. Wu started his career in 1986 and served as the head and deputy chief engineer of the planning division, director and assistant to general manager of the planning and research department and director of the planning and research center of China Power Engineering Consulting Group Co., Ltd (中國電力工程顧問(集團)有限公司) and the chief engineer of China Power Engineering Consulting Group Co., Ltd. (中國電力工程顧問集團有限公司), the chief engineer and chief information officer of both China Energy Engineering Group Co., Ltd. and China Energy Engineering Corporation Limited.

Mr. Duan Qirong

born in June 1961, is a professorate senior economist and obtained a master's degree in engineering, majoring in control engineering. He joined the Group in 1982, and is currently the secretary to the Board and joint company secretary of the Company. Mr. Duan joined CGGC Group in 1982, and served as deputy head and head of the Party Committee Office, the head of the Reform and Development Department and the head of the Strategic Investment Department of CGGC Group, the head of the Strategic Investment Department of CGGC, the head of the Strategic Development Department and the Strategic Investment Department of China Energy Engineering Group Co., Ltd., the director of China Energy Engineering Group Equipment Co., Ltd. (中國能建集團裝備有限公司), and the director of China Gezhouba Group Stock Company Limited.

REPORT OF THE BOARD

1 PRINCIPAL ACTIVITIES

The Company is a comprehensive and ultra-large group company offering holistic solutions and full-chain services in energy power and infrastructure sectors in China and the world at large. Its businesses cover energy power, water conservancy and water utilities, railways and highways, ports and navigation channels, municipal engineering, urban rail, eco-environment protection and housing construction, with a complete industrial chain integrating planning and consulting, evaluations and review, survey and design, construction and contracting and management, operating maintenance and investment operation, technical services, equipment manufacturing, and building materials.

2 BUSINESS REVIEW

Details of the business development, future development and outlook of the Company in 2020 are set out in the "Business Overview" of this annual report.

Details of the analysis of operation performance, risk analysis, details of employees and the subsequent events after the Reporting Period of the Company for the year of 2020 are set out in the "Management Discussion and Analysis" of this annual report.

Details of the relationship with major customers and suppliers of the Company, and the compliance with the relevant laws and regulations which have a significant impact on the Company for the year of 2020 are set out in the following sections of this report.

3 FINANCIAL PERFORMANCE

Profit of the Company for the year ended 31 December 2020 and financial position of the Company as of the date are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Financial Position of this annual report.

4 DIVIDENDS

The Board of the Company recommended the payment of a final dividend of RMB0.0225 per share (tax inclusive) for the year to shareholders appearing on the register of members of the Company on 17 June 2021 (Thursday), with a total amount of RMB675.0 million (tax inclusive). Payment will be made on 6 August 2021 (Friday) subject to the approval by the shareholders at the annual general meeting to be held on 8 June 2021 (Tuesday).

5 PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company are set out in note 12 to the Consolidated Financial Statements of this annual report.

6 SHARE CAPITAL

As at the end of the Reporting Period, the total number of the shares of the Company was 30,020,396,364, among which: domestic shares were 20,757,960,364 shares, accounting for 69.15% of the total shares; H shares were 9,262,436,000 shares, accounting for 30.85% of the total shares. Details of the share capital of the Company as at 31 December 2020 are set out in note 36 to the Consolidated Financial Statements of this annual report.

7 RESERVES

The changes in the reserve of the Company for the year are set out in the Consolidated Statement of Changes in Equity of this annual report.

8 DISTRIBUTABLE RESERVE

Details of distributable reserve of the Company as at 31 December 2020 are set out in the Consolidated Statement of Financial Position of this annual report.

9 MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the sales revenue from the five largest customers of the Company accounted for approximately 0.87%, 0.81%, 0.52%, 0.45% and 0.37% of the total revenue of the Company respectively, totally representing 3.02% of the total revenue of the Company.

For the year ended 31 December 2020, the purchase amount from the five largest suppliers of the Company accounted for approximately 1.01%, 0.54%, 0.49%, 0.45% and 0.42% of the aggregate amount of the procurement of goods, the procurement of subcontracts and other costs of the Company respectively, totally representing 2.91% of the total cost of the Company.

None of the Directors, supervisors and their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the share capital of the Company), has any interest in the above five largest customers or five largest suppliers.

The Company does not constitute a dependence on minority customers and suppliers.

10 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates of the Company for the year ended 31 December 2020 are set out in notes 15, 16 and 17 to the Consolidated Financial Statements of this annual report, respectively.

11 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of the Directors during the Reporting Period:

Name	Position	Date of appointment
SONG Hailiang	Chairman of the Board and Executive Director	27 October 2020
WANG Jianping (1)	Chairman of the Board and Executive Director	28 December 2017
DING Yanzhang (2)	Vice Chairman of the Board and Executive Director	28 December 2017
SUN Hongshui	Vice Chairman of the Board and Executive Director	30 June 2020
MA Mingwei	Executive Director	30 June 2020
ZHANG Xianchong (3)	Executive Director	28 December 2017
MA Chuanjing (4)	Non-executive Director	28 December 2017
LIU Xueshi	Non-executive Director	28 December 2017
SI Xinbo	Non-executive Director	28 December 2017
ZHAO Lixin	Independent Non-executive Director	30 June 2020
CHENG Niangao	Independent Non-executive Director	30 June 2020
CHEUNG Yuk Ming (5)	Independent Non-executive Director	28 December 2017
DING Yuanchen (6)	Independent Non-executive Director	28 December 2017

Notes:

(1) Mr. Wang Jianping resigned as the executive Director and the chairman of the Board of the Company on 31 August 2020.

(2) Mr. Ding Yanzhang resigned as the executive Director and the vice chairman of the Board of the Company on 26 May 2020.

(3) Mr. Zhang Xianchong resigned as the executive Director of the Company on 14 January 2020.

(4) Mr. Ma Chuanjing resigned as the non-executive Director of the Company on 21 August 2020.

(5) Mr. Cheung Yuk Ming retired as the independent non-executive Director of the Company on 5 February 2021 upon expiration of session.

(6) Mr. Ding Yuanchen resigned as the independent non-executive Director of the Company on 30 June 2020.

The following table sets forth certain information of the supervisors during the Reporting Period:

Name	Position	Date of appointment
WANG Zengyong (1)	Chairman of the Supervisory Committee	28 December 2017
LI Fangyi	Employee Representative Supervisor	14 June 2018
KAN Zhen	Employee Representative Supervisor	28 December 2017
FU Dexiang (2)	Non-employee Representative Supervisor	28 December 2017
WEI Zhongxin (3)	Non-employee Representative Supervisor	28 December 2017

Notes:

(1) Mr. Wang Zengyong retired as the chairman of the Supervisory Committee of the Company on 5 February 2021 upon expiration of session.

(2) Mr. Fu Dexiang retired as the non-employee representative supervisor of the Company on 5 February 2021 upon expiration of session.

(3) Mr. Wei Zhongxin retired as the non-employee representative supervisor of the Company on 5 February 2021 upon expiration of session.

The following table sets forth certain information of the senior management of the Company during the Reporting Period:

Name	Position	Date of appointment
SUN Hongshui	General Manager	26 May 2020
DING Yanzhang (1)	General Manager	28 December 2017
WU Chunli	Deputy General Manager	28 December 2017
YU Gang	Deputy General Manager	28 December 2017
ZHOU Hougui	Deputy General Manager	28 December 2017
CHEN Guanzhong	Chief Accountant	28 December 2017
WU Yun	Deputy General Manager	28 December 2017
DUAN Qiurong	Secretary to the Board and the Joint Company Secretary	28 December 2017

Note:

(1) Mr. Ding Yanzhang resigned as the general manager of the Company on 26 May 2020.

The individual information of the existing Directors, supervisors and senior management of the Company is set out in the "Profile of Directors, Supervisors and Senior Management" of this annual report.

The independent non-executive Directors of the Company are appointed for a period of three years. The Company has received annual confirmations of independence from Mr. Zhao Lixin, Mr. Cheng Niangao and Mr. Cheung Yuk Ming. The Company considers that each independent non-executive Director above is independent.

12 DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and supervisors of the Company has entered into a service contract with the Company which is not determinable within one year without the payment of compensation (other than statutory compensation).

13 REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Personnel	Basic salaries, housing allowance and other allowance (RMB)	Provision of housing funds (RMB)	Contribution to retirement benefit scheme (RMB)	Discretionary bonus (RMB)	Sub-total (RMB)	Remarks
Directors:						
SONG Hailiang	36,866.66	6,668.00	8,493.12	36,866.66	88,894.44	Appointed in October 2020
SUN Hongshui	110,599.98	20,004.00	25,479.36	110,599.98	266,683.32	Appointed in June 2020
MA Mingwei	98,434.02	20,004.00	25,479.36	228,734.02	372,651.40	Appointed in June 2020
LIU Xueshi	–	–	–	–	–	
SI Xinbo	–	–	–	–	–	
CHENG Niangao	30,000.00	–	–	–	30,000.00	Appointed in June 2020
ZHAO Lixin	30,000.00	–	–	–	30,000.00	Appointed in June 2020
CHEUNG Yuk Ming	126,004.00	–	–	–	126,004.00	
WANG Jianping	147,466.64	26,672.00	21,689.52	431,066.64	626,894.80	Resigned in August 2020
DING Yanzhang	92,166.65	16,670.00	11,311.20	375,766.65	495,914.50	Resigned in May 2020
ZHANG Xianchong	16,590.00	3,334.00	3,770.40	271,890.00	295,584.40	Resigned in January 2020
MA Chuanjing	–	–	–	–	–	Resigned in August 2020
DING Yuanchen	30,000.00	–	–	–	30,000.00	Resigned in June 2020
Supervisors:						
WANG Zengyong	401,839.44	40,008.00	38,675.76	484,581.65	965,104.85	
KAN Zhen	372,461.52	40,008.00	38,675.76	459,442.41	910,587.69	
LI Fangyi	346,170.86	40,008.00	38,675.76	406,948.61	831,803.23	
FU Dexiang	54,000.00	–	–	–	54,000.00	
WEI Zhongxin	54,000.00	–	–	–	54,000.00	

Personnel	Basic salaries, housing allowance and other allowance (RMB)	Provision of housing funds (RMB)	Contribution to retirement benefit scheme (RMB)	Discretionary bonus (RMB)	Sub-total (RMB)	Remarks
Senior Management:						
SUN Hongshui	129,033.31	23,338.00	27,364.56	129,033.31	308,769.18	Appointed in May 2020
WU Chunli	199,080.00	40,008.00	38,675.76	436,880.00	714,643.76	
YU Gang	196,868.04	40,008.00	38,675.76	439,968.04	715,519.84	
ZHOU Hougui	196,868.04	40,008.00	38,675.76	439,968.04	715,519.84	
CHEN Guanzhong	196,868.04	40,008.00	38,675.76	446,068.04	721,619.84	
WU Yun	196,868.04	40,008.00	38,675.76	437,868.04	713,419.84	
DUAN Qiurong	404,922.43	40,008.00	38,675.76	483,298.66	966,904.85	
DING Yanzhang	92,166.65	16,670.00	11,311.20	375,766.65	495,914.50	Resigned in May 2020

Note: Disclosure information is the pre-tax salary (including previous annual remuneration issued in 2020) issued to the Directors, supervisors and senior management of the Company during the Reporting Period, and the final remuneration of the senior management approved by the SASAC for 2020 (excluding the previous annual remuneration issued in 2020) has not yet been determined. After confirmation, such information will be disclosed by way of a supplementary announcement.

14 DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 December 2020, none of the Company, controlling shareholders of the Company or the companies under the same controlling shareholders with the Company was a party to any arrangement to entitle the Company's Directors, supervisors or their respective children below the age of 18 rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

15 INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

Save as the service contracts, no Directors or supervisors or entities connected with Directors or supervisors of the Company have material interests, either directly or indirectly, in any transaction, arrangement or contract of significance to the Company to which the Company, any of its subsidiaries or fellow subsidiaries or its holding company is a party during the Reporting Period based on the information available to the Company.

16 DIRECTORS' AND SUPERVISORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

17 MAJOR CONTRACTS

Save as disclosed in this annual report, at any time during the year, there were no major contracts entered into between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries, or any major contracts for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

18 APPROVED INDEMNITY PROVISIONS

The Company has purchased the responsibility insurances for Directors, supervisors and senior management for an insurance period from 23 November 2020 to 22 November 2021 in an amount of US$40 million in accordance with code provision A.1.8 of the Corporate Governance Code. Except for such insurance, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) approved during the Reporting Period and at the time of approval of this report.

19 MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period, except for the employment contracts.

20 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, after the reasonable enquiry by the Directors of the Company, the persons below (other than the Directors, supervisors and chief executives of the Company) have interests or short positions in the shares or underlying shares which will have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which will be required to record in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of shareholding in the Company's total issued share capital (%)[1]	Approximate percentage of shareholding in the Company's total issued domestic shares (%)[1]	Approximate percentage of shareholding in the Company's total issued H shares (%)[1]
Energy China Group[2]	Domestic Shares	Beneficial owner	18,107,684,022 (L)	60.32	87.23	–
		Interest of controlled corporation	98,542,651 (L)	0.33	0.47	–
	H Shares	Beneficial owner	578,884,000 (L)	1.93	–	6.25
China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)[3]	Domestic Shares	Beneficial owner	2,029,378,794 (L)	6.76	9.78	–
	H Shares	Interest of controlled corporation	633,704,000 (L)	2.11	–	6.84
China Huaxing Group Company (中國華星集團公司)[3]	H Shares	Interest of controlled corporation	633,704,000 (L)	2.11	–	6.84
China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司)[3]	H Shares	Beneficial owner	633,704,000 (L)	2.11	–	6.84
Buttonwood Investment Holding Company Ltd.[4]	H Shares	Interest of controlled corporation	1,462,338,000 (L)	4.87	–	15.79
Silk Road Fund Co., Ltd. (絲路基金有限責任公司)[4]	H Shares	Beneficial owner	1,462,338,000 (L)	4.87	–	15.79
Central Huijin Investment Ltd.[5]	H Shares	Interest of controlled corporation	961,300,000 (L)	3.20	–	10.38
China Construction Bank Corporation[5]	H Shares	Investment manager	961,300,000 (L)	3.20	–	10.38
State Grid Corporation of China[6]	H Shares	Interest of controlled corporation	974,892,000 (L)	3.25	–	10.53
State Grid International Development Co., Ltd.[6]	H Shares	Interest of controlled corporation	974,892,000 (L)	3.25	–	10.53
State Grid International Development Limited [6]	H Shares	Beneficial owner	974,892,000 (L)	3.25	–	10.53
E Fund Management Co., Ltd (易方達基金管理有限公司)	H Shares	Investment manager	961,300,000 (L)	3.20	–	10.38

Notes:

Letter "L" means long position in the securities and letter "S" means short position in the securities.

(1) The calculation is based on the shareholding in the Company's 9,262,436,000 issued H shares, 20,757,960,364 issued domestic shares and 30,020,396,364 shares of the total issued share capital as at 31 December 2020.

(2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in the 98,542,651 domestic shares, representing 0.47% of the domestic share capital of the Company. Therefore, Energy China Group is deemed to be interested in the domestic shares held by EPPE Company.

(3) These shares are directly held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司). China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司) is wholly-owned by China Huaxing Group Company (中國華星集團公司); while the latter is wholly-owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). Therefore, China Huaxing Group Company (中國華星集團公司) and China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) are deemed to be interested in shares held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司).

(4) These shares are directly held by Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Buttonwood Investment Holding Company Ltd. holds 65% equity interests in Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Therefore, Buttonwood Investment Holding Company Ltd. is deemed to be interested in shares held by Silk Road Fund Co., Ltd. (絲路基金有限責任公司).

(5) Central Huijin Investment Ltd. holds 57.31% equity interests in China Construction Bank Corporation. Therefore, Central Huijin Investment Ltd. is deemed to be interested in shares held by China Construction Bank Corporation.

(6) These shares are directly held by State Grid International Development Limited. State Grid International Development Limited is wholly-owned by State Grid International Development Co., Ltd.; while the latter is wholly-owned by State Grid Corporation of China. Therefore, State Grid International Development Co., Ltd. and State Grid Corporation of China are deemed to be interested in the shares held by State Grid International Development Limited.

21 INTEREST OF DIRECTORS IN COMPETING BUSINESSES

Except as disclosed below, none of the Directors or their associates directly or indirectly has any interest in the businesses which constitute or may constitute competition with the business of the Company.

Names of Directors	Company	Energy China Group
SONG Hailiang	Executive Director and Chairman of the Board	Chairman of the Board
SUN Hongshui	Executive Director, Vice Chairman of the Board and General Manager	Director and General Manager

22 COMPETING BUSINESSES

There are potential horizontal competitions between the Company with China Energy Engineering Group Beijing Electric Power Construction Company (中國能源建設集團北京電力建設公司) , which is owned by our controlling shareholders. The details are as follows:

(I) Overall Business Competition

The competition between China Energy Engineering Group Beijing Electric Power Construction Company (中國能源建設集團北京電力建設公司) and the Company is limited for the following reasons: Beijing Power Construction is mainly engaged in construction work for power engineering, municipal engineering and new energy engineering, whereas the Company's business consists of five segments, including survey, design and consulting, construction and contracting, industrial manufacturing, clean energy, environmental protection and water utilities, investment and others, which enables the Company to provide one-stop integrated solutions and full life-cycle project management services. In 2020, the revenue and the contract value of Beijing Power Construction were quite minimal which compared with the revenue and the contract value of the construction and contracting segment of the Company as of the same period.

(II) Avoidance of Horizontal Competition

In order to protect the interests of the Company and the shareholders, the Company renewed the Entrusted Operation Management Agreement with Energy China Group in December 2019 to continue to entrust Beijing Power Construction to the management of China Gezhouba Group Company Limited, a subsidiary of the Company. Pursuant to the agreement, the Company can exercise various management and operation rights over Beijing Power Construction, and has been granted pre-emptive rights over the entrustment companies under certain circumstances. Therefore, the Company is able to effectively manage and control the competition between Beijing Power Construction and the Company.

(III) Compliance with Non-Competition Undertakings

To further avoid potential competition from Energy China Group, Energy China Group has issued a non-competition undertaking and undertook that Energy China Group will not engage in any business which directly or indirectly competes with the principal businesses of the Company.

23 CONNECTED TRANSACTIONS

During the Reporting Period, since Energy China Group is the controlling shareholder of the Company, Finance Company is a subsidiary of the Company, and Hubei Provincial Communications Investment Group, are connected persons of the Company at a subsidiary level, and thus constitute the connected persons of our Company as defined under Chapter 14A of the Listing Rules. Thus, the following transactions in this chapter constitute the connected transactions under the Listing Rules.

During the Reporting Period, the Company also conducted related party transactions under the accounting standards. For details, please refer to note 42 of the Consolidated Financial Statements. Except for the connected transactions described in this section, no other related party transactions constitute connected transactions under the Listing Rules. The connected transactions of the Company under Chapter 14A of the Listing Rules comply with the relevant disclosure requirements of the Listing Rules.

23.1 Financial Services Framework Agreement 2018-2020

In order to further improve the profitability of the Group as a whole, expedite the monitoring of the use and application of funds within the Group and provide the Group with higher bargaining power, as considered and approved at the second meeting of the second session of the Board of the Company, Finance Company, a subsidiary of the Company and Energy China Group entered into the Financial Services Framework Agreement 2018-2020 and announced on 29 January 2018. Pursuant to the agreement, Finance Company will provide deposit and credit guarantee financial services to Energy China Group and its subsidiaries from 2018 to 2020. Among which, the maximum daily credit balance limit provided by Finance Company to Energy China Group and its subsidiaries is RMB1.6 billion (inclusive); and the maximum charge for other financial services provided by Finance Company to Energy China Group and its subsidiaries is no more than RMB30 million.

On 27 October 2020, Finance Company and Energy China Group renewed the framework agreement for a period from 1 January 2021 to 31 December 2023. According to the renewed Financial Services Framework Agreement, and as approved at the 2020 second extraordinary general meeting on 29 December 2020, from 2021 to 2023, the maximum daily credit balance limit provided by Finance Company to Energy China Group and its subsidiaries is RMB4.0 billion (inclusive); and the maximum charge for other financial services provided by Finance Company to Energy China Group and its subsidiaries is no more than RMB30 million. Details are set out in the announcement of the Company dated 27 October 2020.

In 2020, the maximum daily credit balance provided by Finance Company to Energy China Group and its subsidiaries was RMB1,574 million; Finance Company charged RMB16,800 for other financial services provided to Energy China Group and its subsidiaries.

23.2 Daily Production and Operation Framework Agreement 2018-2020

In order to improve the operation efficiency and reduce the operation costs and risks of the Company, and enable the Group to conduct its business more extensively and fully master the industry development information, as considered and approved at the second meeting of the second session of the Board of the Company, the Company and Energy China Group entered into the Daily Production and Operation Framework Agreement 2018-2020 and announced on 29 January 2018. Pursuant to the agreement, the Group and Energy China Group and its subsidiaries will provide each other with daily production and operation services, including project survey and design, planning and consulting, labor services, integrated information services, construction, installation and other daily services related to the principal businesses from 2018 to 2020. Among which, the annual cap of fee for services provided to the Group by Energy China Group and its subsidiaries is RMB1.5 billion; the annual cap of fee for services provided to Energy China Group and its subsidiaries by the Group is RMB1.5 billion.

On 27 October 2020, the Company and Energy China Group renewed the framework agreement for a period from 1 January 2021 to 31 December 2023. According to the renewed Daily Production and Operation Framework Agreement, from 2021 to 2023, the annual cap of fee for services provided to the Group by Energy China Group and its subsidiaries is RMB0.9 billion; the annual cap of fee for services provided to Energy China Group and its subsidiaries by the Group is RMB0.9 billion. Details are set out in the announcement of the Company dated 27 October 2020.

In 2020, the total fee for services provided to the Group by Energy China Group and its subsidiaries was RMB448 million; the total fee for services provided to Energy China Group and its subsidiaries by the Group was RMB35.375 million.

23.3 Property Lease Framework Agreement 2018-2020

In order to ensure the smooth operation and save costs, as considered and approved at the second meeting of the second session of the Board of the Company, the Company and Energy China Group entered into the Property Lease Framework Agreement 2018-2020 and announced on 29 January 2018. Pursuant to the agreement, the Group leased relevant properties from Energy China Group and its subsidiaries from 2018 to 2020 and the annual cap for lease amounts is RMB500 million.

On 27 October 2020, the Company and Energy China Group renewed the framework agreement for a period from 1 January 2021 to 31 December 2023. According to the renewed Property Lease Framework Agreement, from 2021 to 2023, the Group leased relevant properties from Energy China Group and its subsidiaries and the annual cap for lease amounts is RMB500 million. Details are set out in the announcement of the Company dated 27 October 2020.

In 2020, the actual rents of the Group’s leased properties from Energy China Group and its subsidiaries amounted to RMB160 million.

23.4 Daily Production and Operation Service Framework Agreement 2019-2020 with Hubei Provincial Communications Investment Group

In order to enable the Group to conduct its business more broadly and grasp industry development information more comprehensively, as considered and approved at the tenth meeting of the second session of the Board of the Company, the Company and Hubei Provincial Communications Investment Group entered into the Daily Production and Operation Service Framework Agreement 2019-2020 and announced on 22 May 2019. Pursuant to the agreement, during 2019 to 2020, the Group will provide construction and labour services and sell related goods to Hubei Provincial Communications Investment Group and its subsidiaries, with the annual cap for services provided of RMB2 billion and the annual cap for sales of related goods of RMB1 billion.

On 27 October 2020, the Company and Hubei Provincial Communications Investment Group renewed the framework agreement for a period from 1 January 2021 to 31 December 2023. According to the renewed Daily Production and Operation Service Framework Agreement with Hubei Provincial Communications Investment Group, from 2021 to 2023, the Group will provide daily operating services to Hubei Provincial Communications Investment Group and its subsidiaries, with the annual cap for services provided of RMB2 billion and the annual cap for sales of related goods of RMB1 billion. Details are set out in the announcement of the Company dated 27 October 2020.

In 2020, the total fee for services provided to the Hubei Provincial Communications Investment Group and its subsidiaries by the Group was RMB483 million; the total fee for related goods sold to Hubei Provincial Communications Investment Group and its subsidiaries by the Group was RMB478 million.

23.5 Independent Non-executive Directors' Confirmation

The independent non-executive Directors of the Company have reviewed the continuing connected transactions of the Company, and confirmed that:

i. The transactions belonged to or were entered into in the ordinary and usual course of business of the listed issuer;

ii. The terms of the transactions are fair and reasonable and were conducted on normal commercial terms or better terms;

iii. The transactions were carried out pursuant to the agreed terms of the relevant transactions and in the interests of the listed issuer's shareholders as a whole.

23.6 Independent Auditor's Confirmation

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions. Copies of the auditors' letter has been provided by the Company to the Stock Exchange.

Based on the work conducted, the auditors of the Company have provided a letter to the Board confirming that, in terms of the continuing connected transactions disclosed above:

(1) The auditors have not noted any of the events enabling the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;

(2) In respect of the continuing connected transactions conducted by the Group, the auditors have not noted any events enabling the auditors to believe that the transactions were not, in all material respects, conducted in accordance with the pricing policies of the Group;

(3) The auditors have not noted any of the events enabling the auditors to believe that the transactions were not conducted, in all material respects, in accordance with the agreements relating to the transactions;

(4) In respect of the total amount of each continuing connected transaction disclosed above, the auditors have not noted any of the events enabling the auditors to believe that the amount of the continuing connected transactions has exceeded the annual caps as set out by the Company.

24 PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

In order to repay the debts and supplement working capital of the Company, on 19 June 2020, the Company issued "20 CEEC Y1" three-year corporate bonds of RMB1 billion on the Shanghai Stock Exchange; on 16 October 2020, the Company issued "20 CEEC Y2" one-year corporate bonds of RMB3.5 billion. As of 31 December 2020, the Company has issued outstanding bonds of RMB13.5 billion (excluding subsidiaries) on the Shanghai Stock Exchange.

No.	Name of the Bond	Amount (RMB0'000)	Issuance Date	Maturity Date	Year of Term	Interest Rate (%)
1	13 CEEC MTN1	300,000	2013-1-18	2023-1-18	10.0	5.37
2	18 CEEC 01	300,000	2018-4-23	2023-4-23	5.0	4.65
3	19 CEEC Y1	300,000	2019-12-13	2022-12-13	3.0	3.90
4	20 CEEC Y1	100,000	2020-6-19	2023-6-19	3.0	3.50
5	20 CEEC Y2	350,000	2020-10-16	2021-10-16	1.0	3.67

Except for the above disclosures, as of 31 December 2020, the Company or any of its subsidiaries did not purchase, sell or redeem the listed securities of the Company.

25 EQUITY-LINKED AGREEMENT

During the Reporting Period, the Company and its subsidiaries neither entered into any agreements in relation to equity-linked products nor participated in any arrangements to purchase equity-linked wealth management products.

26 ARRANGEMENT FOR PRE-EMPTIVE RIGHT AND SHARE OPTION

According to the Articles of Association and relevant laws of China, shareholders of the Company have no pre-emptive right. During the Reporting Period, the Company has no arrangement for pre-emptive right or share option.

27 BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company are set out in note 30 to the Consolidated Financial Statements of this annual report.

28 REMUNERATION AND EQUITY-INCENTIVE POLICY

The Company comprehensively established a scientific, reasonable, open and fair, standardized and orderly remuneration management system. With emphasis on incentives and constraints, and adhering to the efficiency-oriented principle, the Company continued to achieve economic growth while achieving staffs' income growth. The Company established a sound system for determining the total amount of wages and mechanism for the regular wage increases for employees, whereby corporate efficiency varies with the salary and wages in the same direction. The Company has implemented the employees' basic salary system based on the performance of positions as the main remuneration policy, in which the salary and wages of employees are closely aligned with the respective position and actual contribution of individual employee according to the "position-based and performance-linked" policy, highlighting performance and contribution, which promotes more reasonable distribution of income.

Pursuant to the requirements of the relevant policy of the SASAC under the State Council, the Company determined the remuneration of the Directors based on the remuneration standard of the listed state-owned peers in the industry. Among which, the remuneration of the chairman of the Board of the Company is based on the remuneration standard stipulated by the SASAC under the State Council, the remuneration of the executive Directors who are also senior management is based on the results of their performance appraisal and the relevant regulatory requirements on remuneration.

In order to maximize the proactiveness of the senior management and key employees and to support the realization of the Company's strategy and sustainable development, upon consideration and approval at the first extraordinary general meeting of 2016 of the Company, the Company adopted the Restricted Share Incentive Scheme of China Energy Engineering Corporation Limited on 21 November 2016. The shares granted to incentive objects are the restricted shares of the Company. According to the initial grant plan, the lock-up period is 2 years and the unlock period is 3 years. The shares will be unlocked at an average rate of 33%, 33%, and 34%. For details of the incentive scheme, please refer to the announcements of the Company dated 27 July 2016, 3 October 2016, 21 November 2016, 16 November 2018, 21 November 2019 and 30 June 2020 as well as the circular of the Company dated on 6 October 2016.

On 16 November 2018, as resolved by the Board of Directors of the Company, the conditions for unlocking of the first unlocking period under the initial grant of restricted shares for the Restricted Share Incentive Scheme approved on 21 November 2016 have been fulfilled. Upon the approval of the above resolution, the first unlocking period is between the first trading day after 24 months since the date of initial grant to the last trading day within 36 months since the date of grant. The actual number of grantees under the initial grant of the Company was 516 and the total number of restricted shares of the Company granted thereunder was 273.674 million (for details, please refer to the 2018 annual report of the Company), of which 481 has fulfilled the conditions for this unlocking, 83.994 million restricted shares granted to them were unlocked on 22 November 2018.

As resolved by the Board on 21 November 2019, since the Company had not fulfilled the assessment conditions for the second period of unlocking in 2018, the Company transferred the incentive scheme participants' restricted shares of the Company to be unlocked in the second period of unlocking back to the entrusted management agency according to the grant price. Pursuant to which, the Company transferred 504 incentive scheme participants' restricted shares of the Company, representing 92.78 million shares, to the entrusted management agency according to the grant price. The aggregate amount paid by the Company was RMB54.7402 million.

As resolved by the Board on 30 June 2020, since the Company had not fulfilled the assessment conditions for the third period of unlocking in 2019, the Company transferred the incentive scheme participants' restricted shares of the Company to be unlocked in the third period of unlocking back to the entrusted management agency at the grant price. Pursuant to which, the Company transferred 479 incentive scheme participants' restricted shares of the Company, representing 87.162 million restricted shares, to the entrusted management agency at the grant price. The aggregate amount paid by the Company was RMB51.42558 million. Save as disclosed above, as of 31 December 2020, according to the Restricted Share Incentive Scheme, no restricted shares have been granted, lapsed or cancelled.

Save for the above-mentioned Restricted Share Incentive Scheme, the Company did not implement any share option scheme during 2020.

29 STAFF RETIREMENT BENEFITS

Details of the staff retirement benefits of the Company are set out in note 33 to the Consolidated Financial Statements of this annual report.

30 DONATIONS

The Company made donations of a total amount of RMB39.739 million in 2020. The donations were made mainly through People's Government at the county level or above and other social welfare organizations to designated poverty areas, education, medical and healthcare, public relief and public welfare.

31 COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In addition to the disclosures in the report, the Company has complied with all the code provisions set out in the Corporate Governance Code during the Reporting Period. Details are set out in the "Corporate Governance Report" of this annual report.

32 INDEPENDENT AUDITORS

The Company has appointed KPMG and Da Hua Certified Public Accountants LLP as its international and domestic auditors of the Company, respectively, for the financial statements for the year ended 31 December 2020. The Audit Committee of the Board of Directors of the Company has no different opinions on the appointment of the accounting firms for 2020.

BDO China Shu Lun Pan Certified Public Accountants LLP was engaged as the domestic auditor of the Company for the years of 2017 to 2019. As resolved at the annual general meeting of the Company held on 30 June 2020, it was resolved to appoint Da Hua Certified Public Accountants LLP as our domestic auditor. KPMG has appointed as the international auditor of the Company since 2017.

33 COMPLIANCE WITH RELEVANT LAWS

After listing on the Main Board of the Stock Exchange, the Company is subject to the Company Law, the Listing Rules, the SFO and other related laws and regulations domestically and internationally. The Company complies with the following key regulatory requirements:

The SASAC and other Chinese government departments (including but not limited to Ministry of Finance, State Taxation Administration, National Audit Office, State Administration for Market Regulation, People's Bank of China, Ministry of Human Resources and Social Security) have made inquiries and on-site inspection or off-site survey to the Company's compliance with Chinese laws and regulations in terms of state-owned assets management, financial condition and business operation, solvency status, tax payment, foreign exchange management, labour and social welfare, etc.

Compliance with the Listing Rules and the SFO, including but not limited to fulfilling the followings: safe-keeping the register of interests in shares and short positions and the register of interests and short positions of Directors, supervisors and chief executives, disclosure of inside information, etc. The Company has implemented internal control to ensure its compliance with such laws and regulations. To the best of our knowledge, there are no legal issues that may, in the opinion of the Directors, have material adverse effects on the corporate business, financial condition, business performance or prospects as of the end of the Reporting Period.

34 ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

In 2020, the Company strictly abided by environmental protection laws, regulations and regulations, adhered to green production, served green projects, and developed green industries. There were no ecological and environmental incidents. Overall energy consumption per RMB10 thousand revenue decreased by 0.5% year-on-year. The total emission number of major pollutants such as sulfur dioxide decreased by 0.6% year-on-year. We continued to standardize environmental management, organized our affiliated companies to identify and evaluate environmental factors, and establish a list. We have also implemented supervision and inspections in grades and categories, organized and carried out 8 project environmental inspections at the company level, supervised the implementation of problem rectification, and comprehensively investigated the environmental protection of overseas coal power projects, and promoted the legal compliance of production and operation.

Gezhouba Cement Company, a subsidiary of the Company, actively carried out the creation of a demonstration enterprise of green manufacturing system, and won the title of "2020 Environmental and Social Responsibility Enterprise"; Anhui Power Construction 1 Company, a subsidiary of the Company, won the "Anhui Province Environmental Protection Industry Excellent Enterprise" title; the 500 kV Qishan Power Transmission and Transformation Project undertaken by China Energy Engineering Group Guangdong Thermal Power Engineering Co., Ltd. (中國能源建設集團廣東火電工程有限公司), a subsidiary of the Company, was awarded the "National Soil and Water Conservation Ecological Civilization Project".

35 COMPLIANCE WITH OFAC UNDERTAKINGS

The Overseas Risk Management Committee of the Company will be specifically assigned to supervise the projects that will be conducted in sanctioned countries or those persons or entities who will be sanctioned by OFAC, the United Nations and other agencies. The Company has requested its subsidiaries to conduct international business in accordance with the Detailed Rules on the Work of the Overseas Risk Management Committee of China Energy Engineering Corporation Limited. During the Reporting Period, the Company convened four meetings of the Overseas Risk Management Committee, complying with the working requirements for the overseas risk management.

According to the legal advice provided by professional lawyers, the Company has not received any inquiries from any relevant institutions in the US, as overseas projects of the Company did not involve the target behaviors indicated in the OFAC guidelines.

36 PUBLIC FLOAT

According to publicly available information, as of the latest practicable date before the printing of this report, the Company has sufficient public float and meets the minimum requirements for public float under the Listing Rules.

37 REVIEW OF ANNUAL REPORT

The Audit Committee has reviewed the Company's annual results of 2020, and the financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards.

38 INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

38.1 Individual Investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011] 348號)), the dividends and bonuses received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld and paid on behalf of the shareholders by the withholding and payment agents. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China and the tax arrangements between mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration management, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonuses, generally withhold and pay individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements stipulating a tax rate of lower than 10%, the withholding and payment agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon review and approval by the tax authorities, the excess tax amounts withheld and paid will be refunded; (2) for citizens from countries which have entered into tax agreements stipulating a tax rate of higher than 10% but lower than 20%, the withholding and payment agents will withhold and pay the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding and payment agents will withhold and pay the individual income tax at a tax rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(國稅函[2006] 884號)) signed on 21 August 2006, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable, if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

38.2 Enterprises

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得税法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the enterprise income tax at the rate of 10% of its income from the Chinese territory. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

According to the Notice on the Withholding and Payment of Enterprise Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得税有關問題的通知》 (國税函[2008] 897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall withhold and pay on behalf of the shareholders the enterprise income tax at the unified rate of 10%. Such withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation.

Pursuant to the provisions in the Notice on Tax Policies Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》 (財税[2014] 81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses obtained by mainland individual investors from investing in H shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H share companies shall withhold individual income tax at the tax rate of 20%. For the dividends and bonuses obtained by mainland securities investment funds from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends and bonuses obtained by mainland enterprise investors from investing in shares listed in Stock Exchange through Shanghai-Hong Kong Stock Connect, such H share companies shall not withhold any income taxes on the dividends and bonuses, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends and bonuses obtained by mainland resident enterprises from holding relevant H shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be paid for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax reduction and exemption pursuant to the above provisions.

CORPORATE GOVERNANCE REPORT

The Company is firmly committed to maintaining the overall standards of corporate governance. It has adopted all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code on corporate governance practices.

1 CORPORATE GOVERNANCE STRUCTURE

The Company conducts its business in strict accordance with the relevant laws and regulations and regulatory documents such as Company Law, Securities Law, Listing Rules as well as requirements of the Articles of Association.

The Company has set up an internal governance structure composed of the general meeting, the Board of Directors and its special committees, the Board of Supervisors and the Senior Management, clarifying the work mechanism of the Company's party committee conducting pre-researches and debates on major issues and the special committees under the Board of Directors listening to work reports on a regular basis. The system framework and managing mechanism is optimized with clear procedures and sufficient information communications. During the Reporting Period, each internal governance department was operated independently and effectively with their respective duties and obligations being fully fulfilled.

2 COMPLIANCE WITH THE CODE PROVISIONS OF CORPORATE GOVERNANCE CODE

As a listed company on the Main Board of the Stock Exchange, the Company has adopted the Corporate Governance Code as the relevant corporate governance code of the Company. Except for the following, we have always complied with all the code provisions of the Corporate Governance Code during the Reporting Period.

In December 2019, Mr. Zheng Qiyu, an independent non-executive Director of the Company, passed away due to illness. On 10 June 2020, the Board announced that, it was proposed to nominate Mr. Zhao Lixin and Mr. Cheng Niangao as independent non-executive Directors of the Company, which shall be subject to approval by shareholders of the Company. On 30 June 2020, 2019 annual general meeting of the Company approved the aforesaid appointments of Directors. On the same day, Mr. Cheng Niangao was appointed as the chairperson of the Remuneration and Assessment Committee and a member of the Nomination Committee of the Board, and Mr. Zhao Lixin was appointed as the chairperson of the Audit Committee of the Board. Following the appointments of Mr. Zhao Lixin and Mr. Cheng Niangao as independent non-executive Directors of the Company and changes in members of special committees under the Board, (i) the number of independent non-executive Directors of the Board of the Company complies with the requirements of Rule 3.10(1) of the Listing Rules; (ii) the number of independent non-executive Directors represents at least one-third of the total number of members of the Board, which complies with the requirements of Rule 3.10A of the Listing Rules; and (iii) the Remuneration and Assessment Committee comprising a majority of independent non-executive Directors, was chaired by an independent non-executive Director, which complies with the requirement of Rule 3.25 of the Listing Rules.

In addition, upon passing away of Mr. Zheng Qiyu in December 2019, although the Board had endeavored to identify suitable candidates as soon as possible, their appointments need to be approved by the shareholders of the Company on 30 June 2020. Therefore, the Company failed to comply with the time requirement for the appointment of sufficient Directors and committee members within three months as required by Rules 3.11 and 3.27 of the Listing Rules.

On 21 August 2020, Mr. Ma Chuanjing resigned as a non-executive Director of the Company, a member of the Strategy Committee and the Audit Committee of the Board due to his age. Following the resignation of Mr. Ma Chuanjing, the Audit Committee only consisted of two independent non-executive Directors, which does not comply with the requirement of including at least three members in the Audit Committee under Rule 3.21 of the Listing Rules; on 31 August 2020, Mr. Wang Jianping resigned as the chairman of the Board, an executive Director of the Company, the chairperson of the Strategy Committee, the chairperson of the Nomination Committee of the Board and an authorised representative of the Company under Rule 3.05 of the Listing Rules (the "Authorised Representative") due to work adjustment. Following the resignation of Mr. Wang Jianping, there were no chairpersons for the Nomination Committee and the Strategy Committee, and the Company had only have one Authorised Representative. On 11 September 2020, the Board of Directors announced the recommendation to appoint Mr. Song Hailiang as an executive Director of the Company, subject to the approval of the Company's shareholders. On 27 October 2020, the Company approved the above appointment of Director at the First Extraordinary General Meeting of 2020. On the same day, Mr. Song Hailiang was appointed as the chairperson of the Strategy Committee of the Board, the chairperson of the Nomination Committee and the Authorized Representative of the Company; Mr. Zhao Lixin was appointed as a member of the Nomination Committee of the Board; Mr. Cheng Niangao was appointed as a member of the Audit Committee of the Board and ceased to serve as a member of the Nomination Committee of the Board. After Mr. Song Hailiang was appointed as an executive Director of the Company and the changes of the members in the special committees of the Board, (i) the Audit Committee of Board of the Company includes three independent non-executive Directors, which meets the requirement of Rule 3.21 of the Listing Rules that there should be at least three members in the audit committee; (ii) the chairpersons of the Nomination Committee and Strategy Committee of the Board of the Company have been re-appointed; and (iii) there are two Authorized Representatives in the Company.

3 COMPLIANCE WITH MODEL CODE BY THE DIRECTORS AND SUPERVISORS

The Company has formulated and implemented internal conduct code which is no less than the Model Code as the code of conduct regarding securities transaction by the Directors and supervisors.

Having made specific enquiry of all Directors and supervisors, the Company confirms that all Directors or supervisors of the Company have complied with the required standards set out in the Model Code during the Reporting Period.

4 SHAREHOLDERS

4.1 Rights of Shareholders

According to the Articles of Association passed at the First Extraordinary General Meeting of 2021, the procedures for convening an extraordinary general meeting, making inquiries to the Board and putting forward proposals at the general meetings by the shareholders are as follows:

a) Convening an Extraordinary General Meeting

Shareholders individually or collectively holding 10% (including 10%) or more of the shares with voting rights at the proposed meeting may sign one or more written requests in the same format and content and deliver to the Board for calling an extraordinary general meeting or a class meeting, stating the subjects of the meeting. The Board shall call an extraordinary general meeting or a class meeting as soon as possible after receiving the aforementioned written requests.

b) Making Inquiries to the Board

To inquire about matters related to the Company with the Board of Directors, shareholders can email us at: dongban3996@ceec.net.cn.

c) Putting Forward Proposals at the General Meeting

(1) The Company convenes a general meeting, at which shareholders individually or collectively holding 3% or more of the shares of the Company are entitled for proposing resolutions to the Company. Shareholders individually or collectively holding 3% or more of the shares of the Company are entitled for proposing extraordinary resolutions and submitting the same in writing to the convener 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting to announce the content of the extraordinary resolutions within 2 days after receiving the proposal.

(2) Before holding an annual general meeting, the Company shall issue a prior written notice 20 clear business days before the meeting to the registered shareholders. Before holding an extraordinary general meeting, the Company shall issue a prior written notice 15 days or 10 clear business days (whichever is longer) before the meeting to the registered shareholders. The shareholders planning to attend the general meeting shall give a written reply on their participation in the meeting to the Company within the period specified in the notice.

As a channel to promote effective communication, the Company publishes its announcements, financial data and other relevant data on the website. For enquiry, shareholders may directly send a letter to the Company's principal place of business in Hong Kong. The Company will handle all enquiries with an appropriate method in a prompt manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The chairman of the Board as well as the chairpersons of all committees are normally present at the annual general meetings and other general meetings of the Company to answer questions raised.

The detailed voting procedures and the voting by poll have been contained in the shareholder circular sent earlier.

4.2 General Meeting

During the Reporting Period, the Company convened three general meetings, details of which are as follows:

Name of the meeting	Date	Meeting manner	Number of shareholders or its proxies attended	Number of shares represented	The percentage of total share capital
Annual General Meeting of 2019	30 June 2020	On-site meeting combined with telephone and video access	6	21,647,375,316	Approximately 72%
First Extraordinary General Meeting of 2020	27 October 2020	On-site meeting combined with telephone and video access	7	22,254,094,811	Approximately 74%
Second Extraordinary General Meeting of 2020	29 December 2020	On-site meeting combined with telephone and video access	8	22,254,540,021	Approximately 74%

The above general meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' rights of participation and exercise of their rights.

5 BOARD OF DIRECTORS

5.1 Composition of the Board

During the Reporting Period, the composition of the Board is as follows. The third session of the Board of the Company has been elected and formed at the First Extraordinary General Meeting of 2021 of the Company held on 5 February 2021. The term of office of the Directors of the third session of the Board is three years, from 5 February 2021 to the date of expiry of the third session of the Board of the Company. For the composition of the third session of the Board of the Company, please refer to the announcement of the Company dated 5 February 2021.

No.	Name	Position
1	Song Hailiang	Chairman of the Board and Executive Director
2	Sun Hongshui	Vice Chairman of the Board, Executive Director and General Manager
3	Ma Mingwei	Executive Director
4	Liu Xueshi	Non-executive Director
5	Si Xinbo	Non-executive Director
6	Cheung Yuk Ming	Independent Non-executive Director
7	Zhao Lixin	Independent Non-executive Director
8	Cheng Niangao	Independent Non-executive Director
9	Wang Jianping[1]	Former Chairman of the Board and Executive Director
10	Ding Yanzhang[2]	Former Vice Chairman of the Board, Executive Director and General Manager
11	Zhang Xianchong[3]	Executive Director
12	Ma Chuanjing[4]	Non-executive Director
13	Ding Yuanchen[5]	Independent Non-executive Director

Notes:

1 Mr. Wang Jianping resigned on 31 August 2020;

2 Mr. Ding Yanzhang resigned on 26 May 2020;

3 Mr. Zhang Xianchong resigned on 14 January 2020;

4 Mr. Ma Chuanjing resigned on 21 August 2020;

5 Mr. Ding Yuanchen resigned on 30 June 2020.

All the Directors of the Company do not have any financial, business, family or other material relationship with each other.

Pursuant to the Articles of Association, the term of office of a Director is three years, and may hold consecutive terms upon re-election. The term of office of each independent non-executive Director is limited to a maximum term of six years to ensure his/her independence. As of the date of this report, the Company has received the confirmation of independence from each of the independent non-executive Directors made in accordance with Rule 3.13 of the Listing Rules. The Company confirms that each of the independent non-executive Directors is independent.

5.2 Board Meetings

In 2020, the Company held twelve Board meetings in total. A total of 49 resolutions were considered and passed at the meetings, including the 2020 Production and Operation Plan and the Work Report of the Board of Directors.

The table below sets out the details of Board meeting attendance of each director during the Reporting Period:

	Attendance of Board Meetings				Attendance of General Meetings		
Director(s)	Number of meetings required to attend	Number of meetings attended in person	Number of attendance by proxy	Attendance rate	Number of meetings required to attend	Number of meetings attended in person	Attendance rate
Song Hailiang[1]	2	2	0	100%	1	0	0%
Sun Hongshui	5	5	0	100%	2	2	100%
Ma Mingwei	5	5	0	100%	2	2	100%
Liu Xueshi[2]	12	11	1	92%	3	1	33%
Si Xinbo[3]	12	12	0	100%	3	2	67%
Cheung Yuk Ming[4]	12	8	4	67%	3	2	67%
Zhao Lixin	5	5	0	100%	2	2	100%
Cheng Niangao	5	5	0	100%	2	2	100%
Wang Jianping[5]	9	8	1	89%	1	1	100%
Ding Yanzhang[6]	5	5	0	100%	0	0	N/A
Zhang Xianchong[7]	0	0	0	N/A	0	0	N/A
Ma Chuanjing[8]	8	0	0	100%	1	1	100%
Ding Yuanchen[9]	8	0	0	100%	1	1	100%

Notes:

1 Mr. Song Hailiang was appointed as the executive Director of the Company at the First Extraordinary General Meeting of 2020 held by the Company on 27 October 2020. Mr. Song Hailiang was unable to attend the Second Extraordinary General Meeting of 2020 of the Company held on 29 December 2020 due to other work engagements.

2 Mr. Liu Xueshi was unable to attend the First Extraordinary General Meeting of 2020 of the Company held on 27 October 2020 due to other work engagements; he was unable to attend the Second Extraordinary General Meeting of 2020 of the Company held on 29 December 2020 due to other work engagements; he was unable to attend the 24th meeting of the second session of the Board of the Company held on 27 October 2020 due to other work engagements, and designated Mr. Si Xinbo as proxy to attend the meeting.

3 Mr. Si Xinbo was unable to attend the First Extraordinary General Meeting of 2020 of the Company held on 27 October 2020 due to other work engagements.

4 Mr. Cheung Yuk Ming was unable to attend the 14th meeting of the second session of the Board of the Company held on 14 January 2020 due to other work engagements, and designated Mr. Ding Yuanchen as proxy to attend the meeting; Mr. Cheung Yuk Ming was unable to attend the 17th meeting of the second session of the Board of the Company held on 31 March 2020 due to other work engagements, and designated Mr. Ding Yuanchen as proxy to attend the meeting; Mr. Cheung Yuk Ming was unable to attend the 21st meeting of the second session of the Board of the Company held on 30 June 2020 due to other work engagements, and designated Mr. Ding Yuanchen as proxy to attend the meeting; Mr. Cheung Yuk Ming was unable to attend the 22nd meeting of the second session of the Board of the Company held on 28 August 2020 due to other work engagements, and designated Mr. Cheng Niangao as proxy to attend the meeting; Mr. Cheung Yuk Ming was unable to attend the annual general meeting of 2019 of the Company held on 30 June 2020 due to other work engagements.

5 Mr. Wang Jianping was unable to attend the 22nd meeting of the second session of the Board of the Company held on 28 August 2020 due to other work engagements, and designated Mr. Sun Hongshui as proxy to attend the meeting; Mr. Wang Jianping resigned on 31 August 2020.

6 Mr. Ding Yanzhang resigned on 26 May 2020.

7 Mr. Zhang Xianchong resigned on 14 January 2020.

8 Mr. Ma Chuanjing resigned on 21 August 2020.

9 Mr. Ding Yuanchen resigned on 30 June 2020.

The Company adopts the practice of holding regular Board meetings and extraordinary Board meetings, at least four regular meetings annually and at approximately quarterly intervals. Notices are given not less than fourteen days in advance for all regular Board meetings to provide all Directors with an opportunity to attend and include related matters in the agenda for a regular meeting.

For extraordinary meetings of the Board and meetings of the special committees of the Board, reasonable notice is generally given. The agenda and accompanying meeting papers of extraordinary meetings of the Board and meetings of the special committees of the Board are dispatched to the Directors or members of the relevant special committees of the Board at least five days and three days, respectively, before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings.

5.3 The Board and the Management

The chairman of the Board and the general manager of the Company are held by different persons. The Board and the management respectively perform their own duties and take their own responsibilities. The division of duty is in strict compliance with the requirements under the Articles of Association, Rules of Procedure of the Board of China Energy Engineering Corporation Limited (《中國能源建設股份有限公司董事會議事規則》), By-laws for General Manager of China Energy Engineering Corporation Limited (《中國能源建設股份有限公司總經理工作細則》) and relevant laws and regulations.

1) Board of Directors

Major duties of the Board are as follows:

- Convening the general meetings and reporting its work to the general meetings;
- Implementing resolutions of the general meeting;
- Deciding the business plans and investment plans of the Company;
- Formulating the plans for annual financial budgets and final accounts of the Company;
- Formulating the plans for profit distribution and making up losses of the Company;
- Formulating proposals for the increase or reduction of registered capital and the issue of shares, debentures or other securities and the listing plan of the Company;
- Formulating plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;
- Deciding on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantee, debt financing, entrusted wealth management and connected transactions, except those which shall be approved by the general meeting of the Company as prescribed by laws, regulations, departmental regulations or the Articles of Association;
- Deciding the establishment of the internal management organization of the Company;
- Appointing or removing the general manager and secretary to the Board of the Company; Appointing or removing deputy general managers and other senior management of the Company pursuant to the nominations of the general manager and deciding on their remuneration as well as reward and punishment;

- Formulating the basic management system of the Company;
- Preparing plans for amendments to the Articles of Association;
- Managing information disclosure matters of the Company;
- Proposing to the general meetings as to the appointment or change of the accounting firm for the auditing of the Company;
- Receiving the work reports of the general manager of the Company and reviewing the work of the general manager;
- Deciding the establishment of special committees of the Board and their compositions; and
- Exercising other functions and powers specified by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, and conferred by general meetings and the Articles of Association.

There are currently four special committees established under the Board, namely the Strategy Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Audit Committee. Each of the special committees has its rules of procedure and is accountable to the Board. Under the centralized leadership of the Board, the special committees shall provide recommendations, opinions and advice for the decision to be made by the Board. The special committees may engage intermediary organizations to provide independent professional advice, and the relevant expenses shall be borne by the Company.

During the Reporting Period, the Board of Directors actively expanded information communication channels by launching 1 special investigation and 1 communication session between the chairman of the Board and independent non-executive Directors and listening to the work report of the general manager and the implementation of resolutions of the Board of Directors on a regular basis to enhance scientific decision-making of the Board of Directors and further facilitate Board's effective performance in accordance with the regulations. Meanwhile, the Board of Directors also set up a mechanism for the special committees of the Board to listen to work reports on a regular basis. The special committees under the Board of Directors listened to work report for three times in total as an effort to stay updated with major issues.

2) Management

The Company has one general manager, who is responsible for and reports works to the Board, and has several deputy general managers and a chief accountant to assist with the work of the general manager.

The general manager primarily performs the following duties:

- Being in charge of the production, operation and management of the Company, organizing and implementing resolutions of the Board and reporting to the Board;
- Organizing and implementing the annual business plans and investment plans of the Company;
- Drafting the plan for establishment of the internal management structure of the Company;
- Drafting the general management system of the Company;
- Formulating the detailed rules and regulations of the Company;
- Proposing to the Board the appointment or removal of the deputy general managers and chief accountant of the Company;
- Appointing or removing management personnel other than those required to be appointed or removed by the Board of Directors; and
- Exercising other functions and powers conferred by the Articles of Association or the Board.

At the request of the Board, the general manager timely provides important information relating to the Company's production and operation, entering into and performance of material contracts, capital and asset operation, profit or loss, etc. to the Board, regularly reports to the Board on his work, and ensures the truthfulness, objectiveness and completeness of such reports.

5.4 Continuous Professional Training of the Directors

The Company arranges regular seminars and training for Directors, providing them the latest development and updated information, if any changes, of the Listing Rules and other relevant laws and regulatory provisions from time to time.

During the Reporting Period, Directors of the Company received relevant training on Directors' Ongoing Obiligations and Relevant Matters Relating to Disclosable Transactions.

Director(s)	Directors' Ongoing Obiligations (times)	Relevant Matters Relating to Disclosable Transaction (times)
SONG Hailiang	1	1
SUN Hongshui	1	1
MA Mingwei	1	1
LIU Xueshi	1	1
SI Xinbo	1	1
CHEUNG Yuk Ming	1	1
ZHAO Lixin	1	1
CHENG Niangao	1	1
WANG Jianping[1]	1	1
DING Yanzhang[2]	1	1
ZHANG Xianchong[3]	1	1
MA Chuanjing[4]	1	1
DING Yuanchen[5]	1	1

Notes:

1 Mr. WANG Jianping resigned on 31 August 2020;

2 Mr. DING Yanzhang resigned on 26 May 2020;

3 Mr. ZHANG Xianchong resigned on 14 January 2020;

4 Mr. MA Chuanjing resigned on 21 August 2020;

5 Mr. DING Yuanchen resigned on 30 June 2020.

5.5 Special Committees of the Board

5.5.1 Strategy Committee

Major duties of the Strategy Committee are: studying on the Company's medium and long-term development strategies, industrial restructuring, major organizational restructuring, major business restructuring plans, major investment and financing plans, major capital operation, asset management projects, and proposing recommendations on aforementioned matters to the Board of Directors.

At the end of the Reporting Period, the members of the Strategy Committee include Mr. SONG Hailiang (executive Director), Mr. SUN Hongshui (executive Director) and Mr. SI Xinbo (non-executive Director). SONG Hailiang is the chairperson of the Strategy Committee. During the Reporting Period, the Strategy Committee convened 2 meetings to consider and approve 2 resolutions, namely the Resolution on 2020 Annual Investment Plan of the Company and Proposal on Adjusting 2020 Non-principal Business Investment Plan of the Company. The following table shows the attendance of each committee member at the Strategic Committee meetings:

Committee member	Number of required attendance	Number of attendance in person	Number of attendance by proxy
WANG Jianping	2	1	1
DING Yanzhang	1	1	0
SUN Hongshui	1	1	0
MA Chuanjing	1	1	0
SI Xinbo	2	2	0
SONG Hailiang	N/A	N/A	N/A

Note: At the beginning of the Reporting Period, the members of the Strategy Committee include WANG Jianping (then executive Director), DING Yanzhang (then executive Director), MA Chuanjing (then non-executive Director) and SI Xinbo (non-executive Director). WANG Jianping is the chairperson of the Strategy Committee. Among them, MA Chuanjing did not attend the second meeting due to retirement. On 27 October 2020, the 24th meeting of the second session of the Board of Directors considered and approved the Resolution on Adjusting the Composition of the Special Committee of the Second Session of the Board of Directors of the Company. The members of the Strategy Committee were adjusted to SONG Hailiang (executive director), SUN Hongshui (executive Director) and SI Xinbo (non-executive Director). SONG Hailiang is the chairperson of the Strategy Committee. During the Reporting Period, the Strategy Committee did not hold any meeting after the adjustment.

5.5.2 Nomination Committee

Major duties of the Nomination Committee are: formulating criteria, procedures and methods for selection of Directors and senior management of the Company and submitting them to the Board of Directors for consideration; reviewing the structure, size, composition and related qualifications of the Board of Directors, reviewing the composition of Board of Directors at diversified levels and overseeing the execution of the Board diversity policy; reviewing the independence of independent non-executive Directors; proposing human resources retention scheme and suggestions to the Company; proposing suggestions to the Board of Directors regarding appointment or re-appointment or Directors and succession planning of Directors.

At the end of the Reporting Period, the members of the Nomination Committee include Mr. SONG Hailiang (executive Director), Mr. CHEUNG Yuk Ming (independent non-executive Director) and Mr. ZHAO Lixin (independent non-executive Director). SONG Hailiang is the chairperson of the Nomination Committee. During the Reporting Period, the Nomination Committee convened 3 meetings, and considered 6 resolutions. The following table shows the attendance of each committee member at the Nomination Committee meeting:

Committee member	Number of required attendance	Number of attendance in person	Number of attendance by proxy
SONG Hailiang	N/A	N/A	N/A
CHEUNG Yuk Ming	3	2	1
ZHAO Lixin	N/A	N/A	N/A
WANG Jianping	3	3	0
DING Yuanchen	3	3	0
CHENG Niangao	N/A	N/A	N/A

Note: Mr. DING Yuanchen resigned as the member of the Nomination Committee on 30 June 2020, and Mr. WANG Jianping resigned as the chairperson of the Nomination Committee on 31 August 2020. Mr. CHENG Niangao was appointed as the member of the Nomination Committee on 30 June 2020 and ceased to be the member of the Nomination Committee on 27 October 2020. During the term of office of Mr. CHENG, the Nomination Committee didn't convene any meeting. Mr. ZHAO Lixin was appointed as the member of the Nomination Committee on 27 October 2020. Mr. SONG Hailiang was appointed as the chairman of the Nomination Committee on 27 October 2020.

5.5.3 Remuneration and Assessment Committee

Major duties of the Remuneration and Assessment Committee are: proposing recommendations to the Board of Directors regarding the overall remuneration policies and structures of Directors and senior management of the Company; formulating the specific compensation packages for all executive Directors and senior management, and proposing recommendations to the Board of Directors regarding the remuneration of non-executive Directors; reviewing the job fulfillment of and carrying out annual performance assessment for related Directors and senior management; studying the Company's wages, benefits, reward and punishment policies and schemes, and proposing recommendations to the Board of Directors and overseeing its execution.

The performance appraisal and the remuneration allocation for executive Directors, who were supervised by the SASAC and served as the chairman of the Board, vice chairman of the Board or general manager of the Company, was implemented in accordance with the relevant requirements of the SASAC. The remuneration of Directors of the Company who served as the executive Directors is managed by the SASAC and is closely related to their positions and business performance assessment and should be reasonably differentiated and determined according to a certain proportion of the remuneration standards for principal persons in charge.

At the end of the Reporting Period, the members of Remuneration and Assessment Committee include Mr. CHENG Niangao (independent non-executive Director), Mr. CHEUNG Yuk Ming (independent non-executive Director) and Mr. LIU Xueshi (non-executive Director). CHENG Niangao is the chairperson of the Remuneration and Assessment Committee. During the Reporting Period, the Remuneration and Assessment Committee convened 3 meetings and considered 7 resolutions. The following table shows the attendance of each committee member at the Remuneration Committee meetings:

Committee member	Number of required attendance	Number of attendance in person	Number of attendance by proxy
CHENG Niangao	1	1	0
CHEUNG Yuk Ming	3	3	0
LIU Xueshi	3	3	0

Note: Mr. CHENG Niangao was appointed as the chairperson of the Remuneration and Assessment Committee on 30 June 2020.

5.5.4 Audit Committee

Major duties of the Audit Committee are: conducting independent assessment and supervision on the compliance, legality and efficiency of the Company's operation activities on behalf of the Board, particularly including:

1. Making proposals to the Board regarding appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and handling any queries of its resignation or dismissal;

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards;

3. Developing and implementing policy on engaging an external auditor to provide non-audit services;

4. Monitoring the truthfulness, completeness and accuracy of the financial statements, reports and accounts of the Company, and reviewing significant financial reporting opinions contained therein;

5. Examining the Company's financial controls, internal control and risk management systems;

6. Being responsible for the communication between internal audit departments and external auditors in order to ensure coordination between the internal and external auditors;

7. Reviewing the financial and accounting policies and practices of the Company;

8. Considering the risk management strategies and solutions for key risk management issues of the Company;

9. Other duties conferred by the Board.

At the end of the Reporting Period, the members of the Audit Committee include Mr. ZHAO Lixin (independent non-executive Director), Mr. CHENG Niangao (independent non-executive Director) and Mr. CHEUNG Yuk Ming (independent non-executive Director). Mr. ZHAO Lixin is the chairperson of the Audit Committee.

During the Reporting Period, the Audit Committee convened 5 meetings, and considered 10 resolutions and listened to 7 reports. The Audit Committee considered and approved the Company's 2019 annual results announcement, 2019 annual report, 2019 audited financial statements, 2020 interim results announcement, 2020 interim report, appointment of the Company's 2020 accounting firm and determination of its remuneration, and other resolutions, and made recommendations to the Board of Directors. The following table shows the attendance of each committee member at the Audit Committee meetings:

Committee member	Number of required attendance	Number of attendance in person	Number of attendance by proxy
ZHAO Lixin	3	3	0
CHENG Niangao	1	1	0
CHEUNG Yuk Ming	5	5	0
DING Yuanchen	2	2	0
MA Chuanjing	2	2	0

Note: Mr. DING Yuanchen resigned as the chairperson of the Audit Committee on 30 June 2020; Mr. MA Chuanjing resigned as the member of the Audit Committee on 21 August 2020. Mr. ZHAO Lixin was appointed as the chairperson of the Audit Committee on 30 June 2020; Mr. CHENG Niangao was appointed as the member of the Audit Committee on 27 October 2020.

5.6 Board Diversity Policy

5.6.1 Purpose

With a view to achieving a sustainable and balanced development, the Company views the increasing diversity of the Board level as an essential element in supporting the attainment of its strategic objectives, enhancing the level of corporate governance, improving the efficiency of the Board, reducing management and control risk and maintaining its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

5.6.2 Measurable Objectives

Candidates of the Board of the Company will be selected based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will contribute to the Board. The Board's composition (including gender and age) will be disclosed in the annual report of the Company annually.

5.6.3 Monitoring and Reporting

The Nomination Committee of the Company will review annually the Board's composition under diversity perspectives, and monitor the implementation of the Board diversity policy.

5.7 Director Nomination Policy

The Director Nomination Policy is formulated in accordance with the Corporate Governance Code and relevant provisions of the Listing Rules, in which set out the selection criteria and nomination procedure of newly appointed and re-appointed Director(s).

Selection Criteria

– Impact on the Board's composition and the Board diversity, including but not limited to gender, age, cultural and educational background, area, professional experience, skills, knowledge and length of service of the candidate

– The commitment of the candidate putting in sufficient time involvement and effective discharge of duties

– The independence of the candidate

– The potential or actual conflict of interest with the candidate as a result of the selection

– The length of the service of the independent non-executive Directors proposed to be re-appointed

– The candidate submits the required personal information and letter of consent in prescribed format, agrees to be appointed as a non-executive Director, and agrees to publicly disclose the personal information on any documents or relevant websites in relation to the matters about the election of non-executive Director or anything related.

– If the Nomination Committee thinks as necessary, it can request the candidate to provide additional information and documents

– Making recommendation to the Board in relation to the succession planning of Director(s)

Nomination Procedure

– The Nomination Committee searches and selects the candidate in accordance with the selection criteria of the Nomination Policy

– If necessary, the Nomination Committee assesses the candidate, including but not limited to the personal interview and background check, etc.

– The Nomination Committee convenes the meeting of the Nomination Committee to consider the matters regarding nomination of the candidate, and forms a resolution

– The Nomination Committee proposes to convene the general meeting and the Board meeting to consider the matters regarding nomination of the candidate, and forms a resolution

– Appointing the Director(s) in accordance with the resolutions of the general meeting and the Board

Supervision and Review

– The Nomination Committee of the Company is responsible for the monitoring of the execution of the Nomination Policy and re-examining the Nomination Policy when appropriate. The Nomination Committee shall discuss the amendments which have to be made and make recommendation to the Board and the revised Nomination Policy shall be implemented upon the approval of the Board.

5.8 Corporate Governance Functions

The Board recognizes that corporate governance shall be the collective responsibility of Directors, and the corporate governance functions include the followings:

(1) Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

(2) Reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(3) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(4) Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(5) Reviewing the Company's compliance with the Listing Rules and disclosures in the Corporate Governance Report.

6 BOARD OF SUPERVISORS

The Board of Supervisors is responsible for supervising the legality of the performance of duties by the Directors and senior management of the Company, so as to protect the overall benefits of the Company and shareholders.

The Board of Supervisors of the Company is composed of 5 members. As of 31 December 2020, the Company's Board of Supervisors members included Mr. WANG Zengyong, Mr. LI Fangyi, Mr. KAN Zhen, Mr. FU Dexiang, and Mr. WEI Zhongxin. Among them, Mr. WANG Zengyong acts as the Chairman of the Supervisory Committee, and Mr. LI Fangyi and Mr. KAN Zhen act as employee representative supervisors.

During the Reporting Period, the Board of Supervisors convened 4 meetings to consider and approve 13 resolutions, including resolutions on the annual report and connected transactions of the Company, and listened to 5 reports. The table below sets out the details of attendance of each supervisor at the Board of Supervisors meetings during the Reporting Period:

Supervisors	Number of required attendance	Number of attendance in person	Number of attendance by proxy
WANG Zengyong	4	4	0
LI Fangyi	4	4	0
KAN Zhen	4	4	0
FU Dexiang	4	4	0
WEI Zhongxin	4	4	0

7 DIVIDEND POLICY

The profit distribution policy of the Company should value the reasonable investment return expectation of the shareholders, and fully consider the need of continuing and stable development of the Company, under the prerequisites of in compliance with the relevant laws and regulations as well as the Articles of Association.

When the Company distributes the post-tax profit of the relevant accounting year, it should be made in accordance with the post-tax profit prepared under the financial statements with reference to the China accounting standards and laws and regulations, and the financial statements prepared under the international or overseas accounting standard in place of listing (whichever is lower).

According to the resolution of the general meeting, the Company may distribute the interim cash dividend.

The distribution form of the dividend of the Company is cash or shares.

8 JOINT COMPANY SECRETARIES

According to the provision of the Listing Rules, the Company employed Mr. DUAN Qiurong and Ms. LEUNG Suet Wing, the manager of listing services division of TMF Hong Kong Limited, as the joint company secretaries of the Company.

Mr. DUAN Qiurong, the joint company secretary and the authorized representative of the Company, is the primary internal contact person between Ms. LEUNG Suet Wing and the Company.

Mr. DUAN Qiurong and Ms. LEUNG Suet Wing fully complied with the requirements under Rule 3.29 of the Listing Rules, and received not less than 15 hours of continuous professional training during the Reporting Period.

9 INTERNAL CONTROL AND RISK MANAGEMENT

Under the Basic Principles for Internal Control of Enterprises (《企業內部控制基本規範》) and the Corporate Governance Code, and combined with its actual situation, the Company amends the internal control management policy and improves the internal control and risk management system. The Board is responsible for the internal control and risk management system and the review on its effectiveness. The Board is responsible for setting up and maintaining the well-developed system of internal control and risk management. The Audit Committee is set up under the Board to oversee the formulation and implementation of the internal control and risk management system and evaluate the effectiveness of the risk management system of the Company annually. The management of the Company has established the Internal Control, Compliance and Risk Management Committee and set the mutually independent system construction management and appraisal departments. In accordance with the Measures for Risk Assessment and Management, the Company organizes various departments in the headquarters and subordinate enterprises to carry out risk identification and analysis for various business activities on a yearly basis to evaluate major business risks in respect of occurrence probability and impact and formulate management and control measures against major risks and implements risk management and control measures in daily work to strictly prevent the occurrence of risk events. The Company carries out internal control and assessment every year on a regular basis involving all the business segments, key enterprises and business aspects to identify and urge the rectification of internal control defects, constantly improve the internal control system and keep risks within acceptable levels.

In view of the above, the Board of Directors has assessed the internal control and risk management system for 2020, reviewed the Company's financial reporting system, the internal control and risk management system and the adequacy and effectiveness of related procedures, including the adequacy of the Company in respect of the resources, employee qualifications and experience in accounting and financial reporting functions as well as training programmes and budgets. According to the review, the Board of Directors and the Audit Committee concluded that such systems are effective and adequate.

The Board of Directors also acknowledged that such systems aim at managing, instead of eliminating, the risks of failure to achieve the business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

10 AUDITOR'S REMUNERATION

The Company has appointed KPMG and Da Hua Certified Public Accountants LLP as the international and domestic auditors of the Company, respectively, for the financial statements for the year ended 31 December 2020.

RMB0'000

	KPMG (tax included)	Da Hua Certified Public Accountants LLP (tax included)
Interim review	428.0	0.0
Annual report	820.0	402.0
Others	284.0	0.0
Total	1,532.0	402.0

11 INFORMATION DISCLOSURE

The chairman of the Board of the Company is the first responsible person for the disclosure and management of the Company's information, and the secretary to the Board is responsible for the detailed coordination. During the Reporting Period, the Company has fulfilled the information disclosure obligations in a continuous and standard way and made timely, effective, complete and legally appropriate disclosure to the discloseable information and voluntary disclosures in strict compliance with the requirements of the Listing Rules, and further intensified the Company's promotion in the capital market to constantly enhance the image as a listed company. The Company places great emphasis on the management of inside information, strictly controls the scope of insiders and the confidentiality management of inside information vehicles. The Company earnestly commences the registration of insiders with strengthened registration and filing of material matters. With prudent judgment of information which might constitute to the inside information of the Company, the Company will disclose the discloseable inside information pursuant to the requirements as soon as reasonably practicable to further protect the legitimate rights of shareholders, creditors and other interest-related parties.

12 ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors of the Company confirm their related responsibilities for the preparation of the financial statements of the Company and make sure the preparation of the financial statements of the Company conforms to relevant laws and regulations and applicable accounting standards, and ensure the timely publication of the financial statements of the Company. The Company is not exposed to material uncertainties or circumstances which may result in substantial doubts over the Company's ability to continue as a going concern.

13 INVESTOR RELATIONS

The Company attaches great attention to providing accurate, timely and as comprehensive information as possible to investors, and procures to maintain communication with shareholders and investors through effective channels, thus reinforcing knowledge of each other and improving the transparency of its information disclosure. The Company proactively coordinates for the internal departments and subsidiaries to conduct investor relations management work in accordance with the Management Code and Measures on Investor Relations of China Energy Engineering Corporation Limited and Notice of Relevant Works on the Further Clarification of Voluntary Information Disclosure, with an aim to allow investors to further understand the information of the Company. In addition, the Company has set up a centralized department for investor relations, which is responsible for reception of investors' calls, visits and on-site inspections, and coordinating for the investors to attend investors' annual meetings, investment strategy meetings and domestic and overseas road shows.

The Company will publish the Company's information in due course. The latest development, announcements and press in relation to the Company are available on the website designated by the Stock Exchange and the Company's website (www.ceec.net.cn) for investors. Investors could also contact the Company via its hotline (+86 (10) 59098818) or email (zgnj3996@ceec.net.cn).

14 ARTICLES OF ASSOCIATION AND ITS AMENDMENTS

During the Reporting Period, the Company did not have any amendments to the Articles of Association. After the Reporting Period, the Company amended the Articles of Association in the first extraordinary general meeting of 2021, the first domestic shareholders' class meeting of 2021 and the first H shareholders' class meeting of 2021 held on 5 February 2021. The revised version will continue to be valid on the date of this report.

Independent Auditor's Report

To the shareholders of China Energy Engineering Corporation Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Energy Engineering Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 245, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Construction contract accounting estimates

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(x).

The Key Audit Matter	How the matter was addressed in our audit
The Group's business involves entering into infrastructure construction contracts with customers mainly in the power industry to provide construction services. The recognition of revenue and costs from construction contracts is based on the stage of completion method, which is assessed with reference to the percentage of the estimated total contract costs for the contracts that the Group has incurred to date under IFRS 15. Recognising revenue and costs from construction contracts requires management and the Group's internal engineers to make a number of judgemental assumptions in relation to estimating the total costs for individual construction contracts. These assumptions include estimating future labour costs and costs of materials required to complete the construction based on the customised specifications of individual construction contracts. When it is assessed that the budgeted costs exceed the total contract revenue for an individual construction contract or there are other circumstances indicating an expected loss on an individual construction contract and such loss is not recoverable from its customers, management makes a provision for the foreseeable loss.	Our audit procedures to assess accuracy of construction contract accounting estimates included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern the budgeting process and contract revenue recognition; • selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected: – inspecting the contract and discussing with management to obtain an understanding of the specific terms and risks associated with the individual construction contracts; and – assessing and challenging the underlying judgements of management's assessment of total estimated contact costs and estimated costs to complete the contact where it was still in progress at the reporting date, which included making enquiries of the Group's internal engineers and management about the basis and key assumptions adopted in arriving at the budgeted costs and benchmarking the key inputs in the budgets against similar projects undertaken by the Group and market information; • testing the mathematical accuracy of the calculation of percentage of completion, and comparing the percentage of completion with third party engineers' certification of work completed, or latest billing statements agreed with project owners, where applicable on a sample basis; • comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentations on a sample basis;

KEY AUDIT MATTERS (CONTINUED)

Construction contract accounting estimates

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(x).

The Key Audit Matter	How the matter was addressed in our audit
We identified accuracy of construction contract accounting estimates as a key audit matter because of the significant management judgement required in preparing and revising budgets and forecasting the outcome for individual construction contracts at the end of the reporting period, which may affect the calculations of percentage of completion for individual construction contracts and the corresponding revenue and profit or loss recognised for the year.	• identifying and assessing possible onerous contracts by comparing the total budgeted costs, taking into consideration the actual costs incurred up to 31 December 2020, with the total contract revenue for individual construction contracts as agreed with customers; • assessing the impact of possible management bias in budgeting costs by: – assessing the historical accuracy of estimates made by management when preparing budgets for construction contracts by comparing the budgeted costs estimated by management at 31 December 2019 with the actual costs incurred in respect of these individual construction contracts during the current year; and – enquiring of management about the reasons for any changes in budgeted costs for individual construction contracts which existed at 31 December 2020 and under or over-spending for contracts completed during the current year and considering the impact of such reasons on the budgeted costs for other ongoing contracts; • performing site visits to a sample of contracts in progress at 31 December 2020 and discussing with site project managers and the Group's internal engineers the state of completion, service provided and goods delivered; and • assessing the presentation and related disclosures in the consolidated financial statements with reference to the requirements of IFRS 15.

KEY AUDIT MATTERS (CONTINUED)

Loss allowance for trade receivables and contract assets for construction contracts

Refer to notes 21 and 26 to the consolidated financial statements and the accounting policies in notes 2(m), 2(o) and 2(p).

The Key Audit Matter	How the matter was addressed in our audit
Management estimates the loss allowance at an amount equal to lifetime expected credit loss for trade receivables and contract assets for construction contracts with assessments of expected credit losses and estimated loss rates based on the ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and forward-looking information. Such assessment involves a significant degree of judgement. We identified the loss allowance for trade receivables and contract assets for construction contracts as a key audit matter because of the inherent uncertainty in assessing if trade receivables and contract assets for construction contracts will be recovered in full and because the assessment of expected credit losses requires the exercise of significant management judgement.	Our audit procedures to assess the loss allowance for trade receivables and contract assets for construction contracts included the following: • obtaining an understanding of and assessing the design and implementation of key internal controls relating to credit control, debt collection, estimate of expected credit losses and making related allowances; • obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the Group, including the basis of the segmentation of the trade receivables and contract assets for construction contracts based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; • assessing the reasonableness of management's estimate of expected credit losses by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chu Man Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
19 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**270,327,662**	247,290,988
Cost of sales		**(234,226,653)**	(214,953,740)
Gross profit		**36,101,009**	32,337,248
Other income	5	**1,613,077**	2,110,055
Net impairment losses on financial assets and contract assets	6(a)	**(1,610,505)**	(1,118,360)
Other net gains and losses	6(b)	**132,816**	2,420,944
Selling expenses		**(1,940,653)**	(2,383,853)
Administrative expenses		**(11,904,982)**	(12,126,157)
Research and development expenses		**(6,784,810)**	(5,511,588)
Finance income	7	**388,545**	1,055,089
Finance costs	7	**(3,480,229)**	(4,355,663)
Share of profits of joint ventures	16	**208,116**	168,960
Share of profits of associates	17	**32,461**	711,246
Profit before taxation		**12,754,845**	13,307,921
Income tax	10	**(4,062,751)**	(3,707,542)
Profit for the year	8	**8,692,094**	9,600,379
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations	33	**491,120**	270,578
– Income tax relating to remeasurement of defined benefit obligations		**(17,252)**	3,499
– Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		**553,647**	191,198
– Income tax relating to equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		**(88,145)**	(22,097)
		939,370	443,178
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(678,831)**	(109,173)
		(678,831)	(109,173)
Other comprehensive income for the year		**260,539**	334,005
Total comprehensive income for the year		**8,952,633**	9,934,384
Recycle the accumulated fair value of equity investment at fair value through other comprehensive income to retain earnings on derecognition (the "Recycling")		–	(50,601)
Other Comprehensive income for the year, net of the Recycling		**260,539**	384,606
Total comprehensive income for the year, net of the Recycling		**8,952,633**	9,984,985

The notes on pages 121 to 245 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Profit for the year attributable to:			
Equity holders of the Company			
– Shareholders		**4,516,628**	5,072,433
– Perpetual capital instruments holders		**163,657**	6,091
		4,680,285	5,078,524
Non-controlling interests			
– Shareholders		**2,942,171**	3,683,171
– Perpetual capital instruments holders		**1,069,638**	838,684
		4,011,809	4,521,855
		8,692,094	9,600,379
Total comprehensive income for the year attributable to:			
Equity holders of the Company			
– Shareholders		**4,686,062**	5,243,806
– Perpetual capital instruments holders		**163,657**	6,091
		4,849,719	5,249,897
Non-controlling interests			
– Shareholders		**3,033,276**	3,845,803
– Perpetual capital instruments holders		**1,069,638**	838,684
		4,102,914	4,684,487
		8,952,633	9,934,384
Total comprehensive income for the year, net of the Recycling, attributable to:			
Equity holders of the Company			
– Shareholders		**4,686,062**	5,294,407
– Perpetual capital instruments holders		**163,657**	6,091
		4,849,719	5,300,498
Non-controlling interests			
– Shareholders		**3,033,276**	3,845,803
– Perpetual capital instruments holders		**1,069,638**	838,684
		4,102,914	4,684,487
		8,952,633	9,984,985
Earnings per share			
– Basic and diluted (RMB cents)	11	**15.13**	16.99

The notes on pages 121 to 245 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 36(b).

Consolidated Statement of Financial Position

At 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	**50,343,979**	47,803,927
Investment properties	13	**750,449**	719,094
Intangible assets	14	**52,689,188**	42,443,895
Investments in joint ventures	16	**7,450,187**	5,416,691
Investments in associates	17	**21,503,857**	16,460,287
Goodwill	18	**2,140,397**	1,575,800
Deferred tax assets	20(b)	**2,276,429**	2,068,529
Trade receivables	21	**34,650,825**	29,128,276
Prepayments, deposits and other receivables	22	**1,602,839**	1,894,945
Finance lease receivables	23(b)	**4,235,234**	1,863,472
Financial assets at fair value through other comprehensive income	19(a)	**2,310,578**	2,194,812
Financial assets at fair value through profit or loss	19(b)	**6,686,063**	5,423,593
		186,640,025	156,993,321
Current assets			
Inventories	24	**11,955,535**	12,617,279
Properties under development for sale	25	**44,937,703**	47,103,429
Completed properties for sale	25	**4,636,074**	2,231,891
Contract assets	26(a)	**48,237,627**	41,151,749
Trade and bills receivables	21	**65,171,266**	54,228,499
Prepayments, deposits and other receivables	22	**49,784,026**	49,027,166
Other loans	23(a)	**5,039,244**	5,998,443
Financial assets at fair value through profit or loss	19(b)	**2,957,693**	2,758,182
Finance lease receivables	23(b)	**257,808**	425,616
Pledged deposits	27(a)	**5,836,505**	5,242,218
Bank and cash balances	27(a)	**50,598,406**	43,892,508
		289,411,887	264,676,980
Current liabilities			
Trade and bills payables	28	**113,564,004**	104,390,647
Contract liabilities	26(b)	**58,832,766**	52,490,798
Other payables and accruals	29	**31,434,480**	28,889,755
Income tax payable	20(a)	**2,766,108**	2,111,310
Bank and other borrowings	30	**35,164,008**	33,685,867
Defined benefit obligations	33	**1,110,222**	1,104,067
Corporate bonds	31	**9,024,438**	1,384,961
Lease liabilities	32	**297,193**	293,465
Provisions	34	**909,103**	631,168
		253,102,322	224,982,038

The notes on pages 121 to 245 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Net current assets		**36,309,565**	39,694,942
Total assets less current liabilities		**222,949,590**	196,688,263
Non-current liabilities			
Other payables and accruals	29	**854,150**	419,150
Bank and other borrowings	30	**62,974,897**	52,575,827
Corporate bonds	31	**9,995,381**	18,393,576
Lease liabilities	32	**596,678**	852,992
Defined benefit obligations	33	**8,539,784**	9,269,577
Defined tax liabilities	20(b)	**1,344,089**	1,119,297
Provisions	34	**40,973**	–
Deferred revenue	35	**674,781**	767,492
		85,020,733	83,397,911
NET ASSETS		**137,928,857**	113,290,352
CAPITAL AND RESERVES			
Issued share capital	36(c)	**30,020,396**	30,020,396
Perpetual capital instruments	37	**9,500,000**	3,000,000
Reserves		**28,896,522**	25,124,366
Equity attributable to equity holders of the Company		**68,416,918**	58,144,762
Perpetual capital instruments	37	**30,984,433**	23,900,000
Non-controlling interests		**38,527,506**	31,245,590
TOTAL EQUITY		**137,928,857**	113,290,352

Approved and authorised for issue by the Board of Directors on 19 March 2021.

Song Hailiang
Director

Sun Hongshui
Director

The notes on pages 121 to 245 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (Expressed in Renminbi)

	Attributable to equity holders of the Company														
	Issued share capital	Perpetual capital instruments	Shares held under restricted share incentive scheme	Capital reserve	Statutory reserve	Share based compensation reserve	Special reserve	Defined benefit obligation remeasurement reserve	Investments revaluation reserve (non-recycling)	Foreign currency translation reserve	Retained earnings	Total equity attributable to equity holders of the Company	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	30,020,396	–	(203,082)	8,167,666	2,343,755	18,873	575,520	761,509	(337,018)	(541,690)	9,826,755	50,632,684	19,400,000	25,131,172	95,163,856
Total comprehensive income	–	6,091	–	–	–	–	–	252,155	86,690	(116,871)	5,072,433	5,300,498	838,684	3,845,803	9,984,985
Issue of perpetual capital instruments (note 37)	–	3,000,000	–	–	–	–	–	–	–	–	–	3,000,000	10,000,000	–	13,000,000
Redemption of perpetual capital instruments (note 37)	–	–	–	–	–	–	–	–	–	–	–	–	(5,500,000)	–	(5,500,000)
Capital contributed by non-controlling interests	–	–	–	61,426	–	–	–	–	–	–	–	61,426	–	3,458,195	3,519,621
Disposal of subsidiaries	–	–	–	329	–	–	–	–	–	–	–	329	–	6,544	6,873
Acquisition of additional interests in subsidiaries	–	–	–	6,266	–	–	–	–	–	–	–	6,266	–	(28,066)	(21,800)
Transfer to reserves	–	–	–	–	733,948	–	(27,472)	–	–	–	(706,476)	–	–	–	–
Dividends declared to perpetual capital instruments holders	–	(6,091)	–	–	–	–	–	–	–	–	–	(6,091)	(838,684)	–	(844,775)
Dividends declared (note 36)	–	–	–	–	–	–	–	–	–	–	(918,624)	(918,624)	–	–	(918,624)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,168,058)	(1,168,058)
Effect of share based compensation (note 36)	–	–	–	–	–	(18,873)	–	–	–	–	–	(18,873)	–	–	(18,873)
Others	–	–	–	70,403	–	–	–	–	(50,601)	–	67,345	87,147	–	–	87,147
Balance at 31 December 2019	30,020,396	3,000,000	(203,082)	8,306,090	3,077,703	–	548,048	1,013,664	(300,929)	(658,561)	13,341,433	58,144,762	23,900,000	31,245,590	113,290,352

	Attributable to equity holders of the Company														
	Issued share capital	Perpetual capital instruments	Shares held under restricted share incentive scheme	Capital reserve	Statutory reserve	Share based compensation reserve	Special reserve	Defined benefit obligation remeasurement reserve	Investments revaluation reserve (non-recycling)	Foreign currency translation reserve	Retained earnings	Total equity attributable to equity holders of the Company	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	30,020,396	3,000,000	(203,082)	8,306,090	3,077,703	-	548,048	1,013,664	(300,929)	(658,561)	13,341,433	58,144,762	23,900,000	31,245,590	113,290,352
Total comprehensive income	-	163,657	-	-	-	-	-	399,163	382,319	(612,048)	4,516,628	4,849,719	1,069,638	3,033,276	8,952,633
Issue of perpetual capital instruments (note 37)	-	6,500,000	-	-	-	-	-	-	-	-	-	6,500,000	8,304,433	-	14,804,433
Redemption of perpetual capital instruments (note 37)	-	-	-	-	-	-	-	-	-	-	-	-	(1,220,000)	-	(1,220,000)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	5,706,910	5,706,910
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	66,503	66,503
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,477)	(6,477)
Transfer to reserves	-	-	-	-	1,383,787	-	9,709	-	-	-	(1,393,496)	-	-	-	-
Dividends declared to perpetual capital instruments holders	-	(163,657)	-	-	-	-	-	-	-	-	-	(163,657)	(1,069,638)	-	(1,233,295)
Dividends declared (note 36)	-	-	-	-	-	-	-	-	-	-	(918,624)	(918,624)	-	-	(918,624)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,618,457)	(1,618,457)
Effect of share based compensation (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(99,832)	-	99,832	-	-	-	-
Others	-	-	-	4,718	-	-	-	-	-	-	-	4,718	-	100,161	104,879
Balance at 31 December 2020	30,020,396	9,500,000	(203,082)	8,310,808	4,461,490	-	557,757	1,412,827	(18,442)	(1,270,609)	15,645,773	68,416,918	30,984,433	38,527,506	137,928,857

The notes on pages 121 to 245 form part of these financial statements.

Consolidated Statement of Cash Flows

At 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations	27(b)	**10,146,731**	14,240,637
Income tax paid		**(3,656,631)**	(3,277,060)
Net cash generated from operating activities		**6,490,100**	10,963,577
Investing activities			
Interest received		**382,892**	1,050,616
Payments for addition to property, plant and equipment		**(7,180,564)**	(4,273,333)
Payments for addition to investment properties	13	**(21,288)**	–
Payments for addition to intangible assets		**(7,778,635)**	(10,034,763)
Capital contributions to joint ventures		**(2,541,693)**	(1,051,498)
Capital contributions to associates		**(6,281,104)**	(2,229,419)
Net cash proceeds from/(purchase of) other investments		**55,147**	(132,650)
Purchase of financial assets at fair value through other comprehensive income		**(158,988)**	(114,928)
Purchase of financial assets at fair value through profit or loss		**(5,954,915)**	(3,520,750)
Proceeds from disposal of property, plant and equipment		**855,681**	523,478
Proceeds from disposal of intangible assets		**48,268**	3,698
Proceeds from disposal of investment properties		**2,792**	–
Proceeds from disposal of associates		**851,850**	111,128
Proceeds from disposal of joint ventures		**4,000**	4,229
Proceeds from disposal of financial assets at fair value through other comprehensive income		**596,868**	280,491
Proceeds from disposal of financial assets at fair value through profit or loss		**5,065,671**	1,781,474
Net (increase)/decrease in pledged deposits	27(a)	**(594,287)**	506,932
Dividends received from associates	17	**410,135**	17,243
Dividends received from joint ventures		**720,242**	–
Dividends received from financial assets at fair value through other comprehensive income	5	**122,414**	98,317
Dividends received from financial assets at fair value through profit or loss	5	**85,065**	109,695
Net withdrawal of deposits with original maturity of over three months	27(a)	**530,767**	135,560
Acquisition of subsidiaries, net of cash acquired		**(1,102,855)**	(217,170)
Disposal of subsidiaries, net of cash disposed		**697,792**	3,466,572
Net decrease/(increase) in other loan and receivables		**992,961**	(1,028,271)
Net cash used in investing activities		**(20,191,784)**	(14,513,349)

The notes on pages 121 to 245 form part of these financial statements.

Consolidated Statement of Cash Flows

At 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Capital injections from non-controlling interests		**5,741,484**	3,519,621
Issue of perpetual capital instruments	37	**14,804,433**	13,000,000
Interests paid on perpetual capital instruments	27(c)	**(1,163,559)**	(838,684)
Acquisition of additional interests in subsidiaries		**(6,477)**	(21,800)
Interests paid on bank and other borrowings	27(c)	**(4,525,786)**	(4,961,308)
Interests paid on corporate bonds	27(c)	**(795,028)**	(786,850)
New bank and other borrowings	27(c)	**46,963,081**	42,656,743
Repayments of bank and other borrowings	27(c)	**(31,861,881)**	(50,818,725)
New corporate bonds	27(c)	**–**	4,000,000
Repayments of corporate bonds	27(c)	**(750,000)**	(4,179,400)
Repayment of perpetual capital instruments	27(c)	**(1,220,000)**	(5,500,000)
Capital elements of lease rentals paid	27(c)	**(513,383)**	(606,313)
Interest elements of lease rentals paid	27(c)	**(71,451)**	(40,626)
Net (decrease)/increase in borrowings from related parties	27(c)	**(2,122,260)**	4,382,815
Dividends paid to equity shareholders of the Company		**(918,624)**	(918,624)
Dividends paid to non-controlling interests		**(1,424,087)**	(861,109)
Net cash generated from/(used in) financing activities		**22,136,462**	(1,974,260)
Net increase/(decrease) in cash and cash equivalents		**8,434,778**	(5,524,032)
Cash and cash equivalents at the beginning of the year		**42,624,579**	47,643,153
Effects of exchange rate changes		**(1,198,113)**	505,458
Cash and cash equivalents at the end of the year	27(a)	**49,861,244**	42,624,579

The notes on pages 121 to 245 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 19 December 2014 as a joint stock company with limited liability as part of the reorganisation of China Energy Engineering Group Co., Ltd. ("ENERGY CHINA GROUP") in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Room 01-2706, 1-24/F, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC. In the opinion of the directors of the Company (the "Directors"), ENERGY CHINA GROUP is the immediate and ultimate holding company of the Company.

The Company was listed on the Main Board of the Stock Exchange on 10 December 2015.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its PRC subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and its interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL") (see note 2(h)) are stated at their fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(j)(ii)).

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (See note 12(b)).

None of the above developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional and presentation currency

The financial statements are presented in RMB, rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(r) and 2(s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(j)(ii)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(j)(ii)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(m)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

In the Company's statement of financial position, its investments in associates and joint venture are stated at cost less impairment losses (see note 2(m)(iii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(j)(ii)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)(iii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 38. These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(x)(vi)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(x)(v).

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)(iii)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight-line method over the estimated useful lives ranging from 15 to 40 years. Rental income from investment properties is accounted for as described in note 2(x)(iv).

(j) Other property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)(iii)):

– right-of-use assets arising from leases over buildings and interests in leasehold land where the Group is the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Other property, plant and equipment (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	8 – 40 years
Machinery	4 – 22 years
Transportation vehicles/vessels	4 – 30 years
Electronic equipment	3 – 10 years
Office equipment	5 – 10 years
Others	4 – 15 years
Right-of-use assets	1 – 50 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill)

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. The management of the Group is of the view that amortisation method based on units-of-usage is a more appropriate and systematic way to reflect the pattern in which the future economic benefits of toll roads are expected to be consumed by the Group.

Amortisation of the wastewater treatment infrastructures is provided using the straight-line method over the service concession period.

Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(z)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(m)(iii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)(iii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Except for mining rights and concession rights related to toll roads, intangible assets are amortised using the straight-line method over the expected useful lives as follows:

Patent & unpatented technology	10 years
Software	5 years
Concession rights	Period stipulated by contractual rights
Others	5 – 10 years

Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives. Both the period and method of amortisation are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily electronic equipment or office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(j) and 2(m)(iii)), except for the following types of right-of-use asset:

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2(n).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(x)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(l)(i), then the Group classifies the sub-lease as an operating lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost;

– contract assets as defined in IFRS 15 (see note 2(o));

– debt securities measured at FVOCI (recycling); and

– lease receivables.

Other financial assets measured at fair value, including units in funds and other non-equity instruments, equity and debt securities measured at FVPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(x)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued (continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– investment property;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated first to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– Inventories other than property development

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

– Property development

Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories and other contract costs (continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(n)(i)), property, plant and equipment (see note 2(j)) or intangible assets (see note 2(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (e.g. an incremental sales commission). Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(x).

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(x)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(m)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(m)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(z)).

(t) Perpetual securities

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(v) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(v) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(iii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(w)(i). Contingent liabilities acquired assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(w)(i).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of products

Sales of the Group's products are recognised as follows:

– Made-to-order manufacturing arrangements

The Group classifies contracts as made-to-order manufacturing arrangements when the Group manufactures the products in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed.

Revenue arising from made-to-order manufacturing arrangements, and a corresponding contract asset (see note 2(o)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 2(p)).

– Sales of other products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2(o)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(z).

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to an asset under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of a construction contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(w)(ii).

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue and other income (continued)

(v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

(a) Significant judgements in applying accounting policy

(i) De facto control over subsidiary

China Gezhouba Group Company Limited (中國葛洲壩集團有限公司) ("CGGC Group"), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. There is a subsidiary of CGGC Group, China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司) ("CGGC"), in which the Company indirectly has less than 50% ownership interest and voting rights. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Revenue recognition

As explained in policy note 2(x), revenue from construction contracts is recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 26 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Expected credit losses of trade receivables and contract assets

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables and contract assets. Trade receivables and contract assets are categorised by individual characteristics of each customer rather than the industry or country in which the customers operate. The Group estimates the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets based on the ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and forward-looking information.

The Group considers the following indicators when assessing the credit risks, such as the changes in macroeconomic conditions, probabilities of default and internal or external credit ratings, or expected operating performance of the customer, etc. At every reporting date the historical observed default rates are updated and changes in the forward-looking information are analysed. Such assessment involves a significant degree of judgement by the management. Details of movements of allowance for trade receivables and contract assets are disclosed in note 38.

(iii) Useful lives and residual value of property, plant and equipment

The Group's management estimates the residual value and useful lives of property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or will write-off or write-down technically obsolete assets. Details of property, plant and equipment are disclosed in note 12.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates (continued)

(iv) Amortisation and impairment assessment of service concession arrangements

The Group recognised the concession rights on the construction and operation of toll roads as intangible assets. Amortisation is calculated based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads over the service concession period as estimated by the management. These intangible assets are amortised commencing from the date of commencement of commercial operation.

The management of the Group makes judgement on the estimation of the total expected traffic volume over the service concession period. The total expected traffic volume over the respective service concession periods could change significantly. The Group reviews regularly the total expected traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be obtained. When the difference between the actual traffic volume and the previous estimated expected traffic volume of the same period is material or/and there are circumstances came to the attention of the management that the future traffic volume may be significantly different to previous estimate, the Group will review and revise, if considered appropriate, the total expected traffic volume of the remaining period of the service concession, and adjust the future amortisation in accordance with the revised total expected traffic volume.

In addition, at the end of the reporting period, the management of the Group reviewed the carrying amounts of the concession rights to determine whether there was any indication that those assets have suffered an impairment loss. The management of the Group was of the view that there was no indication that concession rights have suffered any significant impairment loss on their carrying values at 31 December 2020. Details are set out in note 14.

(v) Recognition of deferred tax assets

The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place. Besides, no deferred tax asset has been recognised in respect of certain deductible tax losses and other deductible temporary differences due to the unpredictability of future profit streams, details of which are set out in note 20(b). In cases where the actual future profits generated are higher than expected, the deferred tax assets will be adjusted and recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which such a situation takes place.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates (continued)

(vi) Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in note 33. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. The Group's actuarial assumptions mainly comprised of but not limited to the following:

- Demographic assumptions:
  - Mortality;
  - rates of employee turnover, disability and early retirement; and
  - the take-up of any benefit payment options available under the plan.
- Financial assumptions:
  - Future salary;
  - benefit levels (excluding any cost of the benefits to be met by employees or third parties); and
  - the discount rate.

Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations. To determine the present value of retirement and other supplemental benefit obligations, the Group obtains an actuarial valuation at 31 December 2020.

(vii) Determining the lease term

As explained in policy note 2(l), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 SEGMENT INFORMATION

Segment reporting

The executive directors of the Company are identified as the chief operating decision maker (the"CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group.

The Group's operating and reportable segments are as follows:

- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, and the provision of a broad range of consulting services, such as the policy and planning of power industry as well as testing, evaluation and supervision of power projects ("Survey, design and consulting services");

- Provision of infrastructure construction contracts and power engineering debugging and project operation and maintenance services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, as well as undertaking other types of construction projects, such as water conservancy facilities, transportation, municipal engineering, industrial, civil construction projects ("Construction and contracting");

- Design, manufacturing and sales of various types of equipment for various sectors of the power industry, including mainly auxiliary machinery equipment for power plants, power grid equipment, steel structure, energy-saving and environmental-friendly equipment and complete sets of equipment; manufacturing and sales of civil explosives and cement, and the provision of blasting services for construction projects ("Industrial manufacturing");

- Investing in and operating power plants, water plant construction and operation, and environmental water project operation, as well as participating in renewable resource business ("Clean energy, environmental protection and water utilities"); and

- Investing in and operating infrastructure projects (such as expressways) and providing financial service, as well as engaging in the real estate developing business ("Investment and other businesses").

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 2 above.

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

For the year ended 31 December 2020

	Survey, design and consulting services RMB'000	Construction and contracting RMB'000	Industrial manufacturing RMB'000	Clean energy, environmental protection and water utilities RMB'000	Investment and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition							
Point in time	–	–	23,857,359	11,925,427	19,821,655	–	55,604,441
Over time	13,910,721	200,812,500	–	–	–	–	214,723,221
External segment revenue	13,910,721	200,812,500	23,857,359	11,925,427	19,821,655	–	270,327,662
Inter-segment revenue	184,395	10,726,546	227,435	1,252	1,905,044	(13,044,672)	–
Segment revenue	14,095,116	211,539,046	24,084,794	11,926,679	21,726,699	(13,044,672)	270,327,662
Segment results	893,279	9,216,125	3,256,230	592,329	2,585,758	290,193	16,833,914
Unallocated items:							
Cost of sales							(78)
Other income							600,439
Net impairment losses on financial assets and contract assets							(1,610,505)
Other net gains and losses							132,816
Administrative expenses							(350,139)
Research and development expenses							(495)
Finance income							388,545
Finance costs							(3,480,229)
Share of profits of joint ventures							208,116
Share of profits of associates							32,461
Profit before taxation							12,754,845

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2019

	Survey, design and consulting services	Construction and contracting	Industrial manufacturing	Clean energy, environmental protection and water utilities	Investment and other businesses	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition							
Point in time	–	–	22,988,038	16,171,576	17,673,213	–	56,832,827
Over time	13,089,157	177,369,004	–	–	–	–	190,458,161
External segment revenue	13,089,157	177,369,004	22,988,038	16,171,576	17,673,213	–	247,290,988
Inter-segment revenue	64,841	8,056,105	722,589	1,649	1,861,548	(10,706,732)	–
Segment revenue	13,153,998	185,425,109	23,710,627	16,173,225	19,534,761	(10,706,732)	247,290,988
Segment results	1,194,899	6,758,815	3,538,854	303,259	2,409,575	(77,206)	14,128,196
Unallocated items:							
Cost of sales							(1,041)
Other income							712,250
Net impairment losses on financial assets and contract assets							(1,118,360)
Other net gains and losses							2,420,944
Selling expenses							(10,124)
Administrative expenses							(391,638)
Research and development expenses							(11,938)
Finance income							1,055,089
Finance costs							(4,355,663)
Share of profits of joint ventures							168,960
Share of profits of associates							711,246
Profit before taxation							13,307,921

Segment profit represents the profit earned by each segment without allocation of certain cost of sales, other income, net impairment losses on financial assets and contract assets, other net gains and losses, selling expenses, administrative expenses, research and development expenses, finance income, finance costs, share of profits of joint ventures and associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period:

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB654,601 million. This amount represents revenue expected to be recognised in the future from survey, design and consulting contracts, construction contracts and pre-completion sales contracts of properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for equipment manufacturing, civil explosives, cement production, clean energy, environmental protection and water utilities, such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the sales contracts that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the end of the reporting period it is highly probable that the Group will satisfy the conditions for earning those bonuses.

Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

Geographical information

The Group's operations and non-current assets are mainly located in Mainland China. The geographical information about its revenue and non-current assets prepared by location of customers is as follows:

	2020 **RMB'000**	2019 RMB'000
Segment revenue		
Mainland China	**238,177,270**	206,711,730
Overseas:		
Pakistan	**5,739,837**	6,335,835
Indonesia	**3,041,715**	2,763,818
Vietnam	**2,809,083**	4,021,275
Jordan	**1,784,653**	3,950,187
Bangladesh	**1,688,562**	3,097,357
Angola	**962,451**	2,720,640
Others	**16,124,091**	17,690,146
Total	**270,327,662**	247,290,988

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4 SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

	2020 RMB'000	2019 RMB'000
Non-current assets		
Mainland China	**116,222,790**	99,409,438
Overseas:		
Vietnam	**10,595,686**	8,992,128
Pakistan	**6,967,754**	5,717,045
Kazakhstan	**834,305**	870,091
Spain	**488,652**	–
Argentina	**172,181**	162,157
Kuwait	**164,221**	222,614
Brazil	**157,655**	126,188
Liberia	**94,887**	110,269
Others	**782,766**	704,710
Total	**136,480,897**	116,314,640

Non-current assets exclude financial instruments and deferred tax assets.

Revenue from major customers

There is no major individual customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2020 (2019: Nil).

5 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Government grants		
– grants related to income (note)	**1,155,677**	1,656,056
– grants related to assets (note 35)	**26,518**	31,827
Dividend income from financial assets at FVOCI	**122,414**	98,317
Dividend income from financial assets at FVPL	**85,065**	109,695
Compensation income from project owners and other parties	**34,324**	38,453
Others	**189,079**	175,707
Total	**1,613,077**	2,110,055

Note: Government grants include various government subsidies received by the Group from relevant government bodies primarily in connection with enterprise expansion, technology advancement and value-added tax refund. There were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2020.

6 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS AND OTHER NET GAINS AND LOSSES

(a) Net impairment losses on financial assets and contract assets

	2020 RMB'000	2019 RMB'000
Trade receivables (note 38(b))	**674,400**	460,232
Contract assets (note 38(b))	**189,653**	88,148
Other receivables (note 22)	**172,233**	121,045
Other receivables from Huanjia Connected Suppliers (note 22)	**574,219**	448,935
Total	**1,610,505**	1,118,360

6 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS AND OTHER NET GAINS AND LOSSES (CONTINUED)

(b) Other net gains and losses

	2020 RMB'000	2019 RMB'000
Net foreign exchange (loss)/gain	**(494,198)**	60,410
Gain/(loss) on disposals of:		
– Financial assets at FVPL	**1,859**	(2,059)
– Property, plant and equipment	**409,451**	106,132
– Intangible assets	**1,412**	(755)
– Subsidiaries	**243,767**	2,300,070
Impairment loss recognised in respect of:		
– Property, plant and equipment (note 12)	**(20,413)**	(19,692)
– Investments in an associate	**–**	(55,695)
Fair value changes of financial assets at FVPL	**570,878**	40,953
Loss on compensation, penalties and fines (i)	**(198,754)**	(105,192)
Provision made for pending litigations (ii)	**(414,560)**	(5,271)
Others	**33,374**	102,043
Total	**132,816**	2,420,944

Notes:

(i) In 2020, one branch company of Gezhouba Huanjia received court decisions regarding the crime of falsely making out specialized VAT receipts and losses with amount of RMB9 million were recognized accordingly.

(ii) During the year ended 31 December 2020, provision of RMB119 million has been made for the expected losses to the Group of certain legal proceedings related to Gezhouba Huanjia (defined in note 22(i), see note 40(c)(ii)).

7 FINANCE INCOME AND FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest income on:		
Bank and cash balances and pledged deposits and other loans	**380,199**	1,041,108
Defined benefit plan assets	**8,346**	13,981
Total finance income	**388,545**	1,055,089
Interest expenses on:		
Bank and other borrowings	**4,159,168**	4,935,467
Corporate bonds	**786,308**	872,235
Asset based security ("ABS")	**136,550**	95,426
Lease liabilities	**71,451**	40,626
Discounted bills	**99,021**	70,606
Defined benefit obligations	**222,361**	299,693
	5,474,859	6,314,053
Less: Interest capitalised in		
– Construction in progress	**(220,685)**	(573,623)
– Properties under development for sale	**(735,074)**	(916,280)
– Intangible assets	**(1,038,871)**	(468,487)
Total finance costs	**3,480,229**	4,355,663

Notes:

(i) Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings and corporate bonds.

(ii) The borrowing costs have been capitalised at rates of 3.30% to 6.50% for the year ended 31 December 2020 (2019: 2.92% to 9.00%).

8 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Directors' and supervisors' emoluments (note 9)	**5,179**	7,418
Other staff costs:		
Salaries and other labor costs	**18,024,057**	17,819,620
Retirement benefits and pensions	**2,079,499**	2,758,024
Other social benefits	**4,592,298**	4,626,408
Effect of share-based compensation	**–**	(18,873)
Total staff and labor costs	**24,701,033**	25,192,597
Less: Capitalised in construction in progress	**(120,027)**	(123,026)
Less: Capitalised in properties under development for sale	**(83,997)**	(162,173)
	24,497,009	24,907,398
Depreciation:		
– Owned property, plant and equipment (note 12)	**2,833,627**	2,783,108
– Right-of-use assets (note 12)	**725,048**	668,687
– Investment properties (note 13)	**42,908**	35,683
Less: Released from deferred revenue under sales and leaseback transactions (note 35)	**(10,721)**	(6,026)
	3,590,862	3,481,452
Less: Capitalised in construction in progress	**(6,724)**	(12,714)
Less: Capitalised in properties under development for sale	**(5,751)**	(3,174)
	3,578,387	3,465,564
Amortisation:		
– Intangible assets (included in cost of sales) (note 14)	**446,629**	490,483
– Intangible assets (included in administrative expenses) (note 14)	**165,479**	104,588
– Intangible assets (included in selling expenses) (note 14)	**984**	646
	613,092	595,717

8 PROFIT FOR THE YEAR (CONTINUED)

	2020 RMB'000	2019 RMB'000
Auditor's remuneration	**26,817**	28,649
Recognition of allowance on:		
– Inventories	**114,474**	153,095
– Trade receivables (note 38(b))	**674,400**	460,232
– Contract assets (note 38(b))	**189,653**	88,148
– Other receivables (note 22)	**172,233**	121,045
– Other receivables from Huanjia Connected Suppliers (note 22)	**574,219**	448,935
Cost of inventories recognised as expense	**64,728,549**	67,069,186
Leases expenses	**391,299**	473,722

Gross rental income from investment properties	**(59,959)**	(56,866)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	**48,024**	42,404
	(11,935)	(14,462)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9 DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Share based compensation under restricted share incentive scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020						
Executive directors and chief executive:						
Mr. WANG Jianping (Resigned in August 2020)	–	174	431	22	–	627
Mr. DING Yanzhang (Resigned in May 2020)	–	109	376	11	–	496
Mr. ZHANG Xianchong (Resigned in January 2020)	–	20	272	4	–	296
Mr. SONG Hailiang (Appointed in October 2020)	–	44	37	8	–	89
Mr. SUN Hongshui (chief executive) (Appointed in June 2020)	–	131	111	25	–	267
Mr. MA Mingwei (Appointed in June 2020)	–	118	229	25	–	372
	–	596	1,456	95	–	2,147
Non-executive directors:						
Mr. MA Chuanjing	–	–	–	–	–	–
Mr. LIU Xueshi	–	–	–	–	–	–
Mr. SI Xinbo	–	–	–	–	–	–
Independent non-executive directors:						
Mr. DING Yuanchen (Resigned in June 2020)	30	–	–	–	–	30
Mr. CHENG Niangao (Appointed in June 2020)	30	–	–	–	–	30
Mr. ZHAO Lixin (Appointed in June 2020)	30	–	–	–	–	30
Mr. CHEUNG Yuk Ming	126	–	–	–	–	126
	216	–	–	–	–	216
Supervisors:						
Mr. WANG Zengyong	–	442	485	39	–	966
Mr. KAN Zhen	–	412	459	39	–	910
Mr. LI Fangyi	–	386	407	39	–	832
Mr. WEI Zhongxin	–	54	–	–	–	54
Mr. FU Dexiang	–	54	–	–	–	54
	–	1,348	1,351	117	–	2,816
Total	216	1,944	2,807	212	–	5,179

9 DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Share based compensation under restricted share incentive scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2019						
Executive directors and chief executive:						
Mr. WANG Jianping	–	259	1,167	50	–	1,476
Mr. DING Yanzhang (chief executive)	–	259	1,167	50	–	1,476
Mr. ZHANG Xianchong	–	237	1,056	50	–	1,343
	–	755	3,390	150	–	4,295
Non-executive directors:						
Mr. MA Chuanjing	–	–	–	–	–	–
Mr. LIU Xueshi	–	–	–	–	–	–
Mr. SI Xinbo	–	–	–	–	–	–
Independent non-executive directors:						
Mr. DING Yuanchen	60	–	–	–	–	60
Mr. ZHENG Qiyu (Passed away in December 2019)	60	–	–	–	–	60
Mr. CHEUNG Yuk Ming	120	–	–	–	–	120
	240	–	–	–	–	240
Supervisors:						
Mr. WANG Zengyong	–	444	496	50	–	990
Mr. KAN Zhen	–	414	470	50	–	934
Mr. LI Fangyi	–	383	418	50	–	851
Mr. WEI Zhongxin	–	54	–	–	–	54
Mr. FU Dexiang	–	54	–	–	–	54
	–	1,349	1,384	150	–	2,883
Total	240	2,104	4,774	300	–	7,418

The executive directors and chief executive's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above was mainly for his services as Director. The independent non-executive directors' emoluments shown above were mainly for their services as Directors.

The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

9 DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Five highest paid individuals

For the year ended 31 December 2020, the five highest paid employees were neither directors, supervisors nor chief executive of the Group (2019: Nil).

Details of the remuneration of the five highest paid individuals during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and other allowances	**2,421**	1,759
Discretionary bonus	**4,376**	6,020
Retirement benefit scheme contributions	**95**	228
	6,892	8,007

Discretionary bonuses are calculated based on the Group's or respective member's performance for relevant financial year.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	2020	2019
Hong Kong Dollar ("HKD") 1,000,001 to HKD1,500,000	**2**	–
HKD1,500,001 to HKD2,000,000	**3**	5
	5	5

During the year, no emoluments were paid by the Group to any of the directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, supervisors and chief executive has waived any emoluments during the year.

10 INCOME TAX

	2020 RMB'000	2019 RMB'000
Current enterprise income tax	**3,500,050**	3,129,984
Deferred taxation (note 20(b))	**(96,750)**	42,806
Land appreciation tax ("LAT")	**659,451**	534,752
	4,062,751	3,707,542

Most of the subsidiaries of the Company are located in Mainland China. The provision for income tax is calculated based on a statutory rate of 25% under the relevant Corporate Income Tax Law of the PRC and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, which were exempted or taxed at a preferential rate of 15% during the reporting period primarily due to their status as entities engaging in technology development or development projects in the western part of Mainland China.

10 INCOME TAX (CONTINUED)

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

The taxation for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**12,754,845**	13,307,921
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,188,711**	3,326,980
Effect of expenses that are not deductible for tax purposes	**307,804**	136,329
Tax effect of share of profit of joint ventures	**(52,029)**	(42,240)
Tax effect of share of profit of associates	**(8,115)**	(177,812)
Effect of tax-exempted income	**(43,558)**	(39,492)
Effect of unrecognised deductible losses and unrecognised deductible temporary differences	**1,262,804**	956,191
Effect of using previously unrecognised deductible losses and previously unrecognised deductible temporary differences	**(252,876)**	(147,250)
Tax concession	**(853,790)**	(710,684)
LAT	**659,451**	534,752
Tax effect of LAT	**(164,863)**	(133,688)
Others	**19,212**	4,456
Actual tax expense	**4,062,751**	3,707,542

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB4,517 million (2019: RMB5,072 million) and the weighted average of 29,855,864,000 ordinary shares in issue during the year ended 31 December 2020 (2019: 29,855,864,000 shares).

(b) Diluted earnings per share

There was no dilutive effect arising from restricted share incentive scheme for the year ended 31 December 2020.

12 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings	Ownership interests in leasehold land held for own use	Machinery	Transportation vehicles/ vessels	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2019	25,249,007	9,309,848	22,779,862	3,324,877	1,754,036	528,186	938,628	3,112,570	66,997,014
Additions	1,104,479	128,545	752,124	206,557	114,862	80,521	79,473	3,617,415	6,083,976
Transfer within property, plant and equipment	454,840	–	483,029	1,244	25,968	2,677	212,836	(1,180,594)	–
Acquisition of subsidiaries	61,384	–	155,409	171	14	–	159	–	217,137
Transfer from investment properties (note 13)	5,414	–	–	–	–	–	–	–	5,414
Write off/disposals	(234,976)	(19,020)	(1,060,960)	(293,783)	(91,185)	(26,314)	(37,369)	(1,411)	(1,765,018)
Disposal of subsidiaries	(20,153)	(3,244)	(12,707)	(1,088)	(1,461)	(94)	(1,381)	–	(40,128)
Transfer to investment properties (note 13)	(57,388)	–	–	–	–	–	–	–	(57,388)
Exchange adjustment	(8,149)	267	(14,926)	1,722	(2,496)	(354)	(1,273)	(13,334)	(38,543)
At 31 December 2019	26,554,458	9,416,396	23,081,831	3,239,700	1,799,738	584,622	1,191,073	5,534,646	71,402,464
Additions	**760,286**	**416,983**	**1,046,896**	**613,513**	**133,849**	**72,639**	**78,342**	**4,700,935**	**7,823,443**
Transfer within property, plant and equipment	**1,447,390**	**–**	**1,392,883**	**2,236**	**40,679**	**1,522**	**251,309**	**(3,136,019)**	**–**
Acquisition of subsidiaries	**170,859**	**70,752**	**46,124**	**11,678**	**9,828**	**370**	**218**	**33**	**309,862**
Transfer from investment properties (note 13)	**24,233**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,233**
Write off/disposals	**(443,120)**	**(235,558)**	**(1,080,426)**	**(209,761)**	**(100,440)**	**(26,995)**	**(41,406)**	**(17,287)**	**(2,154,993)**
Disposal of subsidiaries	**(117,304)**	**(2,390)**	**(1,201,839)**	**(1,605)**	**(1,532)**	**(41)**	**(8,300)**	**–**	**(1,333,011)**
Transfer to investment properties (note 13)	**(41,927)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41,927)**
Exchange adjustment	**25,333**	**(1,067)**	**(111,008)**	**(54,784)**	**(2,022)**	**(857)**	**(5,224)**	**(4,445)**	**(154,074)**
At 31 December 2020	**28,380,208**	**9,665,116**	**23,174,461**	**3,600,977**	**1,880,100**	**631,260**	**1,466,012**	**7,077,863**	**75,875,997**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (continued)

	Buildings	Ownership interests in leasehold land held for own use	Machinery	Transportation vehicles/ vessels	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment:									
At 1 January 2019	(6,136,151)	–	(11,394,793)	(2,171,264)	(1,054,999)	(333,047)	(505,671)	(22,592)	(21,618,517)
Provided for the year (note 8)	(1,247,994)	(242,801)	(1,394,847)	(238,887)	(148,598)	(64,334)	(114,334)	–	(3,451,795)
Transfer from investment properties (note 13)	(1,295)	–	–	–	–	–	–	–	(1,295)
Write off/disposals	170,029	1,873	898,610	253,430	80,463	20,683	32,690	3	1,457,781
Disposal of subsidiaries	5,025	265	3,799	930	736	75	221	–	11,051
Transfer to investment properties (note 13)	22,834	–	–	–	–	–	–	–	22,834
Impairment for the year (note 6)	–	–	(19,685)	–	–	–	(7)	–	(19,692)
Exchange adjustment	29	–	2,263	(727)	241	68	(778)	–	1,096
At 31 December 2019	(7,187,523)	(240,663)	(11,904,653)	(2,156,518)	(1,122,157)	(376,555)	(587,879)	(22,589)	(23,598,537)
Provided for the year (note 8)	(1,382,626)	(251,996)	(1,288,304)	(259,286)	(145,363)	(60,658)	(170,442)	–	(3,558,675)
Transfer from investment properties (note 13)	(5,492)	–	–	–	–	–	–	–	(5,492)
Write off/disposals	199,648	33,785	748,156	179,367	85,155	23,439	34,577	–	1,304,127
Disposal of subsidiaries	15,889	267	232,383	759	441	37	1,248	–	251,024
Transfer to investment properties (note 13)	10,222	–	–	–	–	–	–	–	10,222
Impairment for the year (note 6)	(5,702)	–	–	–	–	–	–	(14,711)	(20,413)
Exchange adjustment	312	–	59,733	19,119	1,586	349	4,627	–	85,726
At 31 December 2020	(8,355,272)	(458,607)	(12,152,685)	(2,216,559)	(1,180,338)	(413,388)	(717,869)	(37,300)	(25,532,018)
Net book value:									
At 31 December 2020	**20,024,936**	**9,206,509**	**11,021,776**	**1,384,418**	**699,762**	**217,872**	**748,143**	**7,040,563**	**50,343,979**
At 31 December 2019	19,366,935	9,175,733	11,177,178	1,083,182	677,581	208,067	603,194	5,512,057	47,803,927

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (continued)

Notes:

(a) As at the end of each reporting period, there was indication that certain specific property, plant and equipment have suffered an impairment loss due to the change of the market condition. The recoverable amount of these assets were estimated by management of the Group in order to determine the extent of the impairment loss. Impairment on property, plant and equipment of RMB20 million was made for the year ended 31 December 2020 (2019: RMB20 million) to reduce the carrying value of certain property, plant and equipment to the recoverable amount. These impairment losses were primarily due to the expected future losses of the cash generating units to which the assets belong. The recoverable amount was calculated based on the higher of assets' value in use or fair value less cost of disposal.

(b) The Group pledged certain buildings with carrying amount of approximately RMB575 million as at 31 December 2020 (2019: RMB954 million), and pledged leasehold land with carrying amount of RMB246 million (2019: RMB294 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 41.

(c) As at 31 December 2020, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amounts of approximately RMB1,455 million (2019: RMB1,216 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December 2020 **RMB'000**	At 31 December 2019 RMB'000
Included in "Property, plant and equipment":		
Ownership interests in leasehold land held for own use, carried at depreciated cost (i)	**9,206,509**	9,175,733
Buildings leased for own use, carried at depreciated cost (ii)	**892,432**	1,170,823
Other property, plant and equipment, carried at depreciated cost (ii)	**17,750**	136,319
	10,116,691	10,482,875

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use	**251,996**	242,801
Buildings leased for own use	**450,592**	401,619
Other property, plant and equipment	**22,460**	24,267
	725,048	668,687
Interest on lease liabilities (note 7)	**71,451**	40,626
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**148,020**	65,742
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**3,038**	1,103

During the year, additions to right-of-use assets were RMB741 million (2019: RMB814 million). This amount included the acquisition of land use rights of RMB357 million (2019: RMB129 million), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 27(d), 32 and 12(c), respectively.

As disclosed in note 2(c), the Group has early adopted the Amendment to IFRS 16, *Leases*, *Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

(i) Ownership interests in leasehold land held for own use

The Group holds several land use rights for its business and operating purpose. The Group is the registered owner of these leasehold land use rights. Lump sum payments were made upfront to acquire these land use rights from the local government authorities or their previous registered owners, and there are no ongoing payments to be made under the terms of the related land use right contract.

As at 31 December 2020, the Group was in the process of applying the title certificates of certain of its leasehold land use rights in the PRC with aggregate carrying amount of approximately RMB140 million (2019: RMB141 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (continued)

(ii) Other leases

The Group leases buildings, machinery, transportation on vehicles, office equipment, and others under leases expiring from 1 to 25 years. Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(c) Machinery leased out under operating leases

	2020 RMB'000	2019 RMB'000
Cost:		
At beginning of the year	**670,484**	476,557
Net increase for the year	**137,211**	193,927
At end of the year	**807,695**	670,484
Accumulated depreciation and impairment:		
At beginning of the year	**(539,552)**	(358,672)
Net increase for the year	**(106,807)**	(180,880)
At end of the year	**(646,359)**	(539,552)
Net book value:		
At end of the year	**161,336**	130,932
At beginning of the year	**130,932**	117,885

Note: The Group leases out a number of items of machinery under operating leases. The leases typically run for an initial period of 1 to 24 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments. Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are RMB631 million (2019: RMB747 million). Where practicable, the Group obtains residual value guarantees from the lessee to reduce the residual asset risk.

13 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Cost:		
At the beginning of the year	**1,019,457**	822,482
Transfer from property, plant and equipment (note 12)	**41,927**	57,388
Transfer from completed properties for sale	**–**	145,001
Acquisition of subsidiaries	**42,802**	–
Transfer to property, plant and equipment (note 12)	**(24,233)**	(5,414)
Transfer to Intangible assets	**(3,125)**	–
Write off/disposals	**(2,444)**	–
Additions	**21,288**	–
At the end of the year	**1,095,672**	1,019,457
Accumulated depreciation:		
At the beginning of the year	**(300,363)**	(243,141)
Transfer from property, plant and equipment (note 12)	**(10,222)**	(22,834)
Provided for the year (note 8)	**(42,908)**	(35,683)
Write off/disposals	**2,778**	–
Transfer to property, plant and equipment (note 12)	**5,492**	1,295
At the end of the year	**(345,223)**	(300,363)
Net book value:	**750,449**	719,094

The above investment properties are depreciated on a straight-line basis taking into account their estimated residual value, over the estimated useful lives of 15 to 40 years, which is the shorter of the lease term of land and estimated useful lives of buildings.

As at 31 December 2020, the Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying amount of RMB59 million (2019: RMB63 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use these investment properties without incurring significant costs. The Directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

13 INVESTMENT PROPERTIES (CONTINUED)

The carrying amount of investment properties included the Group's leasehold interest in land as the payments cannot be allocated reliably between the land and building elements, as such the entire asset is accounted for as investment properties.

The carrying amount of the Group's investment properties and information about the fair value hierarchy were as follows:

	Net book value as at		(Level 3) Fair value as at	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Investment properties	**750,449**	719,094	**1,440,663**	1,519,789

The fair value of the investment properties as at 31 December 2020 has been arrived at based on a valuation carried out by China United Assets Appraised Group ("China United"), independent valuer not connected with the Group, based on either income approach or direct comparison approach. The Directors are of the view that it is the best estimate of the fair value of these investment properties.

There has been no change from the valuation technique used for the reporting period. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14 INTANGIBLE ASSETS

	Patent & unpatented technology	Software	Mining rights	Concession rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2019	402,872	800,804	239,469	36,619,031	426,644	38,488,820
Additions	5,282	85,931	112,697	12,109,998	145,855	12,459,763
Transfer within intangible assets	87,386	3,783	–	–	(91,169)	–
Disposal of subsidiaries	–	–	–	(5,400,504)	–	(5,400,504)
Exchange of adjustment	–	13	379	(185,101)	–	(184,709)
Write off/disposal	(15)	(1,081)	–	(3,838)	(2,297)	(7,231)
At 31 December 2019	495,525	889,450	352,545	43,139,586	479,033	45,356,139
Additions	**67,077**	**162,263**	**81,330**	**10,427,483**	**6,175**	**10,744,328**
Acquisition of subsidiaries	**175**	**6,833**	**–**	**–**	**159,030**	**166,038**
Transfer within intangible assets	**61,921**	**26,110**	**–**	**–**	**(88,031)**	**–**
Exchange of adjustment	**–**	**(49)**	**(11,280)**	**–**	**–**	**(11,329)**
Write off/disposal	**(47,727)**	**(1,126)**	**(1,515)**	**–**	**(2,641)**	**(53,009)**
At 31 December 2020	**576,971**	**1,083,481**	**421,080**	**53,567,069**	**553,566**	**56,202,167**
Accumulated amortisation and impairment:						
At 1 January 2019	(166,195)	(621,829)	(64,253)	(2,470,484)	(60,326)	(3,383,087)
Charge for the year (note 8)	(29,758)	(86,168)	(26,075)	(435,104)	(18,612)	(595,717)
Disposal of subsidiaries	–	–	–	1,063,810	–	1,063,810
Exchange of adjustment	–	(6)	(22)	–	–	(28)
Write off/disposal	15	866	–	1,206	691	2,778
At 31 December 2019	(195,938)	(707,137)	(90,350)	(1,840,572)	(78,247)	(2,912,244)
Charge for the year (note 8)	**(42,328)**	**(125,746)**	**(45,885)**	**(389,778)**	**(9,355)**	**(613,092)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**
Exchange of adjustment	**–**	**21**	**6,183**	**–**	**–**	**6,204**
Write off/disposal	**3,484**	**924**	**1,515**	**–**	**230**	**6,153**
At 31 December 2020	**(234,782)**	**(831,938)**	**(128,537)**	**(2,230,350)**	**(87,372)**	**(3,512,979)**
Net book value:						
At 31 December 2020	**342,189**	**251,543**	**292,543**	**51,336,719**	**466,194**	**52,689,188**
At 31 December 2019	299,587	182,313	262,195	41,299,014	400,786	42,443,895

14 INTANGIBLE ASSETS (CONTINUED)

The Group has entered into a number of service concession arrangements with certain government authorities in the PRC, Vietnam and Pakistan on a Build-operate-transfer ("BOT") basis in respect of its toll road operations, wastewater treatment plants, coal power plants and hydraulic power plants (the "underlying assets"). Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of the underlying assets, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain the infrastructure at a specified level of service ability and also maintain the infrastructure to an acceptable level of working conditions before handing over the infrastructure to the grantors; and (iii) is entitled to operate the underlying assets upon completion for a specified concession period from 20 to 30 years by charging users of the public service. The Group will not hold any residual interest in the underlying assets upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equal to the fair value of the consideration for provision of construction service upon initial recognition. As at 31 December 2020, the Group recognized contract assets for BOT projects during the construction with amount of RMB8,777 million (2019: RMB20,696 million) which are presented in intangible assets.

The rights in respect of toll roads and water utilities income under six (2019: five) concession agreements with an aggregate carrying amount of RMB31,357 million as at 31 December 2020 (2019: RMB26,465 million) were pledged to obtain bank borrowings (note 41).

15 SUBSIDIARIES

Details of the Company's principal directly-held subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	2020	2019	
中國葛洲壩集團有限公司 CGGC Group	10 June 2003 PRC	3,315,308,700	**100%**	100%	Survey, design, consulting, construction, civilian blasting, cement sales and real estate development
中國能建集團裝備有限公司 China Energy Engineering Group Equipment Co., Ltd.	16 August 2012 PRC	3,760,198,740	**100%**	100%	Manufacturing of equipment
中國能源建設集團南方建設投資有限公司 China Energy Engineering Group Southern Construction and Investment Co., Ltd. ("CEESC")	12 April 2017 PRC	3,407,713,285	**100%**	100%	Investment holding
中國能源建設集團規劃設計有限公司 China Energy Engineering Group Planning and Engineering Co., Ltd. ("CEEPE")	16 April 2018 PRC	10,000,000,000	**100%**	100%	Investment holding
中國能源建設集團西北建設投資有限公司 China Energy Engineering Group Northwest Construction and Investment Co., Ltd.	16 April 2018 PRC	1,490,021,401	**100%**	100%	Investment holding
中國能源建設集團華東建設投資有限公司 China Energy Engineering Group Eastern Construction and Investment Co., Ltd.	18 April 2018 PRC	4,206,462,915	**100%**	100%	Investment holding
中國能源建設集團北方建設投資有限公司 China Energy Engineering Group North Construction and Investment Co., Ltd.	26 April 2018 PRC	3,684,602,717	**100%**	100%	Investment holding

Note:

English names of all these subsidiaries are for reference only and have not been registered.

All the above subsidiaries were established as limited liability companies in the PRC. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15 SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of equity interests and voting rights held by non-controlling interests at 31 December		Profit/(loss) allocated to non-controlling interests year ended 31 December		Accumulated non-controlling interests at 31 December	
		2020	2019	**2020**	2019	**2020**	2019
				RMB'000	RMB'000	**RMB'000**	RMB'000
CGGC (note 3(a)(i))	PRC	**57.16%**	57.66%	**2,674,544**	3,673,703	**33,915,751**	29,191,654
Others				**479,904**	171,646	**13,820,798**	7,481,691
Eliminations (note)				**(212,277)**	(162,178)	**(9,209,043)**	(5,427,755)
Total				**2,942,171**	3,683,171	**38,527,506**	31,245,590

Note: Eliminations represent certain cross holding of subsidiaries by other subsidiaries of the Group.

Summarised financial information in respect of CGGC that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination. The summarised financial information below represents amounts shown in the subsidiary's financial statements prepared in accordance with IFRSs.

15 SUBSIDIARIES (CONTINUED)

CGGC and subsidiaries

	2020 RMB'000	2019 RMB'000
Non-controlling interests percentage	**57.16%**	57.66%
Current assets	**144,500,285**	134,039,207
Non-current assets	**114,904,419**	100,424,166
Current liabilities	**131,326,258**	112,469,413
Non-current liabilities	**48,736,711**	55,762,458
Net assets	**79,341,735**	66,231,502
Carry amounts:		
Perpetual capital instruments holders	**30,984,433**	23,900,000
Non-controlling interests	**33,915,751**	29,191,654
Revenue	**112,611,173**	109,945,697
Profit for the year	**5,293,446**	6,563,609
Total comprehensive income for the year	**5,149,071**	6,742,544
Profit attributable to perpetual capital instruments holders	**1,069,638**	838,684
Profit attributable to non-controlling interests	**2,674,544**	3,673,703
Dividends paid to non-controlling interests	**1,713,712**	1,378,856
Net cash inflows from operating activities	**6,364,161**	6,070,433
Net cash outflows from investing activities	**(13,169,603)**	(5,280,889)
Net cash inflows from financing activities	**10,507,239**	2,036,218

On 27 October 2020, the Company entered into a Merger Agreement with CGGC in relation to the possible absorption and merger of CGGC through Share Swap ("the Merger"). The Merger, when fully implemented, will involve (among other things) the issuance of a total of 11,645,760,553 A shares by the Company to the shareholders of CGGC (other than CGGC Group) on the Registration Date of Implementation of the Merger, in exchange for all the CGGC shares held by them. The Merger is yet to be completed by the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16 INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Cost of unlisted interests in joint ventures	**7,154,192**	4,616,499
Share of post-acquisition profits, net of dividends received and receivables	**295,995**	800,192
	7,450,187	5,416,691

Particulars of the principal joint ventures of the Group are as follows:

Name of the joint ventures	Principal activities	Place of establishment and operation	Ownership interest at 31 December		Voting rights held at 31 December	
			2020	2019	**2020**	2019
廣州市正林房地產開發有限公司 Guangzhou Zhenglin Real Estate Development Co., Ltd ("Zhenglin")* (note (a))	Real estate	PRC	**49%**	49%	**49%**	49%
廣州市如茂房地產開發有限公司 Guangzhou Rumao Real Estate Development Co., Ltd ("Rumao")* (note (a))	Real estate	PRC	**49%**	49%	**49%**	49%
中電廣西防城港電力有限公司 CLP Guangxi Fangchenggang Power Co., Ltd ("Fangchenggang")* (note (b))	Generation and sale of electricity	PRC	**30%**	30%	**30%**	30%
荊州城北快速路投資建設有限公司 Jingzhou Chengbei Expressway Investment and Construction Co., Ltd.("Jingzhou Chengbei")* (note (c))	Expressway operation	PRC	**70%**	70%	**70%**	70%

* English names of these companies are for reference only and have not been registered.

16 INTERESTS IN JOINT VENTURES (CONTINUED)

Notes:

(a) Under the joint venture agreements, the boards of directors of these two entities comprise 5 directors respectively, 2 of which are appointed by the Group. Unanimous approvals by all directors are required for decisions on directing the relevant activities of these two entities. Hence, in the opinion of the Directors, the Group's interests in these two entities are accounted for as joint ventures.

(b) Under the joint venture agreement, the board of directors of Fangchenggang comprises 7 directors, 2 of which are appointed by the Group. Unanimous approvals by at least three-fourths of directors are required for decisions on directing the relevant activities of Fangchenggang. Hence, in the opinion of the Directors, the Group's interest in Fangchenggang is accounted for as a joint venture.

(c) Under the joint venture agreement, the boards of directors of Jingzhou Chengbei comprises 5 directors, 3 of which are appointed by the Group. Unanimous approvals by all directors are required for decisions on directing the relevant activities of Jingzhou Chengbei. Hence, in the opinion of the Directors, the Group's interests in Jingzhou Chengbei is accounted for as joint ventures.

The summarised financial information in respect of the Group's material joint ventures which are accounted for using the equity accounting method and prepared using IFRSs is set out below.

Zhenglin

	2020 **RMB'000**	2019 RMB'000
Gross amount of Zhenglin		
Current assets	**2,830,591**	3,701,318
Non-current assets	**270**	443
Current liabilities	**457,343**	708,998
Equity	**2,373,518**	2,992,763
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**422,179**	231,529
Revenue	**396,974**	515,167
Profit and other comprehensive income for the year	**219,888**	148,604
The above profit for the year includes the following:		
Finance cost	**3,303**	(12,513)
Income tax expense	**(73,296)**	(49,535)

16 INTERESTS IN JOINT VENTURES (CONTINUED)

Zhenglin (continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Zhenglin recognised in these consolidated financial statements:

	2020	2019
	RMB'000	RMB'000
Net assets of the joint venture	**2,373,518**	2,992,763
Proportion of the Group's interest in Zhenglin	**49%**	49%
Carrying amount of the Group's interest in Zhenglin	**1,163,024**	1,466,454

Rumao

	2020	2019
	RMB'000	RMB'000
Gross amount of Rumao		
Current assets	**2,075,431**	2,521,227
Non-current assets	**126**	1,113
Current liabilities	**340,184**	384,765
Equity	**1,735,373**	2,137,575
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**134,994**	98,139
Revenue	**104,471**	196,527
Profit/(loss) and other comprehensive income for the year	**35,730**	(2,197)
The above profit/(loss) for the year includes the following:		
Income tax expense	**(11,926)**	732

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Rumao recognised in these consolidated financial statements:

	2020	2019
	RMB'000	RMB'000
Net assets of the joint venture	**1,735,373**	2,137,575
Proportion of the Group's interest in Rumao	**49%**	49%
Carrying amount of the Group's interest in Rumao	**850,333**	1,047,412

16 INTERESTS IN JOINT VENTURES (CONTINUED)

Fangchenggang

	2020 RMB'000	2019 RMB'000
Gross amount of Fangchenggang		
Current assets	**1,237,609**	1,410,343
Non-current assets	**6,728,604**	6,946,669
Current liabilities	**993,589**	1,096,532
Non-current liabilities	**4,122,194**	4,405,246
Equity	**2,850,430**	2,855,234
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**584,011**	610,861
Current financial liabilities (excluding trade and other payables and provisions)	**323,492**	323,477
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,078,415**	4,360,246
Revenue	**3,501,002**	3,559,763
Profit and other comprehensive income for the year	**320,200**	325,005
The above profit for the year includes the following:		
Depreciation and amortisation	**(200,022)**	(203,097)
Finance income	**7,582**	9,490
Finance costs	**(215,108)**	(243,451)
Income tax expense	**(100,150)**	(126,178)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Fangchenggang recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the joint venture	**2,850,430**	2,855,234
Proportion of the Group's interest in Fangchenggang	**30%**	30%
Carrying amount of the Group's interest in Fangchenggang	**855,133**	856,570

16 INTERESTS IN JOINT VENTURES (CONTINUED)

Jingzhou Chengbei

	2020 RMB'000	2019 RMB'000
Gross amount of Jingzhou Chengbei		
Current assets	**776,028**	962,236
Non-current assets	**7,168,957**	5,736,789
Current liabilities	**482,485**	780,825
Non-current liabilities	**4,988,200**	4,038,200
Equity	**2,474,300**	1,880,000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**289,189**	593,512

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Jingzhou Chengbei recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the joint venture	**2,474,300**	1,880,000
Proportion of the Group's interest in Jingzhou Chengbei	**70%**	70%
Carrying amount of the Group's interest in Jingzhou Chengbei	**1,732,010**	1,316,000

Aggregate information of joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
The Group's share of loss and other comprehensive income for the year	**(10,179)**	(576)
Aggregate carrying amount of the Group's interests in these joint ventures	**2,849,687**	730,255

17 INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of unlisted interests in associates	**20,665,362**	15,228,641
Share of post-acquisition profits, net of dividends received and receivable	**934,672**	1,327,823
Provision for impairment	**(96,177)**	(96,177)
	21,503,857	16,460,287

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of establishment and operations	Proportion of Ownership interest held by the Group at 31 December		Principal activities
		2020	2019	
武漢華潤置地葛洲壩置業有限公司 Wuhan China Resources Land Gezhouba Real Estate Co., Ltd. ("WCRLGRE")* (note (a))	PRC	**40.00%**	40.00%	Real estate
武漢葛洲壩龍湖房地產開發有限公司 Wuhan Gezhouba Longhu Property Development Co., Ltd. ("WGLPD")* (note (b))	PRC	**50.00%**	50.00%	Real estate
陝西葛洲壩延黃寧石高速公路有限公司 Shanxi Gezhouba Yanhuang Ningshi Expressway Co., Ltd. ("SGYNE")* (note (c))	PRC	**40.00%**	40.00%	Expressway operation
平安葛洲壩(深圳)高速公路投資合夥企業(有限合夥) Ping An Gezhouba (Shenzhen) Expressway Investment Partnership (Limited Partnership) ("PINGAN")* (note (d))	PRC	**47.50%**	47.50%	Expressway operation
山東葛洲壩棗菏高速公路有限公司 Shandong Gezhouba Zaohe Expressway Co., Ltd. ("SGZE")*(note (e))	PRC	**35.00%**	35.00%	Expressway operation

* English names of all these companies are for reference only and have not been registered.

17 INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) Under the associate agreement, two directors out of five were appointed by the Group. At least 50% approvals by the directors of WCRLGRE are required for decisions on directing the relevant activities of WCRLGRE. In the opinion of the Directors, the Group has significant influence over WCRLGRE and the interest in the entity is accounted for as interests in an associate.

(b) Under the associate agreement, two directors out of five were appointed by the Group. At least 50% approvals by the directors of WGLPD are required for decisions on directing the relevant activities of WGLPD. In the opinion of the Directors, the Group has significant influence over WGLPD and the interest in the entity is accounted for as interests in an associate.

(c) Under the associate agreement, one director out of three was appointed by the Group. 100% approvals by the directors of SGYNE are required for decisions on directing the relevant activities of SGYNE. In the opinion of the Directors, the Group has significant influence over SGYNE and the interest in the entity is accounted for as interests in an associate.

(d) Under the associate agreement, two out of four members of the investment committee were appointed by the Group. More than 50% members' approvals of the investment committee are required for decisions on directing the relevant activities of PINGAN. In the opinion of the Directors, the Group has significant influence over PINGAN and the interest in the entity is accounted for as interests in an associate.

(e) Under the associate agreement, one director out of three were appointed by the Group. At least 50% approvals by the directors of SDZE are required for decisions on directing the relevant activities of SDZE. In the opinion of the Directors, the Group has significant influence over SDZE and the interest in the entity is accounted for as interests in an associate.

17 INTERESTS IN ASSOCIATES (CONTINUED)

WCRLGRE

	2020 RMB'000	2019 RMB'000
Gross amount of WCRLGRE		
Current assets	**9,530,451**	6,831,389
Non-current assets	**8,218**	2,590
Current liabilities	**6,140,547**	3,285,479
Non-current liabilities	**449,850**	599,950
Equity	**2,948,272**	2,948,550
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**765,722**	501,123
Non-current financial liabilities (excluding trade and other payables and provisions)	**449,850**	599,950
Revenue	**44,138**	2,801,736
Profit and other comprehensive income for the year	**11,653**	583,059
The above profit for the year includes the following:		
Finance costs	**(2,210)**	(5,458)
Income tax expense	**(3,978)**	(194,524)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in WCRLGRE recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the associate	**2,948,272**	2,948,550
Proportion of the Group's interest in WCRLGRE	**40%**	40%
Carrying amount of the Group's interest in WCRLGRE	**1,179,309**	1,179,420

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17 INTERESTS IN ASSOCIATES (CONTINUED)

WGLPD

	2020 RMB'000	2019 RMB'000
Gross amount of WGLPD		
Current assets	**5,613,420**	5,325,402
Non-current assets	**99**	142
Current liabilities	**701,386**	393,907
Equity	**4,912,133**	4,931,637
Revenue	**515**	–
Loss and other comprehensive income for the year	**(19,504)**	(29,329)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in WGLPD recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the associate	**4,912,133**	4,931,637
Proportion of the Group's interest in WGLPD	**50%**	50%
Carrying amount of the Group's interest in WGLPD	**2,456,357**	2,466,109

SGYNE

	2020 RMB'000	2019 RMB'000
Gross amount of SGYNE		
Current assets	**2,230,720**	3,763,833
Non-current assets	**14,103,315**	6,341,496
Current liabilities	**2,600,959**	7,854,843
Non-current liabilities	**9,629,076**	300,486
Equity	**4,104,000**	1,950,000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**904,640**	2,269,074

17 INTERESTS IN ASSOCIATES (CONTINUED)

SGYNE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in SGYNE recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the associate	**4,104,000**	1,950,000
Proportion of the Group's interest in SGYNE	**40%**	40%
Carrying amount of the Group's interest in SGYNE	**2,313,000**	1,950,000

PINGAN

	2020 RMB'000	2019 RMB'000
Gross amount of PINGAN		
Current assets	**8,870**	8,554
Non-current assets	**5,381,327**	5,189,326
Current liabilities	**7**	7
Equity	**5,390,190**	5,197,873
Revenue	**30**	–
Loss and other comprehensive income for the year	**(289)**	(223)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in PINGAN recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the associate	**5,390,190**	5,197,873
Proportion of the Group's interest in PINGAN	**48%**	48%
Carrying amount of the Group's interest in PINGAN	**2,290,973**	1,725,825

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

17 INTERESTS IN ASSOCIATES (CONTINUED)

SGZE

	2020 RMB'000	2019 RMB'000
Gross amount of SGZE		
Current assets	**2,583,733**	3,841,716
Non-current assets	**17,398,125**	11,389,239
Current liabilities	**3,359,690**	2,168,214
Non-current liabilities	**13,300,000**	9,566,000
Equity	**3,322,168**	3,496,741
Revenue	**179,996**	–
Loss and other comprehensive income for the year	**(174,572)**	–

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in SGZE recognised in these consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Net assets of the associate	**3,322,168**	3,496,741
Proportion of the Group's interest in SGZE	**35%**	35%
Carrying amount of the Group's interest in SGZE	**1,163,059**	1,124,159

Aggregate information of associates that are not individually material:

	2020 RMB'000	2019 RMB'000
The Group's share of profit and other comprehensive income	**103,609**	492,686
Cash dividends received	**410,135**	17,243
Aggregate carrying amount of the Group's interests in these associates	**12,101,159**	7,914,774

18 GOODWILL

	2020 RMB'000	2019 RMB'000
Cost:		
At the beginning of the year	**1,576,529**	1,576,496
Arising on acquisition of subsidiaries	**568,874**	33
Disposal of subsidiaries	**(3,782)**	–
At the end of the year	**2,141,621**	1,576,529
Impairment losses:		
At the beginning of the year	**(729)**	–
Impairment losses	**(1,224)**	(729)
Disposal of subsidiaries	**729**	–
At the end of the year	**(1,224)**	(729)
Net book value:		
At the end of the year	**2,140,397**	1,575,800
At the beginning of the year	**1,575,800**	1,576,496

Impairment testing on goodwill

The carrying amount of goodwill at the end of year is attributable to the acquisition of subsidiaries of the following directly-held subsidiaries of the Company:

	2020 RMB'000	2019 RMB'000
CGGC Group	**1,895,834**	1,539,598
CEEPE	**230,435**	22,150
CEESC	**9,743**	9,743
Others	**4,385**	4,309
	2,140,397	1,575,800

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18 GOODWILL (CONTINUED)

Impairment testing on goodwill (continued)

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

Goodwill with an amount of RMB654 million, arised on acquisition of 葛洲壩鍾祥水泥有限公司 (Gezhouba Zhongxiang Cement Company Limited) (the "Zhongxiang Cement") by CGGC in 2014 which is included in civil explosives and cement production business of the Group and Zhongxiang Cement, is principally engaged in the production and sales of cement businesses. The recoverable amount of this cash generating unit as at 31 December 2020 has been determined based on a value in use calculation. The recoverable amount is based on the financial budget approved by management of CGGC for the next five-year period and the cash flows beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The rate used to discount the forecast cash flows is 10.02% (2019: 10.50%). Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiary's past performance.

Goodwill with an amount of RMB508 million, arised on acquisitions of 北京中凱興業投資管理有限公司 (Beijing Zhongkai Xingye Investment Management Company Limited) (the "Beijing Zhongkai Xingye") and 湖南海川達投資管理有限公司 (Hunan Haichuanda Investment Management Company Limited) (the "Hunan Haichuanda") by CGGC during 2016 which are included in investment business of the Group and principally engaged in investment management business of water plants. The recoverable amounts of the cash generating units as at 31 December 2020 have been determined based on the value in use calculation. The recoverable amounts are based on the financial budgets approved by management of CGGC for the next five-year period and the cash flows beyond the five-year period are estimated based on the production and water supply plans. The rates used to discount the forecast cash flows are 8.14%-10.92% and 9.92% (2019: 10.00% and 10.00%), respectively. Another key assumption for the value in use calculation is the stable budgeted gross margin, which is determined based on the subsidiary's past performance.

Goodwill with an amount of RMB98 million arised on acquisition of the business of the 四川通達化工有限責任公司彭州分公司 (Pengzhou Branch of Sichuan Tongda Chemical Co., Ltd.) (the "Sichuan Tongda Chemical") by CGGC in 2018 included in civil explosives and cement production business of the Group, which is principally engaged in the production and sales of civil explosives businesses. The recoverable amount of this cash generating unit as at 31 December 2020 has been determined based on a value in use calculation. The recoverable amount is based on the financial budget approved by management of CGGC for the next five-year period and the cash flows beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The rate used to discount the forecast cash flows is 10.09% (2019:14.00%). Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the business's past performance.

Goodwill with an amount of RMB208 million arised on acquisition of the business of the Empresarios Agrupados Internacional, S.A. (the "EAI") and Ghesa Ingenieriay Tecnologia, S.A. (the "Ghesa") by CEEPE in 2020 included in survey, design and consulting services business of the Group. The recoverable amounts of the cash generating units as at 31 December 2020 have been determined based on the value in use calculation. The recoverable amounts are based on the financial budgets approved by management of CEEPE for the next five-year period and the cash flows beyond the five-year period are estimated based on the market trend. The rate used to discount the forecast cash flows is 10.02%. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the business's past performance.

18 GOODWILL (CONTINUED)

Impairment testing on goodwill (continued)

The recoverable amounts in respect of subsidiaries, which are principally engaged in civil explosive product manufacturing, cements production, waste water treatment and electronic power, other than Zhongxiang Cement, Beijing Zhongkai Xingye, Hunan Haichuanda and Sichuan Tongda Chemical, have been determined based on a value in use calculation. This calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 7.92% to 12.72% (2019: 5.40% to 18.00%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period, covering 3 to 5 years, and a growth rate which is estimated based on the market trend and by reference to the relevant market trend report for the extrapolation period. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the remaining subsidiaries to exceed its recoverable amount.

19 FINANCIAL ASSETS

(a) Financial assets at FVOCI

	31 December 2020 RMB'000	31 December 2019 RMB'000
Listed equity investments:		
Equity securities listed in Mainland China	**1,254,093**	1,108,528
Unlisted equity investments:		
Private companies (note (i))	**1,025,151**	833,835
Listed company (note (ii))	**31,334**	252,449
Total	**2,310,578**	2,194,812
Analysed for reporting purposes as:		
Non-current	**2,310,578**	2,194,812

19 FINANCIAL ASSETS (CONTINUED)

(b) Financial assets at FVPL

	31 December 2020 RMB'000	31 December 2019 RMB'000
Listed investments:		
Equity securities listed in Mainland China	**62,278**	43,278
Unlisted investments:		
Private companies	**5,770,235**	4,858,594
Units in funds and other non-equity investments	**3,811,243**	3,279,903
Total	**9,643,756**	8,181,775
Analysed for reporting purposes as:		
Non-current	**6,686,063**	5,423,593
Current	**2,957,693**	2,758,182

Notes:

(i) The unlisted investments in private companies represent equity securities of private entities established in the PRC. These investments are designated at FVOCI, as they are held for strategic purposes. The Group does not intend to dispose them in the near future.

(ii) These investments mainly represent non-tradable shares of GITI Corporation Limited ("GITI", a PRC established company), the A shares of which were listed on the Shanghai Stock Exchange in 1999. In 2020, the Group disposed its non-tradable shares of Huadian Fuxin Energy Corporation Limited and transfer the amount accumulated in other comprehensive income to retained earnings with amount of RMB998 million upon derecognising this equity investment.

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2020	2019
	RMB'000	RMB'000
Net tax payable at 1 January	**1,533,701**	1,142,909
Provision for the year (note 10)	**4,159,501**	3,664,736
Effect of acquisition of subsidiaries	**16,258**	3,116
Income tax paid	**(3,656,631)**	(3,277,060)
Net tax payable at 31 December	**2,052,829**	1,533,701
Representing:		
Tax payable	**2,766,108**	2,111,310
Tax recoverable	**(713,279)**	(577,609)
	2,052,829	1,533,701

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred taxation

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the year:

	Defined benefit obligations	Impairment of assets	Credit loss allowance	Unrealised profit in intra-group transactions	Employee benefits payables	Deductible losses	Depreciation and amortisation difference between taxation and accounting basis	Depreciation charge of right-of-use asset	Fair value changes of financial assets	Differences between book value and tax basis of assets acquired not under common control	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	251,782	109,359	760,363	514,460	69,218	20,707	(878,734)	–	(116,611)	(14,565)	103,245	819,224
(Charge)/credit to profit or loss (note 10)	(29,650)	11,951	(62,345)	164,650	(293)	6,483	(140,842)	11,942	(5,834)	789	343	(42,806)
Credit/(Charge) to other comprehensive income	3,499	–	–	–	–	–	–	–	(22,097)	–	–	(18,598)
Decrease in disposal of subsidiaries	–	–	–	–	–	–	191,412	–	–	–	–	191,412
At 31 December 2019	225,631	121,310	698,018	679,110	68,925	27,190	(828,164)	11,942	(144,542)	(13,776)	103,588	949,232
(Charge)/credit to profit or loss (note 10)	**(12,718)**	**8,097**	**101,290**	**108,609**	**2,356**	**73,167**	**(90,698)**	**–**	**(83,723)**	**1,812**	**(11,442)**	**96,750**
Charge to other comprehensive income	**(17,252)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(88,145)**	**–**	**–**	**(105,397)**
Increase in acquisition and disposal of subsidiaries	**–**	**3,300**	**–**	**–**	**–**	**4,195**	**–**	**–**	**–**	**(15,972)**	**232**	**(8,245)**
At 31 December 2020	**195,661**	**132,707**	**799,308**	**787,719**	**71,281**	**104,552**	**(918,862)**	**11,942**	**(316,410)**	**(27,936)**	**92,378**	**932,340**

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred taxation (continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**2,276,429**	2,068,529
Net deferred tax liability recognised in the consolidated statement of financial position	**(1,344,089)**	(1,119,297)
	932,340	949,232

Details of tax losses not recognised are set out below:

	2020 RMB'000	2019 RMB'000
Tax losses	**12,288,773**	9,869,994

No deferred tax asset has been recognised in respect of the above tax loss due to the unpredictability of future profit stream for relevant subsidiaries. Included in unrecognised tax losses are losses that will expire in the following years:

	2020 RMB'000	2019 RMB'000
2020	**–**	1,007,077
2021	**1,050,387**	1,423,575
2022	**1,774,816**	1,819,871
2023	**2,627,311**	2,660,159
2024	**2,222,938**	2,308,848
2025	**3,894,017**	124,078
2026	**53,055**	62,298
2027	**115,769**	118,183
2028	**156,474**	163,547
2029	**197,266**	182,358
2030	**196,740**	–
	12,288,773	9,869,994

21 TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**54,421,760**	50,321,200
Retention receivables	**17,397,551**	14,381,833
Less: loss allowance	**(4,419,331)**	(4,024,432)
	67,399,980	60,678,601
Bills receivable	**13,229,407**	5,611,852
Build-transfer ("BT")/BOT project receivables	**19,192,704**	17,066,322
Total trade and bills receivables	**99,822,091**	83,356,775
Analysed for financial reporting purpose:		
Non-current	**34,650,825**	29,128,276
Current	**65,171,266**	54,228,499
	99,822,091	83,356,775

Trade and bills receivables of the Group primarily represent receivables from grid and power generation companies. The credit terms granted to its trade customers mainly ranged from 30 days to 180 days, except for the retention receivables and certain receivables from BT and BOT projects.

Retention receivables are withheld by customers up to a maximum amount calculated based on a prescribed percentage of the construction contract amount. Retention terms of 12 to 24 months after the completion of construction contracts may be granted to customers and debtors for retentions receivable, depending on the market practice of construction industries in countries where construction contracts are carried out and credit assessment carried out by management on an individual customer or debtor basis. The trade receivables arising from BT and BOT projects are unsecured and are repayable by instalments over a 4 to 30 years period during or after the completion of the construction of the underlying projects.

As at 31 December 2020, the Group pledged its trade receivables amounting to approximately RMB17,793 million (2019: RMB5,090 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 41.

As at 31 December 2020, trade receivables of RMB3,021 million (2019: RMB2,076 million) had been transferred in accordance with relevant ABS issuances. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

The following is ageing analysis of trade and bills receivables, net of loss allowance and based on the invoice date at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
0 to 6 months	**68,890,581**	58,973,905
6 months to 1 year	**10,392,942**	7,665,837
1 year to 2 years	**10,026,957**	7,592,431
2 years to 3 years	**4,884,002**	3,838,897
3 years to 4 years	**2,236,599**	3,055,326
4 years to 5 years	**2,265,774**	1,270,199
Over 5 years	**1,125,236**	960,180
	99,822,091	83,356,775

(b) Related parties of trade and bills receivables

The amounts due from ultimate holding company, fellow subsidiaries, joint ventures and associates included in the trade and bills receivables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Ultimate holding company	**–**	425
Fellow subsidiaries	**26,683**	25,383
Joint ventures	**1,531,626**	891,427
Associates	**6,792,511**	1,754,729
Total	**8,350,820**	2,671,964

The above amounts are unsecured and interest-free. The Group has not granted any credit periods to related parties. All balances are past due but not impaired and aged within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Foreign currency of trade and bills receivables

Trade receivables denominated in currencies other than the functional currencies of respective entities are set out below:

	2020 RMB'000	2019 RMB'000
United States Dollar ("USD")	**676,625**	1,783,981
Euro ("EUR")	**304,674**	13,287
Pakistan Rupee ("PKR")	**75,830**	274,436
Others	**283,618**	1,264,329
	1,340,747	3,336,033

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Advance to suppliers	**25,257,704**	24,760,370
Other receivables from Huanjia Connected Suppliers (note (i))	**–**	574,218
Other receivables (note (ii))	**17,506,165**	15,260,726
Receivables for the "Transfer" (note (iii))	**–**	2,121,789
Prepayments for purchase of property, plant and equipment	**1,188,075**	1,156,751
Prepaid taxes	**7,348,474**	7,000,886
Dividends receivable	**86,112**	5,265
Interests receivable	**335**	3,028
Deposits for land use rights	**–**	39,078
	51,386,865	50,922,111
Analysed for financial reporting purpose:		
Non-current	**1,602,839**	1,894,945
Current	**49,784,026**	49,027,166
	51,386,865	50,922,111

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(i) During the year ended 31 December 2018, Gezhouba Huanjia (Dalian) Renewable Resources Company Limited (葛洲壩環嘉(大連)再生資源有限公司, "Gezhouba Huanjia"), in which a wholly owned subsidiary of CGGC, CGGC Group Green Technology Company Limited (中國葛洲壩集團綠園科技有限公司), "CGGC Green Technology") and Mr. Wang Jinping hold 55% and 45% equity interests, respectively, made prepayments of RMB1,741 million to certain suppliers. From the year of 2015 to 2020, Mr. Wang Jinping was the director and general manager of Gezhouba Huanjia, and also the chairman and shareholder of Dalian Huanjia Group Co., Ltd. (大連環嘉集團有限公司) (now renamed as Huanjia Group Co., Ltd. (環嘉集團有限公司), "Huanjia Group"). As these suppliers subsequently failed to deliver relevant goods to Gezhouba Huanjia, the balances were reclassified to other receivables and impairment loss of RMB452 million was made during the year ended 31 December 2018.

During the year ended 31 December 2020, Mr. Wang Jinping, certain directors and management personnel of Gezhouba Huanjia were kept in detention and investigated by the Committee of Supervisory of Wuhan City (武漢市監察委員會) for duty related crimes and/or crimes (the "Investigation", see note 40(c)). These suppliers were found to be connected to Huanjia Group ("Huanjia Connected Suppliers", see note40(c)). The Group had taken certain contingency measures to recover the receivables. As at 31 December 2020, the gross amount of outstanding other receivables from Huanjia Connected Suppliers was RMB1,475 million. Based on information available to the Group, additional impairment loss of RMB574 million was made during the year ended 31 December 2020 (2019: RMB449 million). As at 31 December 2020, the carrying amount was RMB Nil (2019: RMB574 million).

(ii) Other receivables mainly represent bidding bonds, performance bonds and various deposits required for the Group's business operations.

(iii) In accordance with relevant policies issued by SASAC and Ministry of Finance of the PRC, the state-owned enterprises shall carve out, upgrade (if necessary) and transfer their assets related to water supply, power supply, and heat/gas supply and property management of employees' communities, together with their maintenance obligation and management function, to the parties, which are designated by local governments before the year end of 2018 (the "Transfer", 三供一業移交).

Movements in the loss allowance are set out as follows:

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**2,251,531**	1,826,162
Impairment losses recognised (note 8)	**746,452**	569,980
Written off	**(6,167)**	(139,258)
Effect on disposal of subsidiaries	**(3,106)**	(5,353)
At the end of the year	**2,988,710**	2,251,531

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The amounts due from ultimate holding company, fellow subsidiaries, joint ventures and associates included in the prepayments, deposits and other receivables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Ultimate holding company		
– Non-trade nature	**2,573**	2,338,343
Fellow subsidiaries		
– Trade nature	**216,371**	236,701
– Non-trade nature	**524,385**	725,102
Joint ventures		
– Non-trade nature	**230,387**	2,677
Associates		
– Trade nature	**17,189**	–
– Non-trade nature	**1,542,275**	993,761
Total	**2,533,180**	4,296,584

23 OTHER LOANS AND FINANCE LEASE RECEIVABLES

(a) Other loans

At 31 December 2020, the amounts due from fellow subsidiaries, associates and third parties included in other loans were repayable within one year. These loans are all unsecured, further details of which are analysed as follows:

	2020	2019
	RMB'000	RMB'000
Amounts due from:		
Fellow subsidiaries	**1,225,200**	1,193,960
Associates	**3,224,889**	4,056,765
Third parties	**589,155**	747,718
	5,039,244	5,998,443
Analysed for financial reporting purpose:		
Current	**5,039,244**	5,998,443
Loans:		
With ultimate holding company guarantee	**184,300**	277,500
Without guarantees	**4,854,944**	5,720,943
	5,039,244	5,998,443
Interest-bearing loans (fixed rate)	**2,404,809**	4,105,168
Interest-free loans repayable on demand	**2,634,435**	1,893,275
	5,039,244	5,998,443
Range of interest rate (per annum)	**3.70% to 10.00%**	4.35% to 10.00%

(b) Finance lease receivables

As at 31 December 2020, the Group entered into finance lease arrangements for certain of its transportation vehicles and manufacturing facilities. The period of finance leases entered into is ranged from 6 months to 15 years.

Finance lease receivables were mainly with floating interest rates reference to the benchmark interest rate of the People's Bank of China (the "PBOC"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates. As at 31 December 2020, the carrying amount of these finance lease receivables was RMB4,493 million (2019: RMB2,289 million), of which approximately RMB258 million (2019: RMB426 million) was classified as current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24 INVENTORIES

	2020 RMB'000	2019 RMB'000
Materials in transit	**89,622**	171,393
Raw materials	**4,381,917**	4,309,048
Work in progress	**1,653,193**	1,584,878
Finished goods	**5,756,614**	6,443,474
Low value consumables and spare parts	**365,569**	325,371
	12,246,915	12,834,164
Less: write-down of inventories	**(291,380)**	(216,885)
	11,955,535	12,617,279

Note: Certain inventories of Gezhouba Huanjia were stored in sites, which were leased from Huanjia Group (defined in note 22(ii)). As at 31 December 2020, inventories of Gezhouba Huanjia with carrying amount of RMB708 million (2019: RMB708 million), which were stored in these sites, were seized by court orders for enforcement as a result of a number of legal proceedings against Huanjia Group. Based on available documents and the opinion of legal adviser of the Group, the Company is of the opinion that these inventories are lawfully owned by Gezhouba Huanjia.

25 PROPERTIES UNDER DEVELOPMENT FOR SALE/COMPLETED PROPERTIES FOR SALE

	2020 RMB'000	2019 RMB'000
Properties under development for sale	**44,937,703**	47,103,429
Completed properties for sale	**4,636,074**	2,231,891
	49,573,777	49,335,320

The amount of properties under development for sale not expected to be completed within the next twelve months is as follows:

	2020 RMB'000	2019 RMB'000
Properties under development	**29,127,585**	17,764,695

Certain properties under development for sale of the Group were pledged against the loans and borrowings, details of which are set out in note 41.

26 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract assets		
Arising from performance under construction contracts	**48,237,627**	41,151,749
Receivables from contracts with customers within the scope of IFRS15, which are included in "Trade and bills receivables" (note 21)	**80,629,387**	66,290,453

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods is RMB8,035 million (2019: RMB7,094 million), mainly due to the changes in estimate of the stage of completion of certain construction contracts.

The amount of contract assets that is expected to be recovered after more than one year is RMB24,926 million (2019: RMB20,080 million), which relates to retentions and long-term billing cycles of certain projects.

Contract assets above include amounts attributable to joint venture and associates as follows:

	2020 RMB'000	2019 RMB'000
Joint ventures	**184,173**	143,442
Associates	**719,975**	856,855
Fellow subsidiaries	**257**	–
	904,405	1,000,297

The transactions between these related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

26 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities		
Billings in advance of performance under construction contracts	**17,545,267**	15,094,422
Advances for the sale of properties	**15,464,480**	13,029,718
Other advances received from customers	**25,823,019**	24,366,658
	58,832,766	52,490,798

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Construction contracts

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The amount of the deposit, if any, is negotiated on a case by case basis with customers.

– Property development

The Group receives a deposit from customers when they sign the sale and purchase agreement. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer. The rest of the consideration is typically paid when legal assignment is completed.

Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**52,490,798**	42,845,942
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(48,117,574)**	(36,316,494)
Increase in contract liabilities as a result of billing in advance of construction activities	**54,459,542**	45,961,350
Balance at 31 December	**58,832,766**	52,490,798

26 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (continued)

Movements in contract liabilities (continued)

The amount of billings in advance of performance and forward sales deposits and instalments received expected to be recognised as income after more than one year is RMB6,957 million (2019: RMB6,424 million).

Contract liabilities above include amounts attributable to fellow subsidiaries, joint ventures and associates as follows:

	2020 RMB'000	2019 RMB'000
Fellow subsidiaries	**16,033**	308
Joint venture	**187,131**	68,052
Associates	**1,295,958**	1,885,118
	1,499,122	1,953,478

The transactions between these related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Bank and cash balances	**50,242,720**	43,665,214
Time deposits	**6,192,191**	5,469,512
	56,434,911	49,134,726
Less: Pledged deposits for		
Bills payable	**1,464,767**	1,060,916
Letter of credit	**1,066,171**	1,259,726
Others	**3,305,567**	2,921,576
	5,836,505	5,242,218
Bank and cash balances at end of year	**50,598,406**	43,892,508
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**737,162**	1,267,929
Cash and cash equivalents in the consolidated statement of cash flows	**49,861,244**	42,624,579

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS (CONTINUED)

(a) Cash and cash equivalents comprise (continued):

The Group's bank and cash balances comprise cash and bank deposits, including pledged deposits, carrying interest at prevailing variable market rates ranging from 0.01% to 6.50% per annum as at 31 December 2020 (2019: 0.01% to 6.50% per annum).

As at 31 December 2020, the bank deposits of RMB737 million (2019: RMB1,268 million) carried fixed rate interests ranging from 0.30% to 6.50% per annum (2019: 0.30% to 6.50% per annum) with original maturity of more than three months.

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of Mainland China is subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**12,754,845**	13,307,921
Adjustment for:			
Depreciation of property, plant and equipment	12	**3,558,675**	3,451,795
Depreciation of investment properties	13	**42,908**	35,683
Amortisation of intangible assets	14	**613,092**	595,717
Amortisation of unrealised profit on sale and leaseback transactions	35	**(10,721)**	(6,026)
Amortisation of government grant related to income	35	**(306,313)**	(346,174)
Interest on finance lease		**446,976**	2,468
Finance costs	7	**3,480,229**	4,355,663
Finance income	7	**(388,545)**	(1,055,089)
Net foreign exchange loss/(gain)	6	**494,198**	(60,410)
(Gain)/loss on disposal of financial assets at FVPL	6	**(1,859)**	2,059
Gain on disposal of property, plant and equipment	6	**(409,451)**	(106,132)
Gain on disposal of subsidiaries	6	**(243,767)**	(2,300,070)
(Gain)/loss on disposal of intangible assets	6	**(1,412)**	755
Recognition of allowance for trade receivables	6	**674,400**	460,232
Recognition of allowance for other receivables	6	**746,452**	569,980
Recognition of allowance for contract assets	6	**189,653**	88,148
Recognition of allowance on inventories	8	**114,474**	153,095
Impairment on property, plant and equipment	6	**20,413**	19,692
Impairment on interest in associates	6	**–**	55,695
Impairment on goodwill	18	**495**	729

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations (continued):

	Note	2020 RMB'000	2019 RMB'000
Operating activities (continued)			
Dividends received from financial assets at FVPL	5	**(85,065)**	(109,695)
Dividends received from financial assets at FVOCI	5	**(122,414)**	(98,317)
Fair value changes of financial assets at FVPL	6	**(570,878)**	(40,953)
Share based compensation expense	8	**–**	(18,873)
Others	5	**(189,079)**	(175,707)
Government grants related to assets	5	**(26,518)**	(31,827)
Share of profits of joint ventures	16	**(208,116)**	(168,960)
Share of profits of associates	17	**(32,461)**	(711,246)
Operating cash flows before movements in working capital		**20,540,211**	17,870,153
Increase in trade and bill receivables		**(20,735,587)**	(5,346,503)
Increase in prepayments, deposits and other receivables		**(1,171,594)**	(9,833,799)
Decrease/(increase) in inventories		**542,563**	(366,882)
Decrease in completed properties for sale		**9,641,945**	7,089,635
Increase in properties under development for sale		**(9,145,328)**	(7,816,901)
Increase in contract assets		**(7,275,531)**	(5,168,236)
Increase in contract liabilities		**6,343,068**	9,695,153
Increase in trade and bills payables		**7,609,234**	8,209,211
Increase/(decrease) in other payables and accruals		**3,608,956**	(372,629)
Decrease in defined benefit obligations		**(380,955)**	(271,238)
Increase in government grants related to income		**250,841**	272,017
Increase in provisions		**318,908**	280,656
Cash generated from operations		**10,146,731**	14,240,637

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings	Corporate bonds	Lease liabilities	Accrued interests	Perpetual capital instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30)	(Note 31)	(Note 32)	(Note 29)	(Note 37)	
At 1 January 2020	86,261,694	19,778,537	1,146,457	1,152,008	26,900,000	135,238,696
Changes from financing cash flows:						
New bank and other borrowings	46,963,081	–	–	–	–	46,963,081
Net increase in borrowings from related parties	(2,122,260)	–	–	–	–	(2,122,260)
Repayment of bank and other borrowings	(31,861,881)	–	–	–	–	(31,861,881)
New corporate bonds	–	–	–	–	–	–
Repayment of corporate bonds	–	(750,000)	–	–	–	(750,000)
Capital elements of lease rentals paid	–	–	(513,383)	–	–	(513,383)
Interest element of lease rentals paid	–	–	(71,451)	–	–	(71,451)
Issue of perpetual capital instruments	–	–	–	–	14,804,433	14,804,433
Repayment of perpetual capital instruments	–	–	–	–	(1,220,000)	(1,220,000)
Interest paid	(23,525)	(795,028)	–	(4,502,263)	(1,163,559)	(6,484,373)
Total changes from financing cash flows	12,955,417	(1,545,028)	(584,834)	(4,502,263)	12,420,874	18,744,166
Exchange adjustments	(343,229)	–	(962)	–	–	(344,191)
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	261,760	–	–	261,760
Interest expenses	64,023	786,310	71,450	2,199,535	1,163,559	4,284,877
Capitalised borrowing costs	–	–	–	1,994,630	–	1,994,630
Disposal of subsidiaries	(799,000)	–	–	–	–	(799,000)
Total other changes	(734,977)	786,310	333,210	4,194,165	1,163,559	5,742,267
At 31 December 2020	98,138,905	19,019,819	893,871	843,910	40,484,433	159,380,938

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (continued):

	Bank loans and other borrowings	Corporate bonds	Lease liabilities	Accrued interests	Perpetual capital instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30)	(Note 31)	(Note 32)	(Note 29)	(Note 37)	
At 1 January 2019	92,116,031	19,872,552	1,235,199	1,107,243	19,400,000	133,731,025
Changes from financing cash flows:						
New bank and other borrowings	42,656,743	–	–	–	–	42,656,743
Net increase in borrowings from related parties	4,382,815	–	–	–	–	4,382,815
Repayment of bank and other borrowings	(50,818,725)	–	–	–	–	(50,818,725)
New corporate bonds	–	4,000,000	–	–	–	4,000,000
Repayment of corporate bonds	–	(4,179,400)	–	–	–	(4,179,400)
Capital elements of lease rentals paid	–	–	(606,313)	–	–	(606,313)
Interest element of lease rentals paid	–	–	(40,626)	–	–	(40,626)
Issue of perpetual capital instruments	–	–	–	–	13,000,000	13,000,000
Repayment of perpetual capital instruments	–	–	–	–	(5,500,000)	(5,500,000)
Interest paid	–	(786,850)	–	(4,961,308)	(838,684)	(6,586,842)
Total changes from financing cash flows	(3,779,167)	(966,250)	(646,939)	(4,961,308)	6,661,316	(3,692,348)
Exchange adjustments	168,030	–	–	–	–	168,030
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	517,571	–	–	517,571
Interest expenses	–	872,235	40,626	3,047,683	838,684	4,799,228
Capitalised borrowing costs	–	–	–	1,958,390	–	1,958,390
Disposal of subsidiaries	(2,243,200)	–	–	–	–	(2,243,200)
Total other changes	(2,243,200)	872,235	558,197	5,006,073	838,684	5,031,989
At 31 December 2019	86,261,694	19,778,537	1,146,457	1,152,008	26,900,000	135,238,696

27 BANK AND CASH BALANCE, PLEDGED DEPOSITS (CONTINUED)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**391,299**	473,722
Within investing cash flows	**247,535**	106,861
Within financing cash flows	**584,834**	646,939
	1,223,668	1,227,522

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**976,133**	1,120,661
Purchase of leasehold property	**247,535**	106,861
	1,223,668	1,227,522

(e) Net cash outflow arising from the acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	RMB'000
Non-current Assets	1,102,848
Current Assets	501,043
Current Liabilities	(353,835)
Non-current Liabilities	(808,237)
NET ASSETS	**441,819**
Total consideration paid in cash	734,845
Less: cash of subsidiaries acquired	37,053
	697,792

28 TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**100,468,882**	91,063,087
Bills payable	**13,095,122**	13,327,560
	113,564,004	104,390,647

The credit period on purchases of goods or services ranges from 30 days to 180 days.

As at 31 December 2020, retention payables of RMB6,570 million (31 December 2019: RMB6,164 million) was included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

Details of the bank deposits pledged for the Group's bills payable are set out in note 27.

The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Within 1 year	**97,560,648**	90,851,870
1 to 2 years	**8,415,605**	6,490,507
2 to 3 years	**2,982,896**	2,721,690
More than 3 years	**4,604,855**	4,326,580
	113,564,004	104,390,647

The amounts due to fellow subsidiaries, joint ventures and associates included in trade and bills payables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Fellow subsidiaries	**120,913**	124,365
Joint ventures	**192,446**	8,300
Associates	**42,649**	26,321
	356,008	158,986

The above amounts due to related parties are unsecured, non-interest bearing and repayable on similar credit terms offered by other suppliers of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29 OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Other payables (note)	**25,565,933**	23,468,339
Accrued payroll and welfare	**2,127,767**	2,197,884
Non-income tax related tax payables	**2,969,273**	1,903,298
Dividend payables	**781,747**	587,376
Accrued interests	**843,910**	1,152,008
	32,288,630	29,308,905
Analysed for financial reporting purpose:		
Current	**31,434,480**	28,889,755
Non-current	**854,150**	419,150
	32,288,630	29,308,905

Note: The balances of other payables mainly include payments made by third parties on behalf of the Group, deposits payable and others.

The amounts due to ultimate holding company, fellow subsidiaries, joint ventures and associates included in other payables are analysed as follows:

	2020 RMB'000	2019 RMB'000
Ultimate holding company	**54,339**	1,281,862
Fellow subsidiaries	**557,876**	243,689
Joint ventures	**60,584**	83,497
Associates	**1,398,800**	542,144
	2,071,599	2,151,192
Analysed by nature:		
Non-trade nature (note)	**2,071,599**	2,151,192
	2,071,599	2,151,192

Note: The above amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

30 BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Short-term bank borrowings:		
– unsecured	**8,056,185**	12,950,482
– secured	**3,366,775**	92,000
Short-term other borrowings:		
– unsecured	**17,588,277**	15,188,260
Current portion of long-term bank borrowings:		
– unsecured	**4,675,625**	2,298,775
– secured	**1,397,695**	3,103,380
Current portion of long-term other borrowings:		
– secured	**79,451**	52,970
	35,164,008	33,685,867
Non-current		
Long-term bank borrowings:		
– unsecured	**29,288,939**	26,551,962
– secured	**33,568,287**	26,011,984
Long-term other borrowings:		
– secured	**117,671**	11,881
	62,974,897	52,575,827

30 BANK AND OTHER BORROWINGS (CONTINUED)

	2020 RMB'000	2019 RMB'000
Carrying amount is repayable as follows (note):		
Within one year	**35,164,008**	32,678,867
More than one year but within two years	**6,672,942**	11,823,199
More than two years but within three years	**13,323,033**	4,747,667
More than three years but within four years	**1,451,741**	1,191,698
More than four years but within five years	**1,336,424**	1,770,865
More than five years	**40,190,757**	34,049,398
	98,138,905	86,261,694
Less:		
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
– More than five years	**–**	1,007,000
– Amounts due within one year	**35,164,008**	32,678,867
Amounts shown under current liabilities	**35,164,008**	33,685,867
Amounts shown under non-current liabilities	**62,974,897**	52,575,827

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The amounts due to ultimate holding company, fellow subsidiaries, joint ventures and associate included in bank and other borrowings above are analysed as follows:

	2020 RMB'000	2019 RMB'000
Ultimate holding company	**2,367,370**	3,167,514
Fellow subsidiaries	**1,210,403**	1,746,721
Joint ventures	**3,508,882**	3,525,514
Associates	**4,715,541**	5,481,955
	11,802,196	13,921,704

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 41.

30 BANK AND OTHER BORROWINGS (CONTINUED)

The amounts of bank and other borrowings guaranteed by third parties are analysed as follows:

	2020 RMB'000	2019 RMB'000
Guaranteed by third parties	**113,404**	120,065

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	2020 RMB'000	2019 RMB'000
USD	**13,142,085**	14,147,651
BRL	**2,785,019**	3,947,222
EUR	**537,675**	–
Japanese Yen ("JPY")	**113,404**	120,065
	16,578,183	18,214,938

The carrying amount of the bank and other borrowings and the range of interest rates are as below:

	2020		2019	
	RMB'000	%	RMB'000	%
Fixed rate bank and other borrowings	**51,178,278**	**1.05 – 6.70**	46,409,830	1.05 – 8.00
Floating rate bank and other borrowings	**46,960,627**	**2.30 – 7.50**	39,851,864	1.20 – 7.50
	98,138,905		86,261,694	

The floating rate bank and other borrowings are arranged at the interest rate based on Loan Prime Rate issued by PBOC or London Interbank Offered Rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31 CORPORATE BONDS

	2020 RMB'000	2019 RMB'000
Carrying amount repayable based on repayment term (note):		
Within one year	**9,024,438**	1,364,361
More than one year but within two years	**–**	8,420,600
More than two years but within three years	**5,995,381**	–
More than three years but within four years	**4,000,000**	5,993,576
More than four years but within five years	**–**	4,000,000
	19,019,819	19,778,537
Less:		
Carrying amounts of corporate bonds that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than one year but within two years	**–**	20,600
Amounts due within one year	**9,024,438**	1,364,361
Amounts shown under current liabilities	**9,024,438**	1,384,961
Amounts shown under non-current liabilities	**9,995,381**	18,393,576
Effective interest rate – floating rate (per annum)	**n/a**	n/a
Effective interest rate – fixed rate (per annum)	**3.14% – 5.37%**	3.14% – 5.37%

Note: The amounts due are based on scheduled repayment dates set out in the bond agreements.

32 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**297,193**	293,465
After 1 year but within 2 years	**193,037**	211,715
After 2 years but within 5 years	**235,759**	348,983
After 5 years	**167,882**	292,294
	596,678	852,992
	893,871	1,146,457

33 DEFINED BENEFIT OBLIGATIONS

The Group paid post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees, who were terminated or early retired, standby staff with injury and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group. These benefits were only applicable to the qualifying employees.

ENERGY CHINA GROUP has operated a fund, which was injected into ENERGY CHINA GROUP by the MOF in 2012. According to the circular issued by the MOF, this fund can be used to pay for certain pension or allowance of the above qualifying employees. ENERGY CHINA GROUP has deposited this fund entirely with specific accounts in certain commercial banks in the PRC and China Energy Engineering Group Finance Co., Ltd., a financial institution and a subsidiary of the Company, as time deposits. This designated fund in relation to the Group is accounted for as a defined benefit plan asset consisting of time deposits operated under the name of ENERGY CHINA GROUP (the "Defined Benefit Plan Asset"). The interest income generated from the Defined Benefit Plan Asset is also allocated to the Group. During the year, ENERGY CHINA GROUP made cash payments to the Group amounting to RMB300 million (2019: RMB309 million) to settle part of the Defined Benefit Plan Asset with the Group, details of the movements of the Defined Benefit Plan Asset during the year are set out in the latter part of this note below. The Defined Benefit Plan Asset as at 31 December 2020 was offset against defined benefit obligations of the Group for presentation purpose in these consolidated financial statements.

33 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The actuarial valuations of the present value of the defined benefit obligations as at 31 December 2020 and 31 December 2019 were carried out by an independent firm of actuaries, Willis Towers Watson, a member of China Association of Actuaries. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2020	2019
Discount rate	**3.00%-3.25%**	2.75%-3.25%
Early-retiree's and standby staff with injury salary and supplemental benefit inflation rate	**4.50%**	4.50%
Retired employees, dependents of deceased employees and standby staff's benefit inflation rate	**2.00%**	2.00%
Medical cost trend rate	**5.50%**	5.50%

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2020	2019
	RMB'000	RMB'000
Past service costs	**185,830**	418,935
Interest costs	**222,361**	299,693
Less: interest income	**8,346**	13,981
Components of defined benefit costs recognised in profit or loss	**399,845**	704,647
Component of defined benefit income recognised in other comprehensive income	**(491,120)**	(270,578)
Total	**(91,275)**	434,069

33 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Past service cost is included in the administrative expenses in profit or loss. The interest cost is included in the finance costs in profit or loss. The interest income is included in the finance income in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	2020 RMB'000	2019 RMB'000
Liability arising from defined benefit obligations	**9,909,587**	10,925,232
Fair value of Defined Benefit Plan Asset	**(259,581)**	(551,588)
Less: net amount due within one year	**1,110,222**	1,104,067
Net amount due after one year	**8,539,784**	9,269,577

Movements in the present value of the retirement and supplemental benefit obligations during the year are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**10,925,232**	11,476,277
Past service costs	**185,830**	418,935
Interest costs	**222,361**	299,693
Benefits paid	**(932,716)**	(999,095)
Actuarial gain arising from changes in financial assumptions	**(491,120)**	(270,578)
At end of the year	**9,909,587**	10,925,232

Movements in the present value of Defined Benefit Plan Asset during the year are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**551,588**	846,529
Interest income	**8,346**	13,981
Cash received by the Group from ENERGY CHINA GROUP	**(300,353)**	(308,922)
At end of the year	**259,581**	551,588

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

33 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

Significant actuarial assumptions made in determining defined benefit obligations are discount rate, supplemental benefit rate and average medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other factors constant.

	2020	2019
	RMB'000	RMB'000
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(207,120)**	(235,650)
– decrease by 0.25%	**215,740**	245,690
Supplemental benefit rate		
– increase by 1.00%	**677,730**	755,320
– decrease by 1.00%	**(590,400)**	(656,060)
Medical cost trend rate		
– increase by 1.00%	**192,600**	237,740
– decrease by 1.00%	**(163,680)**	(201,140)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average duration of the benefit obligations can be analysed as follows:

	2020	2019
	No. of years	No. of years
Retired members	**16**	16
Civil retirees	**4**	5
Early retired staff	**4**	4
Standby staff with injury	**8**	8
Dependents of deceased employees	**13**	13
Terminated staff	**6**	6

34 PROVISIONS

The movements of provisions are as follows:

	Provision for onerous performance obligations	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	249,718	100,794	350,512
Additions	243,126	54,651	297,777
Paid	–	(17,121)	(17,121)
At 31 December 2019	**492,844**	**138,324**	**631,168**
Additions	**47,195**	**324,494**	**371,689**
Paid	**–**	**(52,781)**	**(52,781)**
At 31 December 2020	**540,039**	**410,037**	**950,076**

Note:

(i) As at 31 December 2020, provision of RMB312 million was made for the expected losses to the Group on certain legal proceedings related to Gezhouba Huanjia (see note 6(b) and note 40(c)).

35 DEFERRED REVENUE

	Government grants related to assets	Government grants related to income	Unrealised profit of sales and leaseback transaction	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	(note (c))	
At 1 January 2019	460,735	321,932	42,725	825,392
Additions	54,110	272,017	–	326,127
Released to profit or loss	(31,827)	(346,174)	(6,026)	(384,027)
At 31 December 2019	483,018	247,775	36,699	767,492
Additions	34,746	216,095	–	250,841
Released to profit or loss	(26,518)	(306,313)	(10,721)	(343,552)
At 31 December 2020	491,246	157,557	25,978	674,781

Notes:

(a) The government grants received are treated as deferred revenue and will be released to profit or loss over the estimated useful lives of the underlying property, plant and equipment.

(b) Government grants are recognised in profit or loss on a systematic basis over the periods in which the group entities recognise expenses for which the grants are intended to compensate.

(c) When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset upon sale is deferred and amortised over the lease term.

36 CAPITAL AND RESERVE

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued share capital	Perpetual capital instruments	Capital reserve	Shares held under restricted share incentive scheme	Share based compensation reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	30,020,396	–	16,987,650	(203,082)	18,873	1,944,009	48,767,846
Profit and total comprehensive income for the year	–	6,091	–	–	–	1,021,758	1,027,849
Issue of perpetual capital instruments	–	3,000,000	–	–	–	–	3,000,000
Dividends declared to perpetual capital instruments holders	–	(6,091)	–	–	–	–	(6,091)
Dividends declared	–	–	–	–	–	(918,624)	(918,624)
Effect of share based compensation	–	–	–	–	(18,873)	–	(18,873)
Balance at 31 December 2019	30,020,396	3,000,000	16,987,650	(203,082)	–	2,047,143	51,852,107
Profit and total comprehensive income for the year	–	163,657	–	–	–	490,182	653,839
Issue of perpetual capital instruments	–	6,500,000	–	–	–	–	6,500,000
Dividends declared to perpetual capital instruments holders	–	(163,657)	–	–	–	–	(163,657)
Dividends declared	–	–	–	–	–	(918,624)	(918,624)
Balance at 31 December 2020	30,020,396	9,500,000	16,987,650	(203,082)	–	1,618,701	57,923,665

36 CAPITAL AND RESERVE (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020	2019
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of RMB0.0225 per share (2019: RMB0.0306 per share)	**675,000**	918,624

A final dividend of RMB0.0225 per share in respect of the year ended 31 December 2020, comprising 30,020,396,000 shares existing as at 31 December 2020, has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0306 per share (2019: RMB0.0306 per share)	**918,624**	918,624

(c) Issued share capital

The details of the Company's issued share capital are as follows:

	At 31 December 2020		At 31 December 2019	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**RMB'000**	'000	RMB'000
Registered, issued and fully paid				
State legal person shares of RMB1.00 each	**20,757,960**	**20,757,960**	20,757,960	20,757,960
H Shares of RMB1.00 each	**9,262,436**	**9,262,436**	9,262,436	9,262,436
	30,020,396	**30,020,396**	30,020,396	30,020,396

(d) Purchase of shares under restricted share incentive scheme

During the year ended 31 December 2020, the Company did not purchase any shares under restricted share incentive scheme.

36 CAPITAL AND RESERVE (CONTINUED)

(e) Restricted share incentive scheme

On 21 November 2016, the Company adopted a restricted share scheme (the "Scheme") with a duration of ten years and the Board of Directors approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 287,500,000 restricted shares, representing approximately 0.96% of the issued share capital of the Company as at 31 December 2016, were granted to 542 selected Scheme participants at the grant price of HK$0.66 per share. These restricted shares would vest gradually after the Scheme participants complete a period of 2-4 years from the date of grant. The vesting conditions of restricted shares are subject to achievement of financial performance of the Group and individual performance assessment of participants over the unlocking period. The shares which will be acquired from the market will be held as restricted shares by a trustee before they are vested. As at 31 December 2020, 248,526,000 shares were acquired from the market (31 December 2019: 248,526,000 shares), and 83,994,000 shares were vested to 481 grantees upon the fulfillment of vesting conditions in 2018. On 30 June 2020, the Directors resolved that as the Group has not realised the performance assessment conditions, the Scheme's last phase of the Company's restricted shares will not be vested.

Movements in number of restricted shares granted and related fair value are as follows:

	2020		2019	
	Average fair value (per share)	**Number of restricted shares granted**	Average fair value (per share)	Number of restricted shares granted
	HKD	**'000**	HKD	'000
At the beginning of the year	**0.66**	**87,504**	0.66	180,284
Forfeited	**0.66**	**(87,504)**	0.66	(92,780)
At the end of the year	**–**	**–**	0.66	87,504

(f) Capital management

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

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

The capital structure of the Group consists of net debt (which includes net of pledged deposits and bank and cash balance, bank and other borrowings, corporate bonds, and lease liabilities, as disclosed in notes 27, 30, 31 and 32 respectively), perpetual capital instruments and equity attributable to equity shareholders of the Company.

The net debt of the Group as at 31 December 2020 is RMB61,618 million (2019: RMB58,052million). There were no changes in the Group's approach to capital management compared with previous years.

37 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 31 December 2020:

Issuance Date	Distribution Rate p.a	Amount
	%	RMB'000
31 May 2016	4.28	3,000,000
21 September 2016	3.76	3,000,000
21 July 2016	3.48	2,500,000
03 August 2016	3.43	3,000,000
12 January 2018	6.60	520,000
22 January 2018	6.60	660,000
20 May 2019	4.17	5,000,000
13 December 2019	3.90	5,000,000
18 December 2019	3.90	3,000,000
19 June 2020	3.50	1,000,000
28 August 2020	3.99	1,000,000
15 October 2020	4.14	3,000,000
16 October 2020	3.67	3,500,000
28 October 2020	3.97	2,000,000
28 October 2020	4.25	1,000,000
25 November 2020	4.15	1,304,433
29 December 2020	4.65	2,000,000
Total		40,484,433

There is no maturity of these instruments and the repayments of instruments can be deferred at the discretion of the Group. As long as the compulsory distribution payment events have not occurred, the Group has the right to defer the distribution payment at each interest payment date to the next distribution payment date unlimitedly, which does not cause the Group for breach of contract.

The Group could not defer current distribution and all deferred distribution when any of the following compulsory interest payment events occur:

- to declare and pay dividend to shareholders; and
- to reduce registered capital.

When any of the compulsory distribution payment events occur, the Group, as the case may be, shall make distribution to the holders of these instruments at the distribution rate as defined in the subscription agreements.

The distribution rate of these instruments will be reset according to the terms agreed in each contract of instruments respectively in every two to five years.

The Group does not have the contractual obligation to deliver cash or other financial assets to other parties, therefore the perpetual capital instruments are recognised as equity in these consolidated financial statements.

38 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**99,822,091**	83,356,775
Deposits and other receivables	**17,592,612**	15,269,019
Finance lease receivables	**4,493,042**	2,289,088
Other loans	**5,039,244**	5,998,443
Pledged deposits	**5,836,505**	5,242,218
Bank and cash balances	**50,598,406**	43,892,508
	183,381,900	156,048,051
Financial assets at FVOCI	**2,310,578**	2,194,812
Financial assets at FVPL	**9,643,756**	8,181,775
Financial liabilities		
Amortised cost:		
Trade and bills payables	**113,564,004**	104,390,647
Other payables	**27,191,590**	25,207,723
Bank and other borrowings	**98,138,905**	86,261,694
Lease liabilities	**893,871**	1,146,457
Corporate bonds	**19,019,819**	19,778,537
	258,808,189	236,785,058

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, other loans, pledged deposits, bank and cash balances, deposits and other receivables, trade and bills payables, other payables, bank and other borrowings, corporate bonds and lease liabilities. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk which arises from fixed rate bank and other borrowings, other loans, corporate bonds and lease liabilities.

In addition, the Group is exposed to cash flow interest rate risk which arises from corporate bonds, floating rate bank and other borrowings, pledged deposits and bank and cash balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and cash balances, pledged deposits, floating rate corporate bonds and bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 10 basis points increase or decrease in interest rate on bank and cash balances and pledged deposits and a 50 basis points increase or decrease in interest rate on floating rate corporate bonds and bank and other borrowings are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 10 basis points (2019: 10 basis points) higher/lower for bank and cash balances and pledged deposits with all other variables held constant, the Group's post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately RMB38 million (2019: RMB32 million).

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower for floating rate corporate bonds and bank and other borrowings with all other variables held constant, the Group's post-tax profit (net of interest capitalised) for the year ended 31 December 2020 would decrease/increase by approximately RMB91 million (2019: RMB121 million).

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk

The Group's exposure to currency risk is attributable to bank and cash balances, trade and bills receivables, trade and bills payables and bank borrowings which are denominated in the currencies other than the functional currency of the relevant group entities. The management manages and monitors this exposure to ensure appropriate measures are implemented in a timely and effective manner.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**11,575,869**	12,924,171	**3,957,385**	10,532,681
BRL	**–**	68,107	**–**	2,518
Pakistani Rupee("PKR")	**409,190**	805,244	**1,261,544**	915,267
Kuwaiti Dinar("Dinar")	**107,824**	458,226	**1,319,183**	1,830,849
EUR	**1,797,156**	212,174	**607,722**	765,277
HKD	**57,120**	30,885	**–**	–
Others	**3,250,302**	5,259,387	**11,254,602**	6,607,231

Sensitivity analysis

The sensitivity analysis below has been determined based on a 6% (2019: 6%) increase/decrease in functional currency of respective group entities against the relevant foreign currencies 6% (2019: 6%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 6% (2019: 6%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in the Group's post-tax profit and the Group's other comprehensive income, where functional currency of respective group entities had strengthened 6% (2019: 6%) against the relevant foreign currency. For a 6% (2019: 6%) weakening of functional currency of respective group entities against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and other comprehensive income for the year.

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis (continued)

	2020 RMB'000	2019 RMB'000
Increase/(decrease) in the Group's post-tax profit		
– if RMB strengthens against USD	**(342,832)**	(107,617)
– if RMB strengthens against EUR	**(53,525)**	24,890
– if RMB strengthens against HKD	**(2,570)**	(1,390)
– if RMB strengthens against others	**453,061**	124,421

(iii) Other price risk

The Group is exposed to other price risk because the fair value of certain financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are measured by reference to quoted prices. Details of the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are set out in note 19.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on a 12% (2019: 12%) increase/decrease in equity price of the equity securities mentioned above. 12% (2019: 12%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in equity price. A positive/(negative) number below indicates an increase/(decrease) in the Group's post-tax profit or increase/(decrease) in the Group's other comprehensive income.

	2020 RMB'000	2019 RMB'000
Increase/(decrease) in post-tax profit		
– as a result of increase in equity price	**5,605**	3,895
– as a result of decrease in equity price	**(5,605)**	(3,895)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**112,868**	99,768
– as a result of decrease in equity price	**(112,868)**	(99,768)

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks and financial institutions, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 40(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 40(b).

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 2% (2019: 3%) of the total trade receivables and contract assets was due from the Group's largest five customers within the construction and contracting business segment.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing. Normally, the Group does not obtain collaterals from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. According to the Group's historical credit loss experience, loss patterns were different for different types of customers. Therefore the loss allowance based on past due status is further distinguished based on types of customers sharing credit risk characteristics as state-owned enterprises directly supervised by SASAC, other state-owned enterprises and local governments, and private enterprises and others. Each type of customers shares different expected loss rate.

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Trade receivables and contract assets (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2020		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
– SASAC owned enterprises	1.0%	42,280,080	(422,801)
– Other state-owned enterprises and local governments	3.0%	22,639,605	(679,188)
– Private enterprises and others			
Current (not past due)	1.1%	44,491,519	(489,407)
Less than 6 months past due	14.3%	3,578,719	(511,757)
6 months to 18 months past due	19.8%	3,175,263	(628,702)
18 months to 30 months past due	36.6%	2,060,692	(754,213)
30 months to 42 months past due	59.6%	1,267,664	(755,528)
42 months to 54 months past due	77.3%	706,902	(546,435)
Over 54 months past due	80.0%	1,125,967	(900,773)
Total		121,326,411	(5,688,804)
Trade receivables (note)		71,819,311	(4,419,331)
Contract assets		49,507,100	(1,269,473)
Total		121,326,411	(5,688,804)

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Trade receivables and contract assets (continued)

	2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
– SASAC owned enterprises	1.0%	34,964,962	(349,650)
– Other state-owned enterprises and local governments	3.0%	18,998,126	(569,944)
– Private enterprises and others			
Current (not past due)	0.9%	40,715,430	(366,439)
Less than 6 months past due	10.4%	3,371,835	(350,671)
6 months to 18 months past due	16.9%	3,458,998	(584,571)
18 months to 30 months past due	31.4%	2,329,835	(731,568)
30 months to 42 months past due	53.5%	1,107,716	(592,628)
42 months to 54 months past due	73.2%	460,807	(337,310)
Over 54 months past due	80.0%	1,527,106	(1,221,684)
Total		106,934,815	(5,104,465)
Trade receivables (note)		64,703,033	(4,024,432)
Contract assets		42,231,782	(1,080,033)
Total		106,934,815	(5,104,465)

Note: Trade receivables exclude BT/BOT project receivables.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2020	2019
	RMB'000	RMB'000
Balance at 1 January	**5,104,465**	4,646,483
Provided for the year (note 8)	**864,053**	548,380
Written off	**(207,967)**	(81,865)
Others	**(71,747)**	(8,533)
Balance at 31 December	**5,688,804**	5,104,465

For the BT/BOT project receivables, the Group considers that the credit risk arising from these receivables is significantly mitigated by related development projects, with reference to the estimated market value of those projects.

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk arising from other loans and other receivables

The Group measures loss allowance for other loans provided to associates and other advances paid for other parties on an individual basis. The Group considers that its exposure to credit risk arising from default of the counterparties is limited, with reference to the estimated market value of the related property development projects and toll roads projects. For the remaining balance of other receivables and advances, the Group measures loss allowance at an amount equal to 12-months ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank and cash balances as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and bills payable to ensure compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank and other borrowings with a repayable on demand clause were included in the earliest time band regardless of the probability of the lenders choosing to exercise their right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Contractual undiscount cash outflow								
	Weighted average interest rate	Repayable on demand or within one year	In the second year	In the third year	In the fourth year	In the fifth year	After five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020									
Trade and bills payables	N/A	113,564,004	–	–	–	–	–	113,564,004	113,564,004
Other payables	N/A	27,191,590	–	–	–	–	–	27,191,590	27,191,590
Corporate bonds	4.11%	9,175,807	459,850	6,459,850	4,159,250	–	–	20,254,757	19,019,819
Lease Liabilities	4.28%-5.20%	337,119	263,385	117,073	122,809	127,601	393,648	1,361,635	893,871
Interest-bearing bank and other borrowings									
– Floating rate	4.87%	5,365,737	4,811,224	5,328,952	2,302,656	2,210,107	28,703,184	48,721,860	46,960,627
– Fixed rate	4.72%	13,618,564	3,568,597	11,323,475	1,549,225	1,559,683	29,185,914	60,805,458	51,178,278
		169,252,821	9,103,056	23,229,350	8,133,940	3,897,391	58,282,746	271,899,304	258,808,189
Financial guarantee contracts	N/A	7,437,183	–	–	–	–	–	7,437,183	–

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

		Contractual undiscount cash outflow							
	Weighted average interest rate	Repayable on demand or within one year	In the second year	In the third year	In the fourth year	In the fifth year	After five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019									
Trade and bills payables	N/A	104,390,647	–	–	–	–	–	104,390,647	104,390,647
Other payables	N/A	25,207,723	–	–	–	–	–	25,207,723	25,207,723
Corporate bonds	4.04%	1,889,419	1,541,269	9,175,807	459,850	6,459,850	4,159,250	23,685,445	19,778,537
Lease Liabilities	4.55%	321,572	225,632	123,413	157,667	104,179	426,178	1,358,641	1,146,457
Interest-bearing bank and other borrowings									
– Floating rate	5.89%	5,907,018	9,573,366	4,612,518	2,200,072	2,942,855	30,968,418	56,204,247	39,851,864
– Fixed rate	2.46%	18,050,387	5,582,892	2,155,070	2,014,175	2,866,725	29,522,670	60,191,919	46,409,830
		155,766,766	16,923,159	16,066,808	4,831,764	12,373,609	65,076,516	271,038,622	236,785,058
Financial guarantee contracts	N/A	3,393,186	–	–	–	–	–	3,393,186	–

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or within one year" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amount of these bank borrowings amounted to RMB Nil (2019: RMB1,007 million). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand for immediate repayment.

Corporate bonds with a repayment on demand clause are included in the "Repayable on demand or within one year' time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amount of these corporate bonds amounted to RMB Nil (2019: RMB21 million). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the investors will exercise their discretionary rights to demand for immediate repayment.

Other borrowings have no fixed repayment term and are included in the "Repayable on demand or within one year" time band in the above maturity analysis.

The amounts included above for financial guarantee contracts are the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including tradable unlisted equity securities classified as financial asset at FVOCI and tradable unlisted equity securities classified as financial asset at FVPL, which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value measurement for financial instruments not measured at fair value on a recurring basis

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

	Carrying amounts		**Fair values**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	**51,178,278**	46,409,830	**51,742,222**	49,023,838
Corporate bonds (fixed rate)	**19,019,819**	19,778,537	**19,085,040**	19,904,724
	70,198,097	66,188,367	**70,827,262**	68,928,562

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Fair value measurement for financial instruments not measured at fair value on a recurring basis (continued)

Fair value measurement as at 31 December 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	**51,742,222**	–	**51,742,222**
Corporate bonds (fixed rate)	–	**19,085,040**	–	**19,085,040**
	–	**70,827,262**	–	**70,827,262**

Fair value measurement as at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	49,023,838	–	49,023,838
Corporate bonds (fixed rate)	–	19,904,724	–	19,904,724
	–	68,928,562	–	68,928,562

Fair value measurements for financial instruments measured at fair value on a recurring basis

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

Financial assets	**Fair value at**		Fair value hierarchy
	31 December 2020	31 December 2019	
Tradable listed equity securities classified as Financial asset at FVOCI	**1,254,093**	1,108,528	Level 1
Tradable unlisted equity securities classified as Financial asset at FVOCI	**1,056,485**	1,086,284	Level 3
Total	**2,310,578**	2,194,812	
Tradable listed equity securities classified as financial assets at FVPL	**62,278**	43,278	Level 1
Tradable unlisted equity securities classified as financial asset at FVPL	**9,581,478**	8,138,497	Level 3
Total	**9,643,756**	8,181,775	

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Information about Level 3 fair value measurements

Industry	Amount	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Finance Others	4,258,310 958,021	Market comparable companies	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value.
Toll road and railway Power Plant Others	4,595,987 766,346 27,965	Discounted cash flow	Expected future cashflow Discount rate that correspond to the expected risk level	The higher the future cashflow, the higher the fair value. The lower the discount rate, the higher the fair value
Power plant and others	31,334	Adjusted quoted price on active market	Discount for lack of liquidity	The higher the discount for lack of liquidity, the lower the fair value.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**9,224,781**	7,520,462
Payment for purchases	**6,093,902**	3,835,680
Disposal for the year	**(5,282,619)**	(2,064,181)
Changes in fair value recognised in profit or loss during the year	**562,362**	31,178
Changes in fair value recognised in other comprehensive income during the year	**39,537**	(98,358)
Balance at 31 December	**10,637,963**	9,224,781

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the profit or loss or in other comprehensive income. Upon disposal of the equity securities, the investment income or loss of the financial assets at FVPL is presented in the "other income" line item in the consolidated statement of profit or loss. For the financial assets at FVOCI, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

39 CAPITAL COMMITMENTS

Capital expenditure:

	2020 RMB'000	2019 RMB'000
Contracted for but not provided in these consolidated financial statements:		
Property, plant and equipment	**2,665,838**	2,708,494

Investment commitments:

According to relevant agreements, the Group has the following investment commitments:

	2020 RMB'000	2019 RMB'000
Investment commitments in:		
– Joint ventures	**366,700**	366,700
– Associates	**4,450**	4,450
	371,150	371,150

40 CONTINGENCIES AND CONTINGENT LIABILITIES

(a) Other than matters disclosed in note 40(c), the Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on these legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated, or the management believes that the probability of loss is remote.

40 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees

	2020 RMB'000	2019 RMB'000
Guarantees given to banks and other financial institutions in respect of loan facilities granted to (note (i)):		
Joint ventures (note 42 (a))	**18,000**	18,000
Associates (note 42 (a))	**1,329,347**	1,532,242
Third party (note (ii))	**1,390,489**	243,369
Investee recognised as financial assets at FVOCI	**18,200**	21,400
	2,756,036	1,815,011
Mortgage loan guarantees provided by the Group to banks in favour of its customers (note (iii))	**4,681,147**	1,578,175
	7,437,183	3,393,186

Notes:

(i) In the opinion of the Directors, the fair value of these guarantee contracts is insignificant at initial recognition.

(ii) CGGC has provided guarantee to the Ministry of Finance of Argentina in respect of a bank loan contract with an amount of RMB1,390 million.

(iii) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition, and the Directors consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in these consolidated financial statements for these guarantees.

40 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

(i) Legal proceedings with financial institutions

During the year ended 31 December 2020 and the year ended 31 December 2019, Gezhouba Huanjia and Huanjia Connected Suppliers (defined in note 22(ii)) were involved as defendants in 20 legal proceedings with certain financial institutions. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

At 31 December 2020, these financial institutions sued Gezhouba Huanjia and other defendants for repayment of loans amounted to RMB1,056 million in total (2019: RMB1,056 million). Most of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the Investigation (defined in note 22(i)) as there are in duty related crimes and/or crimes involved. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by these financial institutions and subject to further investigations after the completion of the Investigation and that Gezhouba Huanjia may lose these proceedings under further investigations. As at 31 December 2020, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

(ii) Legal proceedings with lenders other than the financial institutions ("other lenders")

During the year ended 31 December 2020 and the year ended 31 December 2019, Gezhouba Huanjia and Huanjia Connected Suppliers (defined in note 22(ii)) were involved as defendants in 4 legal proceedings with 3 other lenders. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

As at 31 December 2020, the Group made full provision of RMB119 million for the expected losses to the Group of 3 legal proceedings with other lenders based on the rulings of the court (2019: Nil). One legal proceeding with amount sued of RMB268 million was rejected by court, given the legal proceeding is subject to the conclusion of the Investigation. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by the lender and subject to further investigations after the completion of the Investigation and that Gezhouba Huanjia may lose the proceeding under further investigations. As at 31 December 2020, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

(iii) Legal proceedings with Huanjia Connected Suppliers

Gezhouba Huanjia was involved as defendants in 3 legal proceedings with Huanjia Connected Suppliers. As at 31 December 2020, the Group has made full provision of RMB148 million for the expected losses to the Group of these 3 legal proceedings based on the rulings of the court (2019: Nil).

(iv) Legal proceedings with other parties

Gezhouba Huanjia was also involved as defendants in 27 legal proceedings with other parties in the ordinary course of business. CGGC Green Technology was also one of the defendants in certain above-mentioned legal proceedings. As at 31 December 2020, the Group has made full provision of RMB46 million for the expected losses to the Group of 10 legal proceedings based on the rulings of the court (2019: Nil). 17 legal proceedings with amount sued of RMB102 million was still in process at 31 December 2020. Based on the advice from the Company's legal counsel, the Company is of the opinion that the likelihood of payment for above-mentioned outstanding legal proceedings is remote.

41 PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit) granted to the Group:

	Notes	**2020** **RMB'000**	2019 RMB'000
Property, plant and equipment	12	**821,469**	1,248,205
Intangible assets	14	**31,357,300**	26,464,899
Trade and bills receivables	21	**18,101,222**	5,090,299
Properties under development for sale	25	**17,291,460**	18,690,337
Bank deposits	27	**5,836,505**	5,242,218
		73,407,956	56,735,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

42 MATERIAL RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Sales of goods		
Fellow subsidiaries	**2,897**	5,440
Associates	**10,786**	264
	13,683	5,704
Provision of construction services		
Fellow subsidiaries	**41,691**	43,269
Joint ventures	**2,075,881**	4,789,278
Associates	**26,222,923**	13,779,357
	28,340,495	18,611,904
Purchase of goods		
Fellow subsidiaries	**29,909**	3,304
Joint ventures	**35**	1
Associates	**48,962**	15,423
	78,906	18,728
Purchase of services		
Ultimate holding company	**–**	6,230
Fellow subsidiaries	**354,225**	190,669
Joint ventures	**–**	2,663
Associates	**2,392**	55
	356,617	199,617
Lease expense		
Fellow subsidiaries	**167,531**	154,908
Finance income		
Ultimate holding company	**1,687**	–
Fellow subsidiaries	**40,483**	23,562
Associates	**95,757**	160,803
	137,927	184,365
Finance costs		
Ultimate holding company	**59,270**	64,130
Fellow subsidiaries	**21,339**	23,781
Associates	**–**	16,861
	80,609	104,772

42 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

The Group had issued guarantees to banks or other financial institutions in respect of the banking facilities granted to the following parties:

	2020 RMB'000	2019 RMB'000
Joint ventures (note 40 (b))	**18,000**	18,000
Associates (note 40 (b))	**1,329,347**	1,532,242
	1,347,347	1,550,242

In the opinion of the Directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises"). During the year, the Group had transactions with State-owned Enterprises including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 21, 22, 23, 26, 28, 29 and 30.

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2020 RMB'000	2019 RMB'000
Directors' fee	**216**	240
Salaries and other allowances	**3,575**	3,713
Discretionary bonus	**5,491**	10,139
Retirement benefit schemes contributions	**444**	600
	9,726	14,692

The remuneration of key management is determined having regard to the Group's or respective member's performance for such financial period.

42 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Applicability of the Listing Rules relating to connected transactions

Certain of the related party transactions included in note 42(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Report of the Board as required by Chapter 14A of the Listing Rules.

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**4,061**	52,548
Intangible assets	**12,702**	10,783
Investments in subsidiaries	**60,028,075**	56,235,533
Financial asset at fair value through other comprehensive income	**13,000**	13,000
Financial assets at fair value through profit or loss	**99,596**	–
Prepayments, deposits and other receivables	**960**	1,105
Other loans to subsidiaries	**500,000**	1,752,000
	60,658,394	58,064,969
CURRENT ASSETS		
Other receivables	**3,139,386**	5,397,585
Other loans to subsidiaries	**2,578,697**	325,505
Bank and cash balances	**2,731,384**	793,286
	8,449,467	6,516,376
CURRENT LIABILITIES		
Other payables and accruals	**3,709,341**	4,860,205
Corporate bonds	**256,885**	256,154
Lease liabilities	**–**	49,124
Bank and other borrowings	**200,000**	394,981
	4,166,226	5,560,464
NET CURRENT ASSETS	**4,283,241**	955,912
TOTAL ASSETS LESS CURRENT LIABILITIES	**64,941,635**	59,020,881
NON-CURRENT LIABILITIES		
Other payables and accruals	**22,589**	155,198
Bank and other borrowings	**1,000,000**	1,020,000
Corporate bonds	**5,995,381**	5,993,576
	7,017,970	7,168,774
NET ASSETS	**57,923,665**	51,852,107

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2020 RMB'000	2019 RMB'000
CAPITAL AND RESERVES		
Issued share capital	**30,020,396**	30,020,396
Perpetual capital instruments	**9,500,000**	3,000,000
Reserves	**18,403,269**	18,831,711
TOTAL EQUITY	**57,923,665**	51,852,107

Approved and authorised for issue by the Board of Directors on 19 March 2021.

Song Hailiang
Director

Sun Hongshui
Director

44 IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's overseas operating environment and has impacted the Group's operations and financial position.

As far as the Group's businesses are concerned, the COVID-19 pandemic has resulted in a decrease in revenue from its overseas operations in 2020. The exact timing and extent of recovery of the Group's overseas business are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the Directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

45 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Glossary of Vocabulary and Technical Terms

"Company" or "our Company"	refers to China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock company with limited liability incorporated in the PRC on 19 December 2014
"Group" or "our Group"	refers to the Company and its subsidiaries
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Energy China Group"	refers to China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), a wholly state-owned company with limited liability established in the PRC on 28 September 2011, the controlling shareholder and one of the promoters of our Company, and thus a connected person of the Company
"EPPE Company"	refers to Electric Power Planning Engineering Institute Co., Ltd. (電力規劃總院有限公司), a limited liability company established in the PRC on 17 July 2014 and a wholly-owned subsidiary of Energy China Group and one of the promoters of our Company, and thus a connected person of the Company
"CPECC"	refers to China Power Engineering Consulting Group Co., Ltd. (中國電力工程顧問集團有限公司), a subsidiary of our Company
"Finance Company"	refers to China Energy Engineering Group Finance Co., Ltd. (中國能源建設集團財務有限公司), formerly known as China Energy Engineering Group Gezhouba Finance Co., Ltd. (中國能源建設集團葛洲壩財務有限公司), a limited liability company established in the PRC on 18 January 1996 and a subsidiary of the Company
"CGGC Group"	refers to China Gezhouba Group Company Limited (中國葛洲壩集團有限公司), a subsidiary of the Company
"CGGC"	refers to China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司), a subsidiary of the Company
"CEEPE"	refers to China Energy Engineering Group Planning and Engineering Co., Ltd. (中國能源建設集團規劃設計有限公司), a subsidiary of the Company
"Hunan Institute"	refers to China Energy Engineering Group Hunan Electric Power Design Institute Co., Ltd. (中國能源建設集團湖南省電力設計院有限公司), a subsidiary of the Company
"Asset Management Company"	refers to China Energy Engineering Group Asset Management Co., Ltd. (中國能源建設集團資產管理有限公司), a subsidiary of China Energy Engineering Group Co., Ltd., and thus a connected person of the Company
"Beijing Power Construction"	refers to China Energy Engineering Group Beijing Electric Power Construction Company (中國能源建設集團北京電力建設公司), a subsidiary of China Energy Engineering Group Co., Ltd., and thus a connected person of the Company
"Hubei Provincial Communications Investment Group"	refers to Hubei Provincial Communications Investment Group Co., Ltd. (湖北省交通投資集團有限公司), a connected person of the Company at subsidiary level
"Board" or "Board of Directors"	refers to the board of directors of the Company
"Director(s)"	refers to the director(s) of the Company
"Board of Supervisors" or "Supervisory Committee"	refers to the board of supervisors of the Company

Glossary of Vocabulary and Technical Terms

"Reporting Period"	refers to the period of 12 months ended 31 December 2020
"year-on-year"	refers to comparison with the same period of the previous year
"Corporate Governance Code"	refers to the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
"Listing Rules"	refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
"Latest Practicable Date"	1 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Model Code"	refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"SFO"	refers to Hong Kong Securities and Future Ordinance
"PRC" or "China"	refers to the People's Republic of China
"Ministry of Finance"	refers to Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"SASAC" or "State-owned Assets Supervision Commission of the State Council"	refers to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Stock Exchange"	refers to The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"One Belt and One Road"	refers to the cooperative initiative, proposed by the People's Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" and ocean-going "Maritime Silk Road"
"OFAC"	refers to the abbreviation of the Office of Foreign Assets Control, referring to Office of Foreign Assets Control of the US Department of the Treasury
"three supply in one industry"	refers to the water, power and gas supply and property management took place in the residence to employees of state-owned enterprises
"MW"	refers to the measurement of electric power which equals to 1,000,000 watts. Alternatively, 1 MW equals to 1,000 kW
"PPP"	refers to public private partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
"PV"	refers to the abbreviation of solar photovoltaic system, a technology that directly converts solar energy into electrical energy by making use of the photovoltaic effect of semiconductor materials
"EPC"	refers to a common form of contracting arrangement whereby the contractor is commissioned by the project owner to carry out project work such as design, procurement, construction and trial operations, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and is responsible for the quality, safety, timely delivery and cost of the project

Glossary of Vocabulary and Technical Terms

"BOT"	refers to the build-operate-transfer mode. It is a model in which the government grants the concession rights of an infrastructure project to a contractor, where the contractor is responsible for the design, financing, construction and operation of the project during the concession period to recover its costs, repay debts and earn profits. Upon expiration of the concession period, the ownership of the project will be transferred back to the government

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