中国能建
ENERGY CHINA

INTERIM REPORT 2019

The BELT AND ROAD BRINGING ENERGY TO THE WORLD

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)

Contents

Company Information

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Chinese Name: 中國能源建設股份有限公司
English Name: China Energy Engineering Corporation Limited
Registered Office: Building 106, Lize Zhongyuan, 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 Share
Stock Exchange: The Stock Exchange of Hong Kong Limited
Stock short Name: CH ENERGY ENG
Stock Code: 3996

Executive Directors

Mr. Wang Jianping *(Chairman)*
Mr. Ding Yanzhang *(Vice Chairman)*
Mr. Zhang Xianchong

Non-Executive Directors

Mr. Ma Chuanjing
Mr. Liu Xueshi
Mr. Si Xinbo

Independent Non-Executive Directors

Mr. Ding Yuanchen
Mr. Zheng Qiyu
Mr. Cheung Yuk Ming

Supervisors

Mr. Wang Zengyong *(Chairman)*
Mr. Fu Dexiang
Mr. Wei Zhongxin
Mr. Li Fangyi
Mr. Kan Zhen

Authorized Representatives

Mr. Wang Jianping
Mr. Duan Qiurong

Strategy Committee

Mr. Wang Jianping *(Chairman)*
Mr. Ding Yanzhang
Mr. Ma Chuanjing
Mr. Si Xinbo

Nomination Committee

Mr. Wang Jianping *(Chairman)*
Mr. Ding Yuanchen
Mr. Cheung Yuk Ming

Remuneration and Assessment Committee

Mr. Zheng Qiyu *(Chairman)*
Mr. Cheung Yuk Ming
Mr. Liu Xueshi

Audit Committee

Mr. Ding Yuanchen *(Chairman)*
Mr. Ma Chuanjing
Mr. Cheung Yuk Ming

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
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 Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June		
	2019 (RMB in million)	2018 (RMB in million)	Changes of 2019 over 2018 (%)
Revenue:			
Survey, design and consulting services	**5,246.8**	4,853.5	8.10
Construction and contracting	**81,526.9**	76,295.0	6.86
Industrial manufacturing	**10,795.6**	9,149.5	17.99
Clean energy, environmental protection and water utilities	**8,332.6**	9,163.7	(9.07)
Investment and other businesses	**8,251.6**	7,286.6	13.24
Inter-segment elimination and adjustment	**(4,108.9)**	(5,228.1)	(21.41)
Total	**110,044.7**	101,520.1	8.40
Gross profit	**13,707.4**	12,554.4	9.18
Profit before taxation	**5,911.2**	5,640.1	4.81
Profit for the period	**4,327.6**	4,179.6	3.54
Profit for the period attributable to equity shareholders of the Company	**2,157.6**	2,292.9	(5.90)
Basic and diluted earnings per share (RMB cents)	**7.22**	7.70	(6.23)

2 Summary of Condensed Consolidated Statement of Financial Position

	As at 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)	Changes of 30 June 2019 over 31 December 2018 (%)
Current assets	**260,444.9**	257,593.0	1.11
Non-current assets	**141,781.4**	131,792.6	7.58
Total assets	**402,226.3**	389,385.5	3.30
Current liabilities	**218,005.1**	226,312.8	(3.67)
Non-current liabilities	**80,452.3**	67,908.8	18.47
Total liabilities	**298,457.4**	294,221.6	1.44
Total equity	**103,768.9**	95,163.9	9.04
Total equity and liabilities	**402,226.3**	389,385.5	3.30

Management Discussion and Analysis

1 Overview of Industry Development

Fixed asset investment. In the first half of 2019, fixed asset investment grew steadily, the growth of private investment stabilized and rebounded, investment in weak areas such as infrastructure and people's livelihood grew steadily, manufacturing industry transformed and upgraded investment and investment in new kinetic energy including high technology continued to grow. Fixed asset investment (excluding rural households) amounted to RMB29.91 trillion, up by 5.8% year-on-year. The infrastructure investment grew by 4.1% year-on-year, 0.3 percentage point faster than the full year of 2018. Among the infrastructure investment, investment in ecological protection and environmental governance increased by 48%, railway transport investment increased by 14.1%, information transmission investment increased by 9.6% and road transport investment increased by 8.1%.

Construction industry. In the first half of 2019, China's construction industry realized a total value of output of RMB10.16 trillion, rising by 7.20% year-on-year, 3.18 percentage points lower than the same period of the previous year. As of the end of June 2019, the enterprises' contract value on hands reached RMB36.40 trillion, representing a year-on-year increase of 8.53%, among which, the value of newly signed contracts for the year was RMB12.03 trillion, representing a year-on-year increase of 2.47%.

Power industry. In the first half of 2019, the national power consumption in China was 3,398 billion KWh, representing a year-on-year increase of 5.0% and the growth rate was 4.4 percentage points lower than the same period of last year. The national power consumption maintained growth momentum. Completed investment in power generation projects has slightly increased while completed investment in power grid projects has declined. The power generation projects of major power enterprises in China completed an investment of RMB100.20 billion, representing a year-on-year increase of 3.3%, among which, the hydropower investment reached RMB30.40 billion, representing a year-on-year increase of 36.4%; the fossil-fuel investment reached RMB21.90 billion, representing a year-on-year decrease of 26.0%; the nuclear power investment reached RMB14.30 billion, representing a year-on-year decrease of 30.2%; the wind power investment reached RMB29.40 billion, representing a year-on-year increase of 54.8%. Power grid projects in China completed an investment of RMB164.40 billion, representing a year-on-year decrease of 19.3%.

Overseas contracting. According to statistics from the Ministry of Commerce in the first half of 2019, China's overseas contracting business completed a turnover of RMB476.49 billion, up by 2.8% year-on-year. The value of newly signed contracts totaled RMB718.22 billion, up by 5.6% year-on-year. China's enterprises signed 3,302 new contracts of overseas contracted engineering projects in countries along the "One Belt and One Road", with a value of 63.64 billion US dollars, accounting for 60.1% of all the newly signed contracts of overseas contracted engineering projects of China in the same period, representing a year-on-year increase of 33.2%. A turnover of 38.59 billion US dollars was completed, accounting for 54.9% of the total amount of the same period, down by 0.9% year-on-year.

Cement industry. In the first half of 2019, the accumulative cement production in the country showed a good growth momentum. China's accumulative cement output was 1.045 billion tons, up by 6.8% year-on-year. The growth rate was 7.4 percentage points higher than the same period of last year, hitting the largest increase since 2014.

1 Overview of Industry Development *(Continued)*

Real estate industry. In the first half of 2019, China's real estate development investment was RMB6.16 trillion, representing a year-on-year increase of 10.9%, and the growth rate was 1.2 percentage points higher than the same period of last year. The area of building construction of real estate development enterprises increased by 8.8% year-on-year, new area of building construction increased by 10.1% year-on-year, land purchase area of real estate development enterprises decreased by 27.5% year-on-year, and the sales gross floor area of commodity properties decreased by 1.8% year-on-year.

Note: Data that does not indicate the source is based on the latest statistics of the National Bureau of Statistics.

2 Business Review

The Company is a large comprehensive group company that provides overall solutions and full industry chain services to industries such as energy and power, infrastructure and real estate in China as well as over the world.

In the first half of 2019, the Company effectively responded to the complex and volatile situation and market environment by implementing the spirit of the Company's 2019 work meeting and the deployments of series of key work, adhering to striving for progress in stability, persisting on promoting high-quality development, focusing on accelerating transformation, integrating development momentum, and generating operation stability for smooth development.

In the first half of 2019, the Company's value of newly signed contracts amounted to RMB276.189 billion, up by 7.12% year-on-year. Among which, the value of domestic newly signed contracts amounted to RMB171.342 billion, representing a year-on-year increase of 2.11%, which accounted for 62.04% of the value of newly signed contracts; the value of international newly signed contracts amounted to RMB104.847 billion, representing a year-on-year increase of 16.45%, which accounted for 37.96% of the value of newly signed contracts.

2 Business Review *(Continued)*

Domestic market. The Company seized the market opportunities such as the development of energy and power transformation, making up short slabs in infrastructure, and major national strategies implementations. As for the active responses to the challenges such as the slowdown of the growth of partial traditional power businesses and the uplift of standardized operation requirements to PPP projects, the Company, on the one hand, enhanced the market control and coordination of the Company's headquarters, and on the other hand promoted the independent development capability in the enterprise market it belongs to, and the value of domestic newly-signed contracts increased slightly. The Company took the lead of development of domestic energy and power construction and strengthened its leading position in the domestic power construction market. In the first half of 2019, newly signed contracts for domestic power engineering business valued RMB84.260 billion, up by 14.56% year-on-year, among which, the value of newly signed contracts of hydropower, power transmission and transformation, fossil-fuel power and nuclear power grew by 970.86%, 39.71%, 5.33% and 3.60%, respectively; subject to various factors such as adjustment to the PV policy, the value of newly signed contract for new energy decreased by 32.04% year-on-year. The Company has signed a number of representative power project contracts including Shaanxi Fanhai Hongdunjie integrated coal-fired power plant project (陝西泛海紅墩界煤電一體化電廠項目), Anhui Hefei Longquan Mountain incineration of municipal solid wastes power generation project (安徽合肥市龍泉山生活垃圾焚燒發電項目), Xinjiang Kumul tower 50MW solar thermal power generation project (新疆哈密塔式50兆瓦光熱發電項目), and Jiangsu Lianyungang Xuwei New Area 220 kV Kongqiao power transmission and transformation project (江蘇連雲港徐圩新區220千伏孔橋輸變電項目). The Company further promoted the development of domestic business transformation, comprehensively integrated into the progress of national major strategy implementation, vigorously developed national transportation, municipal administration, eco-environment protection, mining, park development, urban complex building, housing construction and other infrastructure construction markets, to carefully operate and to proactively cultivate projects with high content of gold. In the first half of 2019, the value of newly-signed contracts for domestic non-power engineering business amounted to RMB87.082 billion, representing a year-on-year decrease of 7.60%, which accounted for 50.82% of the total value of domestic newly signed contracts of the Company, among which, the Company continued to use new business models such as PPP to expand the domestic non-power engineering market, focused on enhancing the management and control of the sourced of PPP projects, elevated the quality of PPP project contracts, and the value of newly-signed contracts for the business of new business models amounted to RMB32.684 billion, which accounted for 37.53% of total value of domestic newly signed contracts of the Company. Businesses of new business models in four new construction investment companies rapidly grew, representing a year-on-year increase of 47.06% in the amount of newly signed contracts. The Company signed a number of major non-power projects including Zhejiang Ningbo Fenghua transportation infrastructure construction and ecological culture city development cooperation project (浙江寧波奉化區交通基礎設施建設暨生態文化城開發合作項目), Shaanxi Shangluo Xintai Company gravel aggregate project (陝西省商洛市鑫泰公司砂石骨料項目), Hebei's Third Garden Expo Park PPP project (河北省第三屆(邢台)園林博覽會園博園PPP項目), and Henan Lingbao urban road network construction PPP project (河南省靈寶市城市道路路網建設PPP項目).

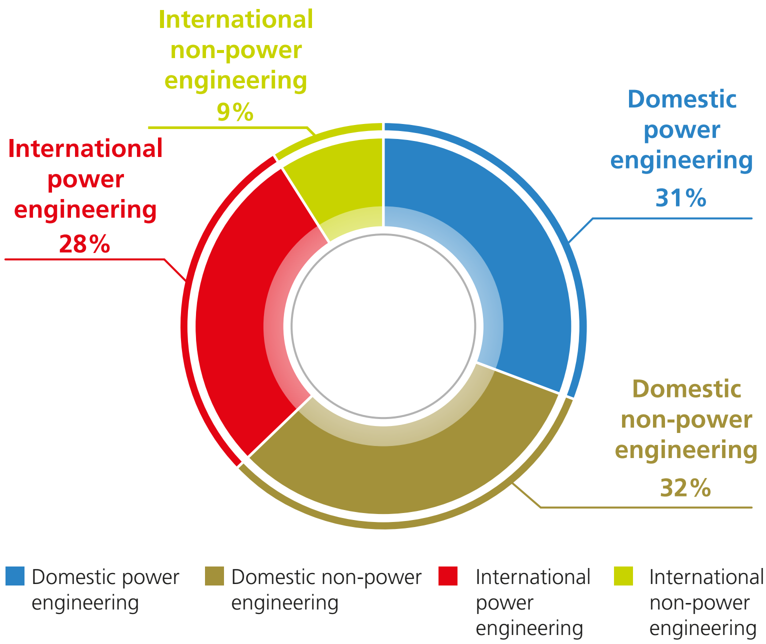
2 Business Review *(Continued)*

International Market. The Company continued to promote the implementation of the strategy of developing international business as a priority. By virtue of its advantages of the whole industry chain and full-life-cycle service capability, the Company developed the international market, optimized the international market layout, strengthened the valid coverage of the global market, and enhanced operational risks prevention and control and external emergency management of international business. In the first half of 2019, the value of international newly signed contracts amounted to RMB104.847 billion, which set a new record in the history, representing a year-on-year increase of 16.45%, which accounted for 37.96% of the newly signed contracts of the Company. The growth of China's foreign contracting construction enterprises topped the list. The Company continued to explore the markets along the "One Belt and One Road". The value of newly signed contracts with the countries along the "One Belt and One Road" amounted to RMB85.351 billion, representing a year-on-year increase of 39.73%, which accounted for 81.41% of the total value of international newly signed contracts of the Company. The value of newly signed contracts for international power engineering and international non-power engineering were RMB78.696 billion and RMB26.151 billion, respectively, both showing a lift, representing year-on-year increases of 4.22% and 80.08%, respectively, and achieved vital breakthroughs in non-power engineering markets in many countries; the value of newly signed contracts for international engineering procurement construction business increased by 5.81% year-on-year. The Group has successfully signed a number of representative international contracts, including the Petrolex Combined Cycle Gas Turbine in Nigeria (尼日利亞Petrolex聯合循環燃氣電站項目), the Ban Taen Coal-fired Power Station in South Sulawesi, Indonesia (印度尼西亞南蘇拉威西省班塔恩燃煤電站), the Kayang A Hydropower Project in Indonesia (印度尼西亞卡揚A水電站項目), the Mohmande Dam Project in Pakistan (巴基斯坦莫赫曼德大壩項目), the Biomass Power Station Group Project with a Total Capacity of 200 MW in Ukraine (烏克蘭總容量200兆瓦生物質電站群項目), Dongyu-Payaji 500 kV Transmission and Transformation Project in Myanmar, (緬甸東吁-帕亞基500千伏輸變電項目), Civil explosives Project in Saudi Arabia (沙特民用爆破項目), and the Mongolian Erdente to the Baobate Railway Project (蒙古額爾登特至敖包特鐵路項目).

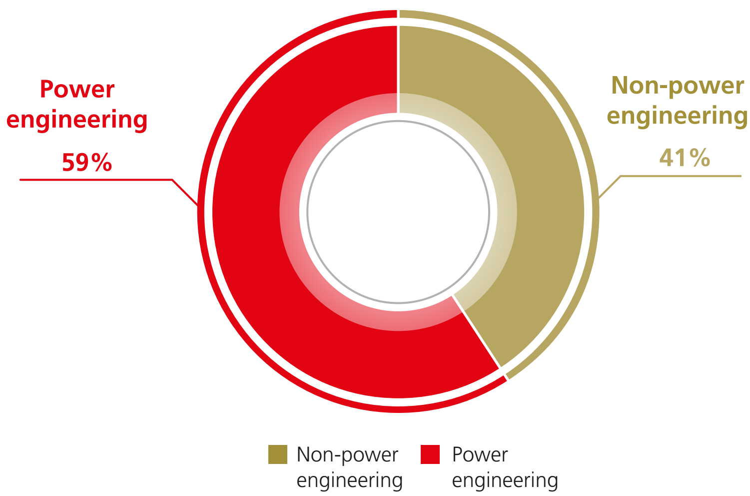
2 Business Review *(Continued)*

As of 30 June 2019, the outstanding contract value of the Company was RMB1,218.205 billion, representing an increase of 13.59% as compared to that of the end of the previous year.

Newly-signed Contract Composition in the First Half of 2019 (Figure 1)



Newly-signed Contract Composition in the First Half of 2019 (Figure 2)



2 Business Review *(Continued)*

2.1 Survey, Design and Consulting Services Business

The survey, design and consulting services business of the Company primarily provides survey, design and consulting services for power generation projects, power grid projects and non-power projects; plan and the policy consultation for the power industry; and evaluation, assessment and supervision for power projects. In the first half of 2019, the revenue before inter-segment elimination of survey, design and consulting services business of the Company was RMB5.247 billion, representing a year-on-year increase of 8.10%; however, affected by the adjustments on the domestic policies on coal-fired power and PV, the value of newly-signed contracts of survey, design and consulting services business shows staged fluctuations. The value of newly signed contracts amounted to RMB6.008 billion, representing a year-on-year decrease of 3.68%, which accounted for 2.18% of the newly signed contracts of the Company. Among which, the value of newly signed contracts for hydropower, non-power and power transmission and transformation were RMB0.228 billion, RMB0.618 billion and RMB2.978 billion, respectively, representing year-on-year increase of 217.22%, 19.28% and 8.93%, respectively; the value of newly signed contracts for nuclear power, new energy and thermal power were RMB0.097 billion, RMB0.637 billion and RMB1.449 billion, respectively, representing year-on-year decrease of 71.74%, 19.93% and 18.29%, respectively.

The Company gave full play to the advantages of planning, pre-investment demonstration and comprehensive energy utilization and increased its contributions and efforts in scientific and technological innovation, vigorously consolidated traditional power survey and design market in thermal power, hydropower, and power transmission and transformation, developed innovative new energy and energy new business and design business, proactively expanded non-power engineering survey and design market area, consolidated its leading position in the domestic and international markets for its high-end business of survey and design.

As of 30 June 2019, the outstanding contract value of survey, design and consulting services business was RMB32.153 billion, representing an increase of 3.18% as compared to that of the end of 2018.

2.2 Construction and Contracting Business

The Company primarily undertakes large-scale power generation projects, power transmission and transformation projects and various infrastructure construction projects both domestically and internationally in its construction and contracting business. In the first half of 2019, the revenue before inter-segment elimination of construction and contracting business of the Company was RMB81.527 billion, representing a year-on-year growth of 6.86%; the value of newly signed contracts amounted to RMB263.597 billion, representing a year-on-year increase of 7.11%, which accounted for 95.44% of the newly signed contracts of the Company. Among which, the value of newly signed contracts for businesses such as waterworks and hydropower, nuclear power, power transmission and transformation and non-power were RMB51.345 billion, RMB0.619 billion, RMB12.002 billion and RMB112.615 billion, respectively, representing year-on-year increase of 154.01%, 79.84%, 74.78% and 4.05%, respectively; the value of newly signed contracts for businesses such as thermal power and new energy were RMB53.161 billion and RMB33.856 billion, respectively, representing year-on-year decrease of 24.63% and 15.19%, respectively.

2 Business Review *(Continued)*

2.2 Construction and Contracting Business *(Continued)*

The Company strengthens its comprehensive measures of "maintaining power businesses and developing non-power ones, maintaining domestic market and developing international one, and maintaining regular businesses and developing high-end ones" to comprehensively expand the grand construction landscape. In the first half of 2019, the Company effectively coped with the new domestic context of power and energy transformation development and standardized development of the PPP business and seized new opportunities of power engineering upgrading and transformation as well as non-power engineering market, with its newly signed contracts for domestic construction and contracting business amounting to RMB159.925 billion, up by 1.70% year-on-year. The Company stayed highly consistent with opportunities such as the "One Belt and One Road" construction, the international capacity cooperation, the interconnection of neighboring infrastructure, and the Sino-African cooperation to build new momenta for sustained growth of international businesses. As a result, the Company's international construction and contracting business continued to grow rapidly, with the newly signed contracts amounted to RMB103.672 billion, up by 16.67% year-on-year. Leveraging its core technologies in river diversion and interception, dam construction, underground engineering, large-scale metal structure manufacturing and installation, large-scale unit installation and other sectors as well as its brand advantages for hydropower construction, the Company undertakes a constant stream of domestic and overseas world-class waterworks and hydropower projects, the value of newly signed contracts for waterworks and hydropower engineering construction business was up by 154.01% year-on-year, among which, the value of newly signed contracts for domestic and international waterworks and hydropower engineering were up by 1,004.15% and 84.19%, respectively. The Company continuously enhanced the nuclear power engineering construction and comprehensive service capacity, the value of newly signed contracts for nuclear engineering construction business was up by 79.84% year-on-year. The Company seized opportunities in domestic ultra-high voltage construction market and stepped up mid and low-voltage distribution grid and micro-grid project development, the value of newly signed contracts for power transmission and transformation engineering construction business was up by 74.78% year-on-year. The Company further highlights the development of a grand construction market landscape and stays close to the requirements for developing non-power engineering businesses to optimize and adjust organizational structures, and bring the synergy of Gezhouba Group, Planning and Engineering Group, the construction investment companies and the platform company into play. The Company keeps augmenting resource input in non-power engineering businesses and extensively entered the non-power engineering market domestically and internationally, further expanded the room for development for the Company's non-power engineering construction business, the value of newly signed contracts for non-power engineering construction business was up by 4.05% year-on-year. The Company developed power engineering debugging and project operation and maintenance businesses, extending the full-life-cycle services of power engineering projects, the value of newly signed contracts, amounted RMB7.744 billion, up by 3.58% year-on-year.

As of 30 June 2019, the outstanding contract value of construction and contracting business of the Company was RMB1,171.689 billion, representing an increase of 14.07% as compared to that of the end of 2018.

2 Business Review *(Continued)*

2.3 Industrial Manufacturing Business

The industrial manufacturing business of the Company primarily includes cement production, civil explosives and equipment manufacturing businesses. In the first half of 2019, the revenue before inter-segment elimination of industrial manufacturing business of the Company was RMB10.796 billion, representing a year-on-year increase of 17.99%. Among which, the revenue before inter-segment elimination of cement production business reached RMB4.939 billion, representing a year-on-year increase of 44.69%; the revenue before elimination of civil explosives business segment reached RMB1.772 billion, representing a year-on-year increase of 23.23%; the revenue before inter-segment elimination of equipment manufacturing business reached RMB4.085 billion, representing a year-on-year decrease of 4.96%. The Company sticks to transformation and upgrading as well as enhancement and improvement for its industrial manufacturing business, and focuses on the businesses related to the Company's construction and the needs of new markets to further elevate its competitive advantages in the target areas and segments.

In the first half of 2019, the Company consolidated its advantages for the core regional market of its cement production business. It won in succession the bids of various key projects; it strengthened intelligent cement production and refined management. Economic efficiency grew rapidly. It accelerated in promoting its international cement production business. Products from the Kazakhstan Heli Cement Project have been successfully supplied to key constructions and infrastructures such as airport, glass factories and large-scale commercial concrete mixing stations in Kazakhstan; the Mandalay Cement Project in Myanmar was listed as a development achievement of the second session "One Belt and One Road" Forum for Cooperation. As of the end of June 2019, the annual cement production capacity of the Company reached 25,500,000 tonnes, and the annual clinker production capacity reached 17,820,000 tonnes; the sales of cement and clinker of the first half of the year amounted to 11,575,500 tonnes, the sales of commodity concrete amounted to 862,100 cubic metres, and the sales of aggregates amounted to 2,754,300 tonnes.

In the first half of 2019, the civil explosive business of the Company insisted on optimizing business structure and extending industrial chain, whereby its core market position on the civil explosive integration has been consolidated. The Company strengthened the internal collaborative management of its products to achieve a balanced release of its production capacity; it strengthened the planning and implementation of new contracted projects, projects such as the Shenzhun Project in Inner Mongolia, Mianchi Project in Henan and Chongyang Project in Hubei progressed smoothly. In Pakistan, Niger and Kenya, a number of contracts for drilling explosives engineering construction and civil explosives product supply were signed. The contract value of civil explosives international business increased by 82.62% year-on-year. As of the end of June 2019, the annual industrial explosives capacity of the Company's civil explosives business reached 326,500 tonnes. In the first half of the year, it produced 135,200 tonnes of industrial explosives, up by 22.24% year-on-year.

2 Business Review *(Continued)*

2.3 Industrial Manufacturing Business *(Continued)*

In the first half of 2019, the newly signed contracts amount of the equipment manufacturing business was RMB6.584 billion, up by 20.00% year-on-year. The Company consolidated key customer relationships such as power grid companies and power generation groups, actively promoted the transformation and upgrade of equipment manufacturing business into emerging markets, complete sets of equipment, non-power and service markets, and seized the opportunities of ultra-high voltage, distribution grid, rural grid modification as well as energy conservation and environmental protection. A number of orders relating to national key engineering power station auxiliary, power grid equipment, energy-saving environmental protection equipment, energy storage equipment and related services were acquired. The Company actively expanded its international market and signed a number of international contracts in Turkey, Indonesia and the United Arab Emirates. As of the end of June 2019, the outstanding contract value of the equipment manufacturing business was RMB14.363 billion, representing an increase of 1.76% as compared to that of the end of 2018.

2.4 Clean Energy, Environmental Protection and Water Utilities Business

The clean energy, environmental protection and water utilities business of the Company includes businesses such as environmental protection businesses (clean energy development and investment, renewable resource utilization, environment governance) as well as water treatment and operation. In the first half of 2019, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company was RMB8.333 billion, representing a year-on-year decrease of 9.07%. Among which, the revenue before inter-segment elimination of clean energy business reached RMB0.649 billion, representing a year-on-year increase of 5.56%; the revenue before inter-segment elimination of environmental protection business reached RMB6.904 billion, representing a year-on-year decrease of 16.59%; the revenue before inter-segment elimination of water utilities business reached RMB0.780 billion, representing a year-on-year increase of 186.68%.

In the first half of 2019, the Company kept augmenting its effort in clean energy investment business development and optimized and expanded the clean and efficient power generation businesses. It laid stress on investing in new energy development in China and investing in large-scale clean thermal power, hydropower and new energy projects in overseas markets, forming a landscape featuring scaled evolution and rolling development. As of the end of June 2019, the capacity of the installed power units held by the Company that were in operation and under construction were 1,469 MW and 2,548 MW, respectively. In the first half of 2019, the installed capacity of grid-connected power generation held by the Company totaled 1.892 billion KWh, up by 17.25% year-on-year; foreign investment projects under construction such as the Hai Duong fossil-fuel power project in Vietnam and the SK hydropower project in Pakistan progressed smoothly.

2 Business Review *(Continued)*

2.4 Clean Energy, Environmental Protection and Water Utilities Business *(Continued)*

In the first half of 2019, surrounding the themes of renewable resource utilization, hydro-environment treatment, sludge treatment, new road materials and solid waste treatment, the Company expanded its environmental protection business and enhanced environmental protection technology level and industrial values. The construction and technical transformation of renewable resource utilization industrial park made steady progress; the installation and debugging of the 3 waste water treatment membrane production lines of Rizhao Sainuo Environment Science and Technology Company Limited was completed, the water governance project in Haikou was put into operation, and projects such as the water governance project in Fuyang progressed smoothly; the "integrated treatment technology of river and lake sludge dehydration tail water" was successfully applied to the Dianchi Caohai Project; the "steel slag asphalt concrete application" technology was awarded the Technology Innovation Award for utilizing waste materials of 2019 by the China Green Building Materials Industry Development Alliance; in the first half of 2019, cement kiln co-processing treated 161,800 tonnes of household wastes, contaminated soils and general solid wastes.

In the first half of 2019, the water utilities business of the Company strengthened its scientific innovation and achievement application. It vigorously promoted the operation of standardized construction. The management level of the professional operation of water utilities continued to improve. As of the end of June 2019, the Company operated and managed 58 water supply plants, over 1,000 kilometers of pipe network and 33 pumping stations, with a water treatment capacity of 3 million tons per day, distributed in Beijing, Tianjin, Shandong, Henan, Hebei, Hunan, Hubei, Sichuan, Zhejiang and other regions. The Company signed the municipal sludge deep dewatering project in Xiong County, Hebei Province, which laid the foundation for the continuous development of the water supply market in Xiong'an New Area. The San Norrenso Water Supply Project in Brazil invested and acquired by the Company achieved good operational results.

2.5 Investment and other businesses

The Company's investment and other businesses cover real estate investment and development, expressway investment and operation, financial service and property lease. In the first half of 2019, the revenue before inter-segment elimination of investment and other businesses of the Company was RMB8.252 billion, representing a year-on-year increase of 13.24%. Among which, the revenue before inter-segment elimination for real estate business reached RMB4.348 billion, representing a year-on-year increase of 46.23%; the revenue before inter-segment elimination for expressway business reached RMB1.062 billion, representing a year-on-year increase of 5.31%; the revenue before inter-segment elimination for financial business reached RMB0.575 billion, representing a year-on-year increase of 432.80%; the revenue before inter-segment elimination for other business reached RMB2.267 billion, representing a year-on-year decrease of 29.11%. The Company adhered to developing, managing and controlling investment business at the same time and combining investment and financing, focused on the advantages of the field to optimize the investment development layout, enhanced investment risk prevention and control and process supervision, and steadily developed in businesses such as real estate development, expressway operation and financial services, and the role of the development of principal businesses driven by investments was further enhanced.

2 Business Review *(Continued)*

2.5 Investment and other businesses *(Continued)*

In the first half of 2019, the Company's real estate business further improved the product lines, elevated the quality of products, enhanced brand coverage, and strived for high-quality, standardized, and quick turnover. As of the end of June 2019, the area of corresponding interest in land reserve was 213,400 square metres; the gross area of newly commenced work was 827,200 square metres, mainly distributed in locations such as Shanghai, Nanjing, Hefei, Wuhan, Suzhou, the gross area of completed projects was 167,700 square metres; the area of interest in works in progress of projects under construction was 4,500,800 square metres; for the first half of 2019, six projects including Shanghai Rose Public Residence, Nanjing Zijun Residence, Beijing Zijun Orchid Court were opened for sales and the sales area of interest was 406,700 square metres.

In the first half of 2019, the Company's expressway operation business adopted the "integration of investment and construction" model, continuously improving operational capacity and service level. The total mileage of operating expressways was 457 kilometers, mainly including G55 (Hubei Xiangyang-Jingzhou section), G45 (Hubei Macheng-Xishui section), Sichuan Neijiang-Suining expressway and Shandong Jitai expressway connection. The traffic flow grew by 9.65% on a year-on-year basis. Expressway projects under construction invested by the Company such as the Sichuan Bawan Expressway were progressing in an orderly manner as planned.

In the first half of 2019, the financial business of the Company included the financial business for financial companies, finance leases and industrial funds. Its financial companies, finance lease companies and fund management companies utilized their respective characteristics and advantages, strengthening centralized management of funds and the development of main business projects of its enterprises for the Company, enriching financing strategies and providing strong support for saving financing cost.

3 Consolidated Operating Results

3.1 Revenue

For the six months ended 30 June 2019, the revenue amounted to RMB110,044.7 million, representing an increase of 8.40% as compared to RMB101,520.1 million for the corresponding period of 2018. The increase in revenue was mainly due to the growth in business volumes of both in construction and contracting segment and industrial manufacturing segment, etc.

3.2 Cost of Sales and Gross Profit

For the six months ended 30 June 2019, the cost of sales amounted to RMB96,337.2 million, representing an increase of 8.29% as compared to RMB88,965.7 million for the corresponding period of 2018. The increase in cost of sales was slightly lower than the growth of the revenue.

For the six months ended 30 June 2019, the gross profit amounted to RMB13,707.4 million, representing an increase of 9.18%, as compared to RMB12,554.4 million for the corresponding period of 2018. The increase in gross profit was mainly due to the increase in business scale and the increase in selling price of cement business.

3 Consolidated Operating Results *(Continued)*

3.3 Selling Expenses

For the six months ended 30 June 2019, the selling expenses amounted to RMB1,236.5 million, representing an increase of 20.08% as compared to RMB1,029.7 million for the corresponding period of 2018. The increase in selling expenses was mainly due to the increase in sales service fee in line with the increases in sales agency of cement business and the selling and advertising activities for real estate business.

3.4 Administrative Expenses

For the six months ended 30 June 2019, the administrative expenses amounted to RMB5,233.8 million, representing an increase of 3.73% as compared to RMB5,045.5 million for the corresponding period of 2018. The increase in administrative expenses was mainly due to the growth in business scale.

3.5 Finance Expenses

For the six months ended 30 June 2019, the finance expenses amounted to RMB1,889.1 million, representing an increase of 10.27% as compared to RMB1,713.2 million for the corresponding period of 2018. The increase in finance expenses was mainly due to the increase in total indebtedness.

4 Operating Results by Segments

	Conditions of industry segments of principal businesses (For the six months ended 30 June)								
	2019			2018			Increase or decrease as compared with last year (%)/(percentage points)		
Industry segments	**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	**5,246.8**	**3,559.4**	**32.16**	4,853.5	3,175.3	34.58	8.10	12.10	(2.42)
Construction and contracting	**81,526.9**	**75,156.2**	**7.81**	76,295.0	70,507.7	7.59	6.86	6.59	0.22
Industrial manufacturing	**10,795.6**	**8,041.6**	**25.51**	9,149.5	7,037.4	23.08	17.99	14.27	2.43
Clean energy, environmental protection and water utilities	**8,332.6**	**7,883.3**	**5.39**	9,163.7	8,659.8	5.50	(9.07)	(8.97)	(0.11)
Investment and other businesses	**8,251.6**	**5,700.3**	**30.92**	7,286.6	4,902.7	32.72	13.24	16.27	(1.80)
Inter-segment elimination(1)	**(4,108.9)**	**(4,003.6)**	**2.56**	(5,228.1)	(5,317.7)	–	–	–	–
Unallocated items(2)	**–**	**–**	**–**	–	0.5	–	–	–	–
Total	**110,044.7**	**96,337.2**	**12.46**	101,520.1	88,965.7	12.37	8.40	8.29	0.09

Notes:

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

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

4 Operating Results by Segments *(Continued)*

4.1 Survey, Design and Consulting Services Business

For the six months ended 30 June 2019, the revenue before inter-segment elimination of survey, design and consulting services business amounted to RMB5,246.8 million, representing an increase of RMB393.3 million, or 8.10% as compared to RMB4,853.5 million for the corresponding period of 2018, mainly due to the increase in power transmission and transformation business and non-power businesses such as municipal construction, etc.

For the six months ended 30 June 2019, the cost of sales before inter-segment elimination of survey, design and consulting services business amounted to RMB3,559.4 million, representing an increase of RMB384.1 million, or 12.10% as compared to RMB3,175.3 million for the corresponding period of 2018, mainly due to the increase in labour cost, etc.

For the six months ended 30 June 2019, the gross profit before inter-segment elimination of survey, design and consulting services business amounted to RMB1,687.4 million, representing an increase of RMB9.2 million, or 0.55% as compared to RMB1,678.2 million for the corresponding period of 2018, the gross profit margin was 32.16%, representing a slight year-on-year decrease, mainly due to the increase in labour cost, etc.

4.2 Construction and Contracting Business

For the six months ended 30 June 2019, the revenue before inter-segment elimination of construction and contracting business amounted to RMB81,526.9 million, representing an increase of RMB5,231.9 million or 6.86% as compared to RMB76,295.0 million for the corresponding period of 2018, mainly due to the growth in the revenue of non-power businesses as a result of the large-scale production of PPP projects.

For the six months ended 30 June 2019, the cost of sales before inter-segment elimination of construction and contracting business amounted to RMB75,156.2 million, representing an increase of RMB4,648.5 million or 6.59% as compared to RMB70,507.7 million for the corresponding period of 2018, slightly lower than the growth rate of revenue in the corresponding period.

For the six months ended 30 June 2019, the gross profit before inter-segment elimination of construction and contracting business amounted to RMB6,370.7 million, representing an increase of RMB583.4 million or 10.08% as compared to RMB5,787.3 million for the corresponding period of 2018, the gross profit margin was 7.81%, representing a slight year-on-year increase, mainly due to the increase in proportion of revenue from non-power projects with higher gross profit margin.

4 Operating Results by Segments *(Continued)*

4.3 Industrial Manufacturing Business

For the six months ended 30 June 2019, the revenue before inter-segment elimination of industrial manufacturing business amounted to RMB10,795.6 million, representing an increase of RMB1,646.1 million or 17.99% as compared to RMB9,149.5 million for the corresponding period of 2018, mainly due to the increase in the sales volume and selling price of cement business and the growth of civil explosives business.

For the six months ended 30 June 2019, the cost of sales before inter-segment elimination of industrial manufacturing business amounted to RMB8,041.6 million, representing an increase of RMB1,004.2 million or 14.27% as compared to RMB7,037.4 million for the corresponding period of 2018, mainly due to the sales volume of its cement products and the growth of civil explosives business.

For the six months ended 30 June 2019, the gross profit before inter-segment elimination of industrial manufacturing business amounted to RMB2,754.0 million, representing an increase of RMB641.9 million, or 30.39% as compared to RMB2,112.1 million for the corresponding period of 2018, the gross profit margin was 25.51%, representing a slight year-on-year increase, mainly due to the year-on-year increase of the selling price of cement products.

4.4 Clean Energy, Environmental Protection and Water Utilities Business

For the six months ended 30 June 2019, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB8,332.6 million, representing a decrease of RMB831.1 million, or 9.07% as compared to RMB9,163.7 million for the corresponding period of 2018, mainly due to the decrease in revenue of environmental protection business.

For the six months ended 30 June 2019, the cost of sales before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB7,883.3 million, representing a decrease of RMB776.5 million or 8.97% as compared to RMB8,659.8 million for the corresponding period of 2018, which was generally in line with the changes in its revenue.

For the six months ended 30 June 2019, the gross profit before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB449.3 million, representing a decrease of RMB54.6 million or 10.84% as compared to RMB503.9 million for the corresponding period of 2018, the gross profit margin was 5.39%, remaining steady on a year-on-year basis.

4 Operating Results by Segments *(Continued)*

4.5 Investment and Other Businesses

For the six months ended 30 June 2019, the revenue before inter-segment elimination of investment and other businesses amounted to RMB8,251.6 million, representing an increase of RMB965.0 million or 13.24% as compared to RMB7,286.6 million for the corresponding period of 2018, mainly due to the increase in revenue of real estate development business and financial services.

For the six months ended 30 June 2019, the cost of sales before inter-segment elimination of investment and other businesses amounted to RMB5,700.3 million, representing an increase of RMB797.6 million or 16.27% as compared to RMB4,902.7 million for the corresponding period of 2018, mainly due to the growth of real estate development business and cost increase correspondingly.

For the six months ended 30 June 2019, the gross profit before inter-segment elimination of investment and other businesses amounted to RMB2,551.3 million, representing an increase of RMB167.4 million or 7.02% as compared to RMB2,383.9 million for the corresponding period of 2018, the gross profit margin was 30.92%, representing a slight year-on-year decrease, mainly due to the overall decrease of the gross profit margin of real estate development business.

5 Cash Flow

	For the six months ended 30 June	
	2019 **(RMB in million)**	2018 (RMB in million)
Net cash (used in)/generated from operating activities	**(7,459.6)**	(16,737.2)
Net cash (used in)/generated from investing activities	**(5,599.3)**	(7,728.8)
Net cash (used in)/generated from financing activities	**3,868.1**	20,227.9
Net decrease in cash and cash equivalents	**(9,190.7)**	(4,238.1)
Cash and cash equivalents at the beginning of the period	**47,643.2**	47,699.8
Effects of exchange rate changes	**416.4**	177.0
Cash and cash equivalents at the end of the period	**38,868.8**	43,638.7

5.1 Cash Flow Used in Operating Activities

For the six months ended 30 June 2019, the net cash used in operating activities amounted to RMB7,459.6 million, representing a decrease of RMB9,277.6 million or 55.43% as compared to the corresponding period of 2018, mainly due to: (i) as business volume increased and the projects entered a peak period, contract assets and trade receivables increased subsequently, leading to cash outflow of RMB13,075.3 million; (ii) payment of income tax of RMB2,186.3 million; (iii) an increase in prepayment of other taxes, prepaid amounts for construction contracts, etc., leading to cash outflow of RMB1,723.4 million. These cash outflows were offset by the profit for the period from operating activities of RMB4,327.6 million, the cash inflows of RMB4,172.3 million as a result of the increase of trade payables, and the cash inflows of RMB943.2 million as a result of the decrease of properties under development for sale.

5 Cash Flow *(Continued)*

5.2 Cash Flow Used in Investing Activities

For the six months ended 30 June 2019, the net cash used in investing activities amounted to RMB5,599.3 million, representing a decrease of RMB2,129.5 million or 27.55% as compared to the corresponding period of 2018, mainly due to: (i) payment for purchasing property, plant and equipment and intangible assets amounting to RMB6,909.4 million; (ii) capital contributions to joint ventures and associates amounting to RMB951.1 million. These cash outflows were offset by the decrease in the restricted deposit of RMB1,253.8 million, the returns on investment of RMB477.6 million, and the receipt of interest income of RMB381.9 million.

5.3 Cash Flow Generated from Financing Activities

For the six months ended 30 June 2019, the net cash generated from financing activities amounted to RMB3,868.1 million, representing a decrease of RMB16,359.8 million or 80.88% as compared to the corresponding period of 2018, mainly due to: (i) the newly increase of bank borrowings and other borrowings of RMB32,346.4 million; (ii) the proceeds of RMB5,000.0 million from the issuance of perpetual capital instruments; (iii) the proceeds of RMB4,000.0 million from the issuance of corporate bonds. These cash inflows were offset by the repayment of bank borrowings and other borrowings of RMB31,688.3 million, repurchase of corporate bonds of RMB2,979.6 million and the payment of interests on borrowings and bonds of RMB2,850.2 million.

6 Capital Expenditures

In the past, the Group 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 periods indicated:

	For the six months ended 30 June	
	2019	2018
	(RMB in million)	(RMB in million)
Property, plant and equipment(1)	**1,580.8**	4,821.1
Prepaid lease payments(1)	**–**	125.9
Intangible assets	**6,098.8**	3,615.7
Total	**7,679.6**	8,562.7

Note:

(1) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

7 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 return on assets while maintaining prudent capital and financial policies.

8 Indebtedness

As at 30 June 2019, the Company's total liabilities amounted to RMB298,457.4 million and total assets amounted to RMB402,226.3 million, with a gearing ratio of 74.20%, representing a decrease of 1.36 percentage points from 75.56% as at the end of last year. The Company's total indebtedness amounted to RMB113,496.2 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 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
Long-term		
Bank borrowings		
Unsecured	**32,114.0**	24,280.5
Secured	**16,693.3**	16,107.7
Other borrowings		
Secured	**512.9**	501.7
Corporate bonds[1]	**18,542.7**	15,141.8
Sub-total	**67,862.9**	56,031.7
Short-term		
Bank borrowings		
Unsecured	**26,848.8**	32,813.2
Secured	**4,999.7**	6,421.6
Other borrowings		
Unsecured	**11,580.6**	11,846.8
Secured	**80.0**	144.5
Corporate bonds[1]	**2,124.2**	4,730.8
Sub-total	**45,633.3**	55,956.9
Total	**113,496.2**	111,988.6

Note:

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

8 Indebtedness *(Continued)*

As at 30 June 2019 and 31 December 2018, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

	As at 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
USD	**11,890.0**	11,142.2
Brazilian Real	**4,125.5**	4,115.4
Kuwait Dinar	**501.5**	497.1
Japanese Yen	**121.9**	121.9
Total	**16,638.9**	15,876.6

The following table sets forth the guaranteed portion of bank borrowings and other borrowings of the Company as at the dates indicated:

	As at 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
Guarenteed by each of the following parties:		
Holders of non-controlling interests	**629.7**	700.0
Third parties	**372.9**	128.9
Total	**1,002.6**	828.9

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

	As at 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
Repayable within 1 year	**44,615.9**	51,959.9
Repayable after 1 year but within 2 years	**14,086.6**	8,870.8
Repayable after 2 years but within 3 years	**11,027.7**	18,278.0
Repayable after 3 years but within 4 years	**8,645.4**	2,880.5
Repayable after 4 years but within 5 years	**5,892.6**	7,023.0
Repayable after 5 years	**29,228.0**	22,976.4
Total	**113,496.2**	111,988.6

8 Indebtedness *(Continued)*

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 30 June 2019 (%)	As at 31 December 2018 (%)
Bank borrowings	**1.05-8.00**	1.05-9.00
Other borrowings	**3.92-6.00**	3.92-4.61
Corporate bonds	**3.14-5.37**	3.14-5.37

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

	As at 30 June 2019		As at 31 December 2018	
	(RMB in million)	**(%)**	(RMB in million)	(%)
Fixed interest rate bank and other borrowings	**39,638.8**	**1.05-8.00**	36,988.8	1.05-8.00
Floating interest rate bank and other borrowings	**53,190.5**	**1.20-7.50**	55,127.2	1.20-9.00
Total	**92,829.3**		92,116.0	

Indebtedness of the Company increased by RMB1,507.6 million from 1 January 2019 to 30 June 2019, mainly due to the fulfillments of working capital needs and the purchase and construction of assets.

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, nor was subject to any material restrictive terms in the borrowings. In addition, as at 30 June 2019, the Company had RMB22,000.0 million of authorised but unissued debt securities, and RMB324,518.0 million of unutilized and unrestricted bank credit facilities.

9 Pledge of Assets and Contingent Liabilities

9.1 Pledge of Assets

As at 30 June 2019, 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 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
Property, plant and equipment[1]	**4,217.1**	3,977.2
Prepaid lease payments[1]	**–**	279.6
Intangible assets	**12,526.6**	12,988.9
Trade receivables	**2,602.3**	2,022.8
Properties under development for sale	**27,152.4**	24,105.5
Bank deposits	**4,495.4**	5,749.2
Total	**50,993.8**	49,123.2

Note:

(1) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

9.2 Contingent Liabilities

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 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.

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

	As at 30 June 2019 (RMB in million)	As at 31 December 2018 (RMB in million)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to:[1]		
Joint ventures	**315.4**	736.9
Associates	**2,063.4**	3,594.4
Third parties[2]	**258.9**	258.9
Investee recognised as financial assets at fair value through other comprehensive income	**23.5**	24.5
	2,661.2	4,614.7
Mortgage loan guarantees provided by the Company to banks in favour of its customers[3]	**2,465.7**	1,790.4
Total	**5,126.9**	6,405.1

9 Pledge of Assets and Contingent Liabilities *(Continued)*

9.2 Contingent Liabilities *(Continued)*

Notes:

(1) 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 30 June 2019 to the date of this announcement.

(2) The Company has 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 financial information for these guarantees.

(3) One subsidiary of the Group has provided guarantee in respect of a finance leasing contract with one financial institution to a third party.

10 Gearing Ratio

As at 30 June 2019, the gearing ratio of the Company was 109.37%, representing a decrease of 12.95 percentage points as compared to 122.32% for the corresponding period of 2018. Gearing ratio represents interest-bearing debts divided by total equity at the end of the period.

11 Subsequent event

On 2 July 2019, China Gezhouba Group Company Limited, a subsidiary of the Group, announced that it would not renew the perpetual corporate bonds (the "Bonds") issued in 2016 with face value of RMB4,500 million. Pursuant to the announcement, the Bonds, which was presented as equity instruments in the consolidated financial statements of the Group for the six months ended 30 June 2019, fell into the definition of financial liabilities under IFRSs thenceforth.

12 Risk

12.1 Business Risk

(1) Policy risk

Macroeconomic policies and industry policies are subject to the risk of change, which may lead to increasing difficulties in market exploring, narrowed financing channels, increasing financing costs, slower transformation and upgrading, and an increase in operational risks. The Company will intensify industry policy research, consolidated the traditional market, strengthened business transformation and upgrading, expanded non-power business areas and overseas markets, and exerted the role of new business models, striving to achieve sustainable and healthy development of enterprises.

12 Risk *(Continued)*

12.1 Business Risk *(Continued)*

(2) International operation risk

The international political and economic situations were complex and dynamic, coupled with long-standing risks including the US-China trade dispute, rapidly changing business models for international engineering projects, exchange rate, legal, compliance and security risks. The Company will refine its international operational management system, improved the international business market layout, and avoided disorderly internal competition and vicious external competition. Meanwhile, the Company intensified research and measures on risks including exchange rate, legal and compliance risks, and improved the overseas security risk prevention and emergency response capabilities, endeavoring to ensure that the international business keeps sustainable and healthy development.

(3) Construction project management risk

The inadequate planning breadth and depth in the early stage of projects, the less-satisfactory contracting quality, the sub-standard subcontract management, the deficient construction resource allocation and other reasons might jointly contribute to the unsmooth contract fulfillment of projects, delayed schedules, non-compliant product performance and quality. The Company will strengthen construction of project management system as well as examination and assessment of execution of the system, especially preventing subcontracting management risks. The Company also strengthened check and supervision on projects to detect and solve existing problems, uplifting contract performance ability and profitability.

(4) Legal dispute risk

Some of the legal disputes were relatively complicated. In the event of inappropriate response, they may lead to economic loss, and may even produce negative impact on the reputation, market development and production and operation of the Company. The Company will improve the dispute case management mechanism, strengthened the implementation of the main responsibility, carried out special management of dispute cases, and continuously improved the effectiveness of case handling; it conducted research on legal issues in areas such as investment and PPP business and deepened risk management and control. The Company strictly implemented legal review, pre-emptive risk prevention, and effectively served production and operation.

(5) Investment risk

The Company is undergoing business transformation with its invested business constantly expanding. If risk element identification and analysis are not profound enough, implementation management is not in place, financing schemes fail to be launched or the cost is too high, problems such as budgetary overrun of construction cost and insufficient revenue may occur. The Company will improve its full-process investment risk management system, continuously optimized its investment management system and strengthened its active investment management capability. It also strengthened supervision of and control on investment projects, strictly enforced the access criteria for investment projects, strictly conducted inspection of investment projects, enhanced project supervision, inspection and appraisal, and optimized the exit mechanism, striving to form a virtuous cycle and achieve rolling development.

12 Risk *(Continued)*

12.1 Business Risk *(Continued)*

(6) Cash flow risk

Subject to factors of centralized investments, receivables, cost management and operation loss, some certain sub-enterprises are short of cash flow with the risk of debt default and declining credit. The Company will strengthen budget management, optimized debt structure, broadened financing channels, lowered financial costs, strengthened management on inventory and receivables and supervision on capital operation, strengthened capital concentration and committed to enhancing capital operation capability. The Company enhanced the centralized procurement, carried out task of cost deduction and fee control, striving to steadily uplift the operating capacity of the enterprise.

(7) Health, safety and environmental risk

Construction and contracting is a high-risk sector. Subject to the impact of the nature of industry and environmental condition on the construction site, security and environmental protection are always exposed to risks. If the management is less adequately practised and not well arranged, safety and environmental accidents may occur, leading to loss of life or property or environmental destruction. The Company will put into effect the subject of liability for safety and environmental protection, strengthened examination of execution of system, strictly observed the redline of health and safety, and had the accountability mechanism established seriously. It also augmented resource input, enhanced training and foundation management, carried out investigation and rectification of hidden hazards and safety management to stay strictly on guard against accidents.

12.2 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 correspondingly. The exchange rate fluctuation may have influences on the service pricing and the cost of procurement of materials and equipment by foreign exchange of the Company and therefore influence the financial position and operating performance of the Company. The Company will carry out risk controls by means of contracts and financial instruments, make reasonable commercial arrangements and select suitable foreign currency and exchange rate for settlement or payment so as to prevent exchange rate fluctuation risk.

13 Number of Employees and Training Program

As at 30 June 2019, the Company has a total of 120,063 employees, including 36,140 managers, 39,815 professional technicians, and 29,426 technical operating personnel. The Company has 11,344 employees with various national registered qualifications. Also, the Company has a group of top talents of China, including 32 experts who enjoy the PRC governmental special subsidies, 5 national engineering survey and design masters, 2 national nuclear industry engineering survey and design masters, 4 experts 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 employees' quality and professional skills continuously. The Company planned to train 230,200 employees in the first half of 2019 and actually trained 240,100 employees, including on-the-job training for 164,100 employees, continuing education training for 18,100 employees, and other training for 57,900 employees.

14 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 realizing the growth of employees' income simultaneously. The Company established and optimized 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 salary and wages of employees are closely aligned with the respective position and actual contribution according to the "position-based and performance-linked" policy. It highlights performance and contribution, and promotes more reasonable and orderly distribution of income.

Pursuant to the requirements of the relevant policy of the SASAC, 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, 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 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. Save as disclosed above, as of 30 June 2019, according to the restricted share incentive scheme, no restricted shares have been granted, unlocked, lapsed or cancelled.

Pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the restricted share incentive scheme does not constitute a share option scheme. It belongs to a discretionary scheme of the Company.

15 Plans of the Company for Significant Investment or Purchase of Capital Asset in the Future

The Company's major future investments are mainly distributed in the following three aspects: firstly, we will focus on the main business, strengthen investment in enhancing the competitiveness of the main business market, accelerate the development of investment services and integrated service operations in non-power areas, and promote the in-depth development of the construction and contracting market to ensure the stable development of the main business; secondly, the Company will select enterprises with qualifications and capabilities in non-power design and construction and hydropower design to carry out investment mergers and acquisitions, further improve the main business and promote the company's business transformation and development; thirdly, we will accelerate overseas investment, actively adapt to the trend of large-scale overseas projects, integration of investment and construction, increase the depth and level of participation in the construction of the "One Belt and One Road", deepen the investment in selected countries, and enhance the competitiveness of the international market and brand influence.

In the first half of 2019, the Company did not hold any significant investment projects exceeding the net assets of the Company by 10% and are required to be considered and approved by the Board.

16 Outlook

In the first half of the year, China's economic operation was generally stable, and the growth rate remained within a reasonable range; the industrial structure continued to be optimized and coordination ability was further enhanced; consumption was still the ballast stone for the smooth operation of the economy, and the contribution rate of external demand has increased significantly; emerging industries continued to exert their strength, and economic development released new vitality. According to the 2019 Government Work Report of China, the GDP growth rate target of China for the whole year is 6%-6.5%.

16.1 Outlook of Power Industry

(1) Forecast on Electricity Consumption. In the first half of 2019, the electricity consumption of the whole society increased by 5.0% year-on-year, among which consumption in tertiary production and residential electricity consumption continued to maintain rapid growth. According to the forecast of the China Electricity Council, considering factors such as the macroeconomic situation at home and abroad, the substitution of electric energy, the base of the previous year, and the environmental safety inspection, the power consumption in the second half of the year will maintain the steady growth in the first half of the year. The national electricity consumption is expected to grow by around 5.5% year-on-year in 2019.

(2) Forecast on Power Construction. According to the forecast by China Electricity Council, the newly additional installed capacity of power generation in China is expected to be around 110 million KW in 2019. As of the end of 2019, it is expected that the national installed capacity of power generation will amount to around 2,000 million KW, representing a year-on-year increase of 6%. The installed capacity of non-fossil energy power will total 840 million KW, with proportion to total installed capacity further increasing to around 42%, of which, hydropower accounts for 360 million KW, grid-connected wind power accounts for 210 million KW, grid-connected solar power generation accounts for 200 million KW, nuclear power accounts for 49 million KW and biomass power generation accounts for around 22 million KW.

16 Outlook *(Continued)*

16.1 Outlook of Power Industry *(Continued)*

In the long run, the increasing of power consumption and the power structural adjustment will have rigid and increasing demand of installed capacity. The existing coal-fired units still have the vast room for energy conservation and emission reduction, upgrading and transformation, the technology upgrading of the units' flexibility of the power companies has a promising market and the installed capacity of non-fossil energy power generation grows rapidly, as well as the construction of and investment in main networks of power grid and distribution power grid remain in a larger size. Ubiquitous Power Internet of Things for Electricity construction will drive new investment growth points.

16.2 Domestic Non-power Market

In the first half of 2019, the growth rate of investment in infrastructure increased steadily, the major national strategic and regional policies were continuously promoting, while the regional integrity continued to upgrade, and further progress was made with the further implementation of the Innovation-driven Development Strategy, the Rural Revitalization Strategy, and the Made-in-China of 2025. Making up short slabs of infrastructure continued to develop. In November 2018, the General Office of the State Council printed and distributed the Guiding Opinions on Maintaining the Efforts to Making Up Short Slabs of Infrastructure (《關於保持基礎設施領域補短板力度的指導意見》), which required support for key strategies, for example, the "One Belt and One Road" construction, the Beijing-Tianjin-Hebei Integration development, the Yangtze River Economic Belt development and the construction of Guangdong-Hong Kong-Macau Greater Bay Area. It also required focus on the key weak areas including poverty alleviation, railway, road and waterway projects, airports, waterworks, energy, agriculture and villages and community, ecological and environmental protection and society livelihood as well as to accelerate the implementation of major projects which had been included in the planning. Meanwhile, 10 supporting policies and measures including "Strengthening the Management on Special Bond Funds and Projects of Local Government", "Increasing Financial Support for Projects under Construction and Major Projects of Making Up Short Slabs" and "Fully Mobilizing the Enthusiasm of Private Investment" were introduced. In 2019, infrastructure construction will focus on key areas including making up short slabs, and areas where the major national strategies are implemented. There is huge potential for non-power construction market such as urban infrastructure, comprehensive pipe gallery, smart city, sponge city, subway and city railway and environmental facilities.

PPP projects are stepping into the stage of reasonable and stable growth. In March 2019, the Ministry of Finance printed and distributed the Implementation Opinions on Promoting the Normative Development of Public-Private-Partnership (《關於推進政府和社會資本合作規範發展的實施意見》), which emphasized that the PPP model is a long-term cooperation model with operation serving as its core and requires that through introducing market funds and resources, allocation of resources are optimized, risks are reasonably diversified, government functions are transformed, market vitality is stimulated, while the quality and efficiency of public service supply is improved. As of the end of June 2019, the amount of projects under operation counted by the National PPP Integrated Information Platform Project Database since 2014 reached RMB13.6 trillion.

16 Outlook *(Continued)*

16.3 International Market

Since 2018, trade protectionism has risen, international trade and cross-border investment have slowed down. Despite this, the overall slowdown in the recovery of the world economy and the direction of economic globalization have not changed. With the establishment of a new pattern of China's all-round opening up, bilateral and multilateral cooperation between China and the rest of the world will continue to deepen.

(1) Transforming "One Belt and One Road" into high quality development together. In April 2019, the 2nd "One Belt and One Road" International Cooperation Summit was held in Beijing. After five years of basement and pillars building , the "One Belt and One Road" was building a new stage of rooting and sustainable development. The principle of "consultation, contribution and shared benefits" is highly recognized by countries along the route.

(2) The power consumption market in developing countries has vast room for growth. According to the statistics of the World Bank in 2018, the imbalance of power development in the world is still serious. Among the 215 economies with statistical data, there are 35 economies with access to electricity rate below 50% and 56 with less than 80%. The world's unpowered population is 937 million people, accounting for 12.6% of the world's total population. There are 36 countries with a per capita electricity consumption of less than 1,000 kWh/person, with a total population of 2.97 billion people, accounting for 40.4% of the world's total population. Among the 140 economies with statistical data, there are 22 economies with electricity transmission and distribution losses exceeding 20%, and 43 economies with more than 15%. Association of Southeast Asian Nations, South Asia and the Middle East will continue to be the regions where the world's energy and power consumption are growing at a faster rate.

In the medium and long term, the developing economies' infrastructure, energy and power construction market has broad space and great potential, and the international market is still in a period of strategic opportunities. The Company will increase market development efforts, expand business model innovation, give full play to the core competitive advantages of the Company's entire industry chain, further optimize the international market layout, and promote the realization of high-quality development of international business.

Material Events

1 Purchase, Sale and Redemption of the Company's Listed Securities

For the six months ended 30 June 2019, there is no purchase, sale or redemption of the listed securities of the Company by the Company or its subsidiaries.

2 Directors' and Supervisors' Interest and Short Positions in Shares, Underlying Shares and Debentures

For the six months ended 30 June 2019, 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.

3 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As of 30 June 2019, 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 position 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][3]	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	–
China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)[4]	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)[4]	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)[4]	H Shares	Beneficial owner	633,704,000(L)	2.11	–	6.84
Buttonwood Investment Holding Company Ltd.[5]	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)[5]	H Shares	Beneficial owner	1,462,338,000(L)	4.87	–	15.79
Central Huijin Investment Ltd.[6]	H Shares	Interest of controlled corporation	961,300,000(L)	3.20	–	10.38
China Construction Bank Corporation[6]	H Shares	Investment manager	961,300,000(L)	3.20	–	10.38
State Grid Corporation of China[7]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Co., Ltd.[7]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Limited[7]	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

3 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

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 approximate percentage of 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 30 June 2019.

(2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in 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) The Company was notified by Energy China Group that as of 30 June 2019, it held 316,275,000 H shares, representing approximately 3.41% of the total issued H shares of the Company. Pursuant to the SFO, the shareholders of the Company shall only submit the disclosure form for the equity interest held subject to fulfilling certain conditions.

(4) 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).

(5) These shares are directly held by Silk Road Fund Co., Ltd. (絲路基金有限責任公司), while 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).

(6) 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.

(7) 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.

4 Compliance with the Code Provisions of Corporate Governance Code

The Company is committed to good corporate governance. The Directors of the Company duly performed their duties, gave their opinions or advice by participating in meetings of the Board and committee meetings of the Board and passed the resolutions by way of poll; the Directors attended the shareholders' annual general meeting and annual work meeting of the Company, regularly received the work reports from the operation level, proactively conducted investigations and research for intensively keeping abreast of the corporate development.

For the six months ended 30 June 2019, 4 Board meetings were convened and held by the Company, considering and voting for 33 resolutions and proposing 12 resolutions to the shareholders' general meeting; 1 shareholders' general meeting (i.e. the 2018 shareholders' annual general meeting) was held, considering and voting for 16 resolutions; 1 Strategy Committee meeting of the Board was held, considering and voting for 2 resolutions; 1 Nomination Committee meeting of the Board was held, considering and voting for 3 resolutions. 1 Remuneration and Assessment Committee meeting of the Board was held, considering and voting for 4 resolutions; and 2 Audit Committee meetings of the Board were held, considering and voting for 6 resolutions.

For the six months ended 30 June 2019, the Company has complied with all code provisions of the Corporate Governance Code.

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

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

Having made enquiries with all the Directors and supervisors, the Company confirmed that each of the Directors and supervisors has complied with all code provisions of the Model Code for Securities Transactions during the six months ended 30 June 2019.

6 Changes in Information of Directors and Supervisors

During the Reporting Period, there was no change to the members of the Board and the Board of Supervisors, and no information was required to be disclosed in accordance with Rule 13.51B (1) of the Listing Rules.

7 Use of Proceeds from the Listing

As stated in the Annual Report 2018, the proceeds raised from the initial public offering on 10 December 2015 and exercise of over-allotment option on 8 January 2016 had been fully utilized for payments.

8 Review of Interim Report

On 30 August 2019, the Audit Committee of the Board has reviewed the interim results announcement for the six months ended 30 June 2019, the 2019 interim report of the Company and the unaudited interim financial statements for the six months ended 30 June 2019 which have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

9 Appointment and Removal of Auditors

Being considered and approved on 2018 shareholders' annual general meeting held on 28 June 2019, KPMG was re-appointed as the international independent auditor of the Company for the financial year of 2019 and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the domestic independent auditor of the Company for the financial year of 2019.

10 Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019.

11 Acquisition and Disposal of Subsidiaries

In the first half of 2019, the Company did not have any major acquisition or disposal of subsidiaries.

Report on Review of Consolidated Financial Statements

Review report to the board of directors of China Energy Engineering Corporation Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 46 to 101 which comprises the consolidated statement of financial position of China Energy Engineering Corporation Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2019 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting,* issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

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

30 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Revenue	3	**110,044,653**	101,520,114
Cost of sales		**(96,337,231)**	(88,965,695)
Gross profit		**13,707,422**	12,554,419
Other income	4	**1,050,392**	1,020,605
Net impairment losses on financial assets and contract assets	5(a)	**(127,829)**	(92,740)
Other net gains and losses	5(b)	**29,152**	441,808
Selling expenses		**(1,236,521)**	(1,029,741)
Administrative expenses		**(5,233,830)**	(5,045,522)
Research and development expenses		**(1,267,386)**	(1,070,155)
Finance income	6	**384,279**	344,042
Finance costs	6	**(1,889,101)**	(1,713,218)
Share of profits of joint ventures		**102,426**	171,288
Share of profits of associates		**392,171**	59,291
Profit before taxation	7	**5,911,175**	5,640,077
Income tax	8	**(1,583,604)**	(1,460,460)
Profit for the period		**4,327,571**	4,179,617
Other comprehensive income for the period:			
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligations		**10,990**	(481,861)
– Income tax relating to remeasurement of defined benefit obligations		**10**	15,706
– Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		**399,718**	(354,462)
– Income tax relating to equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		**(45,724)**	52,753
		364,994	(767,864)

The notes on pages 46 to 101 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 June 2019
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(202,091)**	(192,248)
		(202,091)	(192,248)
Other comprehensive income for the period		**162,903**	(960,112)
Total comprehensive income for the period		**4,490,474**	3,219,505
Profit for the period attributable to:			
Equity shareholders of the Company		**2,157,587**	2,292,853
Holders of perpetual capital instruments		**413,001**	384,816
Non-controlling interests		**1,756,983**	1,501,948
		4,327,571	4,179,617
Total comprehensive income attributable to:			
Equity shareholders of the Company		**2,141,577**	1,558,044
Holders of perpetual capital instruments		**413,001**	384,816
Non-controlling interests		**1,935,896**	1,276,645
		4,490,474	3,219,505
Earnings per share			
Basic and diluted (RMB cents)	9	**7.22**	7.70

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2019
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	10	**45,006,023**	34,819,904
Prepaid lease payments	10	**–**	9,048,720
Investment properties		**579,764**	579,341
Intangible assets	11	**40,457,087**	35,105,733
Investments in joint ventures		**4,785,069**	4,200,462
Investments in associates		**11,544,690**	10,703,688
Goodwill		**1,576,496**	1,576,496
Deferred tax assets		**2,005,528**	1,961,576
Trade receivables	13	**25,034,842**	23,869,816
Prepayments, deposits and other receivables	14	**1,897,669**	1,915,998
Finance lease receivables	15(b)	**1,145,715**	706,584
Financial assets at fair value through other comprehensive income	12(a)	**2,269,723**	2,051,154
Financial assets at fair value through profit or loss	12(b)	**5,478,776**	5,253,100
		141,781,382	131,792,572
Current assets			
Inventories		**13,445,030**	12,456,931
Properties under development for sale		**45,424,775**	45,858,785
Completed properties for sale		**2,174,204**	2,239,218
Contract assets	16(a)	**45,427,115**	36,071,661
Trade and bills receivables	13	**58,445,644**	56,075,508
Prepayments, deposits and other receivables	14	**44,347,686**	43,297,055
Prepaid lease payments	10	**–**	261,128
Other loans	15(a)	**5,030,566**	4,999,011
Financial assets at fair value through profit or loss	12(b)	**1,176,147**	1,150,618
Finance lease receivables	15(b)	**175,489**	387,245
Pledged deposits		**4,495,386**	5,749,150
Bank and cash balances	17	**40,302,829**	49,046,642
		260,444,871	257,592,952

The notes on pages 46 to 101 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2019
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Current liabilities			
Trade and bills payables	18	**98,466,957**	94,294,218
Contract liabilities	16(b)	**42,881,699**	42,845,942
Other payables and accruals	19	**28,055,984**	30,310,576
Income tax payable		**1,132,122**	1,505,720
Bank and other borrowings	20	**43,509,112**	51,226,123
Defined benefit obligations		**960,307**	1,048,956
Corporate bonds	21	**2,124,205**	4,730,776
Lease liabilities		**458,575**	–
Provisions		**416,113**	350,512
		218,005,074	226,312,823
Net current assets		**42,439,797**	31,280,129
Total assets less current liabilities		**184,221,179**	163,072,701
Non-current liabilities			
Other payables and accruals	19	**393,490**	328,625
Bank and other borrowings	20	**49,320,205**	40,889,908
Corporate bonds	21	**18,542,668**	15,141,776
Lease liabilities		**607,113**	–
Defined benefit obligations		**9,462,254**	9,580,792
Deferred tax liabilities		**1,250,596**	1,142,352
Deferred revenue		**875,972**	825,392
		80,452,298	67,908,845
NET ASSETS		**103,768,881**	95,163,856

The notes on pages 46 to 101 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2019
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
CAPITAL AND RESERVES			
Issued share capital	22(b)	**30,020,396**	30,020,396
Reserves		**21,919,571**	20,612,288
Equity attributable to equity shareholders of the Company		**51,939,967**	50,632,684
Perpetual capital instruments	23	**24,400,000**	19,400,000
Non-controlling interests		**27,428,914**	25,131,172
TOTAL EQUITY		**103,768,881**	95,163,856

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company													
	Issued share capital RMB'000	Shares held under restricted share incentive scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Special reserve RMB'000	Defined benefit obligation remeasurement reserve RMB'000	Investments revaluation reserve (non-recycling) RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Total equity attributable to equity shareholders of the Company RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity 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 for the period	-	-	-	-	-	-	4,110	176,850	(196,970)	2,157,587	2,141,577	413,001	1,935,896	4,490,474
Issue of perpetual capital instruments (note 23)	-	-	-	-	-	-	-	-	-	-	-	5,000,000	-	5,000,000
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	501,508	501,508
Disposal of subsidiaries	-	-	329	-	-	-	-	-	-	-	329	-	5,629	5,958
Acquisition of additional interests in subsidiaries	-	-	9,891	-	-	-	-	-	-	-	9,891	-	(21,891)	(12,000)
Transfer to reserves	-	-	-	-	-	(43,825)	-	-	-	43,825	-	-	-	-
Dividends declared to perpetual capital instruments holders	-	-	-	-	-	-	-	-	-	-	-	(413,001)	-	(413,001)
Dividends declared (note 22(a))	-	-	-	-	-	-	-	-	-	(918,624)	(918,624)	-	-	(918,624)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(123,400)	(123,400)
Effect of share-based compensation (note 22(e))	-	-	-	-	4,384	-	-	-	-	-	4,384	-	-	4,384
Disposals of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	67,342	67,342	-	-	67,342
Others	-	-	2,384	-	-	-	-	-	-	-	2,384	-	-	2,384
At 30 June 2019	30,020,396	(203,082)	8,180,270	2,343,755	23,257	531,695	765,619	(160,168)	(738,660)	11,176,885	51,939,967	24,400,000	27,428,914	103,768,881

The notes on pages 46 to 101 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

	Attributable to Equity Shareholders of the Company													
	Issued share capital RMB'000	Shares held under restricted share incentive scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Special reserve RMB'000	Defined benefit obligation remeasurement reserve RMB'000	Investments revaluation reserve (non-recycling) RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Total equity attributable to equity shareholders of the Company RMB'000	Perpetual capital instruments RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	30,020,396	(282,524)	8,190,872	1,499,958	44,559	488,959	1,220,494	(147,576)	(226,345)	7,261,647	48,070,440	8,220,000	22,741,955	79,032,395
Total comprehensive income for the period	-	-	-	-	-	-	(400,397)	(139,216)	(195,196)	2,292,853	1,558,044	384,816	1,276,645	3,219,505
Purchase of own shares under restricted share incentive scheme (note 22(d))	-	(22,555)	-	-	-	-	-	-	-	-	(22,555)	-	-	(22,555)
Issue of perpetual capital instruments (note 23)	-	-	-	-	-	-	-	-	-	-	-	1,180,000	-	1,180,000
Transfer from debt instruments	-	-	-	-	-	-	-	-	-	-	-	10,000,000	-	10,000,000
Cash capital contribution by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	382,395	382,395
Non-cash capital contribution by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	1,644	1,644
Disposal of subsidiaries	-	-	(1,173)	-	-	-	-	-	-	-	(1,173)	-	(478)	(1,651)
Transfer to reserves	-	-	-	-	-	40,256	-	-	-	(40,256)	-	-	-	-
Dividends declared to perpetual capital instruments holders	-	-	-	-	-	-	-	-	-	-	-	(384,816)	-	(384,816)
Dividends declared (note 22(a))	-	-	-	-	-	-	-	-	-	(918,624)	(918,624)	-	-	(918,624)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(790,425)	(790,425)
Effect of share-based compensation (note 22(e))	-	-	-	-	16,348	-	-	-	-	-	16,348	-	-	16,348
Others	-	-	(2,606)	-	-	-	-	-	-	-	(2,606)	-	-	(2,606)
At 30 June 2018 (Note)	30,020,396	(305,079)	8,187,093	1,499,958	60,907	529,215	820,097	(286,792)	(421,541)	8,595,620	48,699,874	19,400,000	23,611,736	91,711,610

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 46 to 101 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2019
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Net cash used in operating activities		**(7,459,589)**	(16,737,159)
Investing activities			
Interest received		**381,862**	344,276
Payments for addition to property, plant and equipment		**(1,033,152)**	(2,038,002)
Payments for addition to prepaid lease payments		**–**	(116,408)
Payments for addition to intangible assets		**(5,876,280)**	(3,504,239)
Payments for addition to finance lease receivables		**(540,000)**	(167,680)
Capital contributions to joint ventures		**(482,182)**	(126,881)
Capital contributions to associates		**(468,875)**	(864,102)
Net cash proceeds from investments		**477,634**	309,879
Purchase of financial assets at fair value through other comprehensive income		**(18,444)**	(34,090)
Purchase of financial assets at fair value through profit or loss		**(236,613)**	(551,577)
Proceeds from disposal of property, plant and equipment		**199,580**	529,150
Proceeds from disposal of prepaid lease payments		**–**	93,232
Proceeds from disposal of intangible assets		**5,396**	2,892
Proceeds from disposal of associates		**6,000**	83
Proceeds from disposal of financial assets at fair value through other comprehensive income		**266,935**	21,591
Proceeds from disposal of financial assets at fair value through profit or loss		**10,898**	276,615
Proceeds from finance lease receivables		**289,173**	105,355
Net decrease/(increase) in pledged deposits		**1,253,764**	(320,505)
Dividends received from associates		**14,043**	7,512
Dividends received from financial assets at fair value through other comprehensive income	4	**27,578**	34,521
Dividends received from financial assets at fair value through profit or loss	4	**16,646**	66,282

The notes on pages 46 to 101 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2019
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Net placement of deposits with original maturity of over three months		**(30,516)**	(1,005,669)
Acquisition of subsidiaries, net of cash acquired		**–**	(841,036)
Disposal of subsidiaries, net of cash disposed		**59,592**	7,611
Net increase in other loans and receivables		**(24,581)**	(434)
Net (increase)/decrease in loan to related parties		**(7,277)**	22,943
Government grants received related to assets		**109,557**	19,833
Net cash used in investing activities		**(5,599,262)**	(7,728,848)
Financing activities			
Capital injections from non-controlling interests		**501,508**	382,395
Issue of perpetual capital instruments	23	**5,000,000**	1,180,000
Interests paid on perpetual capital instruments		**(199,476)**	(225,666)
Acquisition of additional interests in subsidiaries		**(12,000)**	–
Interests paid on bank and other borrowings		**(2,188,642)**	(1,463,449)
Interests paid on corporate bonds		**(661,560)**	(546,410)
New bank and other borrowings		**32,346,449**	38,560,001
Repayment of bank and other borrowings		**(31,688,304)**	(19,518,526)
New corporate bonds		**4,000,000**	3,000,000
Repayment of corporate bonds		**(2,979,552)**	(507,760)
Repayment of finance lease payables		**–**	(6,947)
Capital elements of lease rentals paid		**(181,585)**	–
Interest elements of lease rentals paid		**(31,574)**	–
Net increase in borrowings from related parties		**27,751**	–
Dividends paid to non-controlling interests		**(64,906)**	(625,704)
Net cash generated from financing activities		**3,868,109**	20,227,934
Net decrease in cash and cash equivalents		**(9,190,742)**	(4,238,073)
Cash and cash equivalents at the beginning of the period		**47,643,153**	47,699,837
Effects of exchange rate changes		**416,413**	176,990
Cash and cash equivalents at the end of the period		**38,868,824**	43,638,754

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 46 to 101 form part of this interim financial report.

Notes to the unaudited interim financial report

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are mainly primarily in relation to property, plant and equipment as disclosed in note 26.

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.

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. For the Group, low-value assets are typically electronic equipment or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policie (continued)

(ii) Lessee accounting (continued)

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.

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, 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.

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.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policie (continued)

(iii) Lessor accounting

The Group leases out a number of items of buildings, plant, and machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, 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.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.61%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 26 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	802,520
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(18,124)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	614,433
	1,398,829
Less: total future interest expenses	(163,630)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	1,235,199

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Prepaid lease payments	9,048,720	(9,048,720)	–
Property, plant and equipment	34,819,904	10,558,593	45,378,497
Prepayments, deposits and other receivables	1,915,998	(82,890)	1,833,108
Total non-current assets	**131,792,572**	**1,426,983**	**133,219,555**
Prepaid lease payments	261,128	(261,128)	–
Prepayments, deposits and other receivables	43,297,055	(12,751)	43,284,304
Total current assets	**257,592,952**	**(273,879)**	**257,319,073**
Other payables and accruals	30,310,576	(82,095)	30,228,481
Lease liabilities	–	421,618	421,618
Current liabilities	**226,312,823**	**339,523**	**226,652,346**
Net current assets	**31,280,129**	**(613,402)**	**30,666,727**
Total assets less current liabilities	**163,072,701**	**813,581**	**163,886,282**
Lease liabilities	–	813,581	813,581
Total non-current liabilities	**67,908,845**	**813,581**	**68,722,426**
Net assets	**95,163,856**	**–**	**95,163,856**

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "Property, plant and equipment":		
Ownership interests in leasehold land held for own use, carried at depreciated cost	**9,218,580**	9,309,848
Buildings leased for own used, carried at depreciated cost	**1,123,015**	1,197,913
Plant, machinery and equipment, carried at depreciated cost	**59,499**	50,832
	10,401,094	10,558,593

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**458,575**	**479,170**	575,694	623,189
After 1 year but within 2 years	**268,861**	**299,287**	299,112	334,723
After 2 years but within 5 years	**315,280**	**367,676**	335,445	400,793
After 5 years	**22,972**	**38,690**	24,948	40,124
	607,113	**705,653**	659,505	775,640
	1,065,688	**1,184,823**	1,235,199	1,398,829
Less: total future interest expenses		**(119,135)**		(163,630)
Present value of lease liabilities		**1,065,688**		1,235,199

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019				2018
	Amounts reported under IFRS 16	Add back: IFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note (i))	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C)	(D=A+B-C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Gross profit	13,707,422	59,675	(60,570)	13,706,527	12,554,419
Selling expenses	(1,236,521)	2,302	(1,979)	(1,236,198)	(1,029,741)
Administrative expenses	(5,233,830)	166,953	(149,204)	(5,216,081)	(5,045,522)
Finance costs	(1,889,101)	31,574	–	(1,857,527)	(1,713,218)
Profit before taxation	5,911,175	260,504	(211,753)	5,959,926	5,640,077
Profit for the period	4,327,571	206,330	(166,479)	4,367,422	4,179,617
Reportable segment result for the six months ended 30 June 2019 (note 3) impacted by the adoption of IFRS 16:					
– Survey, design and consulting services	480,170	33,090	(27,778)	485,482	695,606
– Construction and contracting	3,205,167	135,037	(109,437)	3,230,767	2,820,464
– Industrial manufacturing	1,554,841	18,937	(18,311)	1,555,467	870,046
– Clean energy, environmental protection and water utilities	513,803	11,907	(7,478)	518,232	632,423
– Investment and other businesses	1,307,222	61,533	(48,749)	1,320,006	1,129,211
– Total	6,968,072	260,504	(211,753)	7,016,823	6,237,372

Notes to the unaudited interim financial report

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17 (note (i)&(ii))	Hypothetical amounts for 2019 as if under IAS 17	Compared to amounts reported for 2018 under IAS 17
	(A)	(B)	(C=A+B)	
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Net cash used in operating activities	**(7,459,589)**	**(213,159)**	**(7,672,748)**	(16,737,159)
Payments for addition to prepaid lease payments	–	**(61,167)**	**(61,167)**	(116,408)
Payments for addition to property, plant and equipment	**(1,033,152)**	**61,167**	**(971,985)**	(2,038,002)
Net cash used in investing activities	**(5,599,262)**	–	**(5,599,262)**	(7,728,848)
Capital element of lease rentals paid	**(181,585)**	**181,585**	–	–
Interest element of lease rentals paid	**(31,574)**	**31,574**	–	–
Net cash generated from financing activities	**3,868,109**	**213,159**	**4,081,268**	20,227,934

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash generated from financing activities as if IAS 17 still applied.

3 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.

As at 31 December 2018, the Group reorganised the reportable segments to the CODM, by integrating equipment manufacturing, civil explosives and cement production into one segment: industrial manufacturing, and splitting clean energy, environmental protection and water utilities from investment and other business as a separate reportable segment.

As at 30 June 2019, the Group reorganised the reportable segment to the CODM by splitting power engineering debugging and project operation and maintenance businesses from investment and other business as a part of construction and contracting segment.

3 SEGMENT INFORMATION (CONTINUED)

Segment reporting (continued)

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 and provision of power engineering debugging and project operation and maintenance services ("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").

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

For the six months ended 30 June 2019 (Unaudited)

	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	–	–	10,501,377	8,332,130	7,434,281	–	26,267,788
Over time	4,989,560	78,787,305	–	–	–	–	83,776,865
External segment revenue	4,989,560	78,787,305	10,501,377	8,332,130	7,434,281	–	110,044,653
Inter-segment revenue	257,263	2,739,641	294,260	447	817,293	(4,108,904)	–
Segment revenue	5,246,823	81,526,946	10,795,637	8,332,577	8,251,574	(4,108,904)	110,044,653
Segment results	480,170	3,205,167	1,554,841	513,803	1,307,222	(93,131)	6,968,072
Unallocated items							
Other income							255,450
Net impairment losses on financial assets and contract assets							(127,829)
Other net gains and losses							29,152
Administrative expenses							(203,445)
Finance income							384,279
Finance costs							(1,889,101)
Share of profits of joint ventures							102,426
Share of profits of associates							392,171
Profit before taxation							5,911,175

Notes to the unaudited interim financial report

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2018 (Unaudited)

	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	–	–	8,900,467	9,163,702	6,537,284	–	24,601,453
Over time	4,840,774	72,077,887	–	–	–	–	76,918,661
External segment revenue	4,840,774	72,077,887	8,900,467	9,163,702	6,537,284	–	101,520,114
Inter-segment revenue	12,706	4,217,081	249,001	–	749,302	(5,228,090)	–
Segment revenue	4,853,480	76,294,968	9,149,468	9,163,702	7,286,586	(5,228,090)	101,520,114
Segment results	695,606	2,820,464	870,046	632,423	1,129,211	89,622	6,237,372
Unallocated items							
Cost of sales							(490)
Other income							398,894
Net impairment losses on financial assets and contract assets							(92,740)
Other net gains and losses							441,808
Selling expenses							(3,774)
Administrative expenses							(197,830)
Research and development expenses							(4,566)
Finance income							344,042
Finance costs							(1,713,218)
Share of profits of joint ventures							171,288
Share of profits of associates							59,291
Profit before taxation							5,640,077

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2018 (Unaudited) (continued)

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.

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:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue		
Mainland China	**92,614,503**	83,756,666
Overseas:		
Vietnam	**2,800,482**	1,387,664
Pakistan	**2,223,966**	5,715,391
Jordan	**2,210,796**	480,127
Bangladesh	**1,609,756**	1,042,948
Indonesia	**1,358,135**	1,743,471
Angola	**1,125,796**	1,563,252
Others	**6,101,219**	5,830,595
Total	**110,044,653**	101,520,114

3 SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current assets		
Mainland China	**93,266,350**	87,966,184
Overseas:		
Vietnam	**6,107,252**	4,086,860
Pakistan	**4,088,852**	3,755,302
Kazakhstan	**756,868**	680,821
Kuwait	**207,919**	226,503
Angola	**157,250**	56,705
Argentina	**156,266**	169,152
Russia	**127,944**	92,122
Others	**978,097**	916,691
Total	**105,846,798**	97,950,340

Note: Non-current assets exclude financial instruments and deferred tax assets.

3 SEGMENT INFORMATION (CONTINUED)

Revenue from major customers

There is no major individual customer contributing over 10% of the total revenue of the Group for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

4 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants		
– grants related to income (note)	**903,072**	850,987
– grants related to assets	**21,128**	26,740
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**27,578**	34,521
Dividend income from financial assets at fair value through profit or loss ("FVPL")	**16,646**	66,282
Compensation income on contract violation	**18,693**	15,459
Waiver of certain payables from suppliers and others	**63,275**	26,616
Total	**1,050,392**	1,020,605

Note: Government grants include various government subsidies received by the Group from the 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 grants and subsidies as at 30 June 2019.

Notes to the unaudited interim financial report

5 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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Trade receivables	**109,195**	130,964
Contract assets	**19,888**	(54,693)
Other receivables	**(1,254)**	16,469
Total	**127,829**	92,740

(b) Other net gains and losses

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**35,447**	201,181
(Loss)/gain on disposal of:		
– Financial assets at FVPL	**(39)**	60,740
– Property, plant and equipment	**(5,350)**	187,112
– Intangible Assets	**1,045**	–
– Prepaid lease payments	**–**	3,132
– Subsidiaries	**(203)**	5,135
Impairment loss recognised in respect of:		
– Property, plant and equipment	**–**	(3,534)
Fair value changes of financial assets at FVPL	**25,529**	(9,817)
Loss on compensation, penalties and fines	**(26,284)**	(11,016)
Others	**(993)**	8,875
Total	**29,152**	441,808

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2019	2018
		(Note (i))
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
Bank and cash balances and pledged deposits	**331,943**	314,323
Other loans	**40,538**	14,523
Defined benefit plan assets	**11,798**	15,196
Total finance income	**384,279**	344,042
Interest expenses on:		
Bank and other borrowings	**2,181,750**	2,016,412
Corporate bonds	**435,433**	262,670
Asset based securities	**55,746**	13,945
Finance lease	**–**	6,457
Lease liabilities	**31,574**	–
Discounted bills	**25,706**	82,166
Defined benefit obligations	**176,481**	208,838
	2,906,690	2,590,488
Less: Interest capitalised into		
– Construction in progress	**(285,891)**	(157,981)
– Properties under development for sale	**(509,182)**	(607,868)
– Intangible assets	**(222,516)**	(111,421)
Total finance costs	**1,889,101**	1,713,218

Notes:

(i) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings and corporate bonds.

(iii) The borrowing costs have been capitalised at rates of 2.92% to 9.00% for the six months ended 30 June 2019 (six months ended 30 June 2018: 4.14% to 7.50%).

7 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other labour costs	**8,284,106**	7,596,958
Retirement benefits and pensions	**1,326,553**	1,289,377
Other social benefits	**2,104,007**	2,002,412
Effect of share based compensation	**4,384**	16,348
Total staff and labour costs	**11,719,050**	10,905,095
Less: Capitalised into construction in progress	**(43,434)**	(28,125)
Less: Capitalised into properties under development for sale	**(111,890)**	(86,764)
	11,563,726	10,790,206
Cost of inventories recognised as expense	**21,540,593**	22,924,136
Leases expenses	**263,153**	196,116
Gross rental income from investment properties	**(28,541)**	(25,393)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	**18,904**	16,913
	(9,637)	(8,480)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

8 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current enterprise income tax	**1,296,075**	1,252,932
Deferred tax	**18,577**	(29,752)
Land appreciation tax ("LAT")	**268,952**	237,280
	1,583,604	1,460,460

Most of 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 People's Republic of China ("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.

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.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company excluding cash dividend attributable to the shares under restricted share incentive scheme expected to be vested in the future of RMB2,154 million (six months ended 30 June 2018: RMB2,284 million) and the weighted average of 29,855,864,000 ordinary shares in issue during the six months ended 30 June 2019 (six months ended 30 June 2018: 29,774,348,000 shares).

The weighted average number of ordinary shares is calculated as follows:

	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1 January	**29,855,864**	29,790,770
Effect of shares under restricted share incentive scheme purchase (note 22(d))	**–**	(16,422)
Weighted average number of ordinary shares at 30 June	**29,855,864**	29,774,348

Given vesting condition of restricted shares are subject to achievement of financial performance of the Company and individual performance assessment of participants over the unlocking period, which is subject to relevant decision making procedures, there was no dilutive effect arising from restricted share incentive scheme for the six months ended 30 June 2019.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the land use rights which were previously included in prepaid lease payments is also identified as right-of-assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of leasehold land and buildings, plants, machineries and equipment, and therefore recognised the additions to right-of-use assets of RMB192 million.

As at 30 June 2019, the Group pledged leasehold land with carrying value of RMB263 million (31 December 2018: RMB280 million) to secure loan facilities of the Group. Details of pledge of assets are set out in note 28.

As at 30 June 2019, the Group was in the process of applying the title certificates of certain of its land use rights in the PRC with aggregate carrying amount of approximately RMB10 million (31 December 2018: RMB10 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.

(b) Other property, plant and equipment

During the six months ended 30 June 2019, the Group incurred costs for construction in progress of RMB661 million (six months ended 30 June 2018: RMB3,836 million) and acquired buildings at a cost of RMB256 million (six months ended 30 June 2018: RMB224 million), machinery at a cost of RMB292 million (six months ended 30 June 2018: RMB345 million), transportation vehicles/vessels at a cost of RMB50 million (six months ended 30 June 2018: RMB207 million), electronic equipment at a cost of RMB26 million (six months ended 30 June 2018: RMB164 million), office equipment at a cost of RMB37 million (six months ended 30 June 2018: RMB27 million), and other equipment at a cost of RMB38 million (six months ended 30 June 2018: RMB17 million) for the purpose of expanding the Group's business.

The Group pledged certain buildings with carrying amount of approximately RMB3,955 million as at 30 June 2019 (31 December 2018: RMB3,977 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 28.

As at 30 June 2019, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amount of approximately RMB407 million (31 December 2018: RMB426 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.

Notes to the unaudited interim financial report

11 INTANGIBLE ASSETS

During the six months ended 30 June 2019, addition to intangible assets amounting to RMB6,099 million (six months ended 30 June 2018: RMB3,616 million), which comprised concession rights of RMB5,968 million (six months ended 30 June 2018: RMB3,534 million), software of RMB21 million (six months ended 30 June 2018: RMB25 million), patent & unpatented technology of RMB2 million (six months ended 30 June 2018: RMB11 million), other intangible assets of RMB47 million (six months ended 30 June 2018: RMB44 million) and mining rights of RMB61 million (six months ended 30 June 2018: RMB2 million).

The rights in respect of toll road income under three (31 December 2018: three) concession agreements with an aggregate carrying amount of RMB12,527 million as at 30 June 2019 (31 December 2018: RMB12,989 million) are pledged to obtain bank borrowings (note 28).

12 FINANCIAL INSTRUMENTS

(a) Financial assets at FVOCI (non-recycling)

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Listed investments:		
Equity securities listed in Mainland China	**1,202,558**	830,426
Equity securities listed in Hong Kong	**160,168**	70,480
Subtotal	**1,362,726**	900,906
Unlisted investments:		
Private companies (note (i))	**551,998**	800,533
Listed company (note (ii))	**354,999**	349,715
Subtotal	**906,997**	1,150,248
Total	**2,269,723**	2,051,154
Analysed for reporting purposes:		
Non-current	**2,269,723**	2,051,154

12 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets at FVPL

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Listed investments:		
Equity securities listed in Mainland China	**43,128**	33,504
Unlisted investments:		
Private companies	**4,990,539**	4,754,135
Units in funds and other non-equity investments	**1,621,256**	1,616,079
Total	**6,654,923**	6,403,718
Analysed for reporting purposes:		
Non-current	**5,478,776**	5,253,100
Current	**1,176,147**	1,150,618
	6,654,923	6,403,718

Notes:

(i) The unlisted investments in private companies represent equity securities of private entities established in the PRC. These investments are designated at FVOCI (non-recycling), as they are held for strategic purposes. The Group does not intend to dispose of them in the near future.

(ii) These investments mainly represent non-tradable shares of Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin", a PRC established company which is under control by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")), the H shares of which were listed on the Stock Exchange in 2012.

13 TRADE AND BILLS RECEIVABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade receivables	**54,907,154**	51,785,125
Retention receivables	**13,490,056**	13,273,089
Less: loss allowance	**(3,746,526)**	(3,635,803)
	64,650,684	61,422,411
Bills receivable	**4,925,930**	5,707,995
Build-Transfer ("BT")/Build-Operate-Transfer ("BOT") project receivables	**13,903,872**	12,814,918
Total trade and bills receivables	**83,480,486**	79,945,324
Analysed for financial reporting purpose:		
Non-current	**25,034,842**	23,869,816
Current	**58,445,644**	56,075,508
	83,480,486	79,945,324

Trade and bills receivables of the Group primarily represent receivables from power 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 retention receivables, 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 30 June 2019, the Group pledged its trade receivables amounting to approximately RMB2,602 million (31 December 2018: RMB2,023 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 28.

13 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:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 6 months	**56,822,489**	56,620,651
6 months to 1 year	**10,763,667**	8,384,627
1 year to 2 years	**7,208,971**	6,458,729
2 years to 3 years	**4,730,911**	4,744,210
3 years to 4 years	**1,933,224**	1,793,825
4 years to 5 years	**1,264,437**	1,115,599
Over 5 years	**756,787**	827,683
	83,480,486	79,945,324

(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:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company	**103**	103
Fellow subsidiaries	**24,571**	23,185
Joint ventures	**1,711,433**	801,721
Associates	**2,949,901**	3,728,313
Total	**4,686,008**	4,553,322

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.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
		(Note (i))
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Advance to suppliers (note (v))	**21,728,434**	21,412,760
Cash advances to certain suppliers (note (ii))	**915,233**	1,053,785
Other receivables (note (iii))	**13,765,011**	14,026,526
Receivables for the "Transfer" (note (iv))	**2,156,044**	2,156,044
Prepayments for acquisition of property, plant and equipment	**1,484,548**	1,668,713
Prepaid taxes	**6,116,626**	4,837,085
Dividends receivable	**15,226**	16,106
Interest receivables	**3,155**	12,536
Deposits for land use right	**61,078**	29,498
	46,245,355	45,213,053
Analysed for financial reporting purpose:		
Non-current	**1,897,669**	1,915,998
Current	**44,347,686**	43,297,055
	46,245,355	45,213,053

Notes:

(i) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) During the year ended 31 December 2018, one non-wholly owned indirect subsidiary of China Gezhouba Group Stock Company Limited ("CGGC") made cash advances to some of its suppliers, including a related company of its minority shareholder. As at 30 June 2019, the net carrying amount of cash advances to these suppliers is approximately RMB915 million, netting off an impairment loss of RMB452 million as a result of expected credit loss analysis.

(iii) Other receivables mainly represented bidding bonds, performance bonds and various deposits required for the Group's business operations.

(iv) 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).

Receivables for the Transfer represented the relative costs borne by ENERGY CHINA GROUP, the ultimate holding company of the Group, in accordance with the mutual agreement signed therefore.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(v) Under the initial adoption of IFRS 16, prepaid lease payments of RMB96 million previously included in "Advance to suppliers" were reclassified to right-of-use assets recognised at 1 January 2019. See note 2.

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:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Ultimate holding company		
– Non-trade nature	**2,376,635**	2,375,569
Fellow subsidiaries		
– Trade nature	**119,885**	142,924
– Non-trade nature	**787,081**	680,683
Joint ventures		
– Non-trade nature	**3,113**	156,006
Associates		
– Non-trade nature	**1,144,588**	1,263,194
Total	**4,431,302**	4,618,376

15 OTHER LOANS AND FINANCE LEASE RECEIVABLES

(a) Other loans

At 30 June 2019, the amounts due from fellow subsidiaries, associates and third parties included in other loans were repayable within one year. These loans are all unsecured and non-trade, further details of which are analysed as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amounts due from:		
Fellow subsidiaries	**219,600**	245,000
Associates	**4,251,867**	4,219,493
Third parties	**559,099**	534,518
	5,030,566	4,999,011
Analysed for financial reporting purpose:		
Current	**5,030,566**	4,999,011
Loans:		
With ultimate holding company guarantee	**1,138,922**	245,000
Without guarantees	**3,891,644**	4,754,011
	5,030,566	4,999,011
Interest-bearing loans (fixed rate)	**3,699,583**	3,018,404
Interest-free loans repayable on demand	**1,330,983**	1,980,607
	5,030,566	4,999,011
Range of interest rate (per annum)	**4.35% to 10.00%**	4.35% to 10.00%

15 OTHER LOANS AND FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Finance lease receivables

In 2019, the Group entered into finance lease arrangements for certain of its transportation vehicles and manufacturing facilities. The periods of finance leases entered into is ranged from 6 months to 7 years.

The 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 30 June 2019, the carrying amount of these finance lease receivables was RMB1,321 million (31 December 2018: RMB1,094 million), of which approximately RMB175 million (31 December 2018: RMB387 million) was classified as current assets.

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Contract assets		
Arising from performance under construction contracts	**45,427,115**	36,071,661
Receivables from contracts with customers within the scope of IFRS15, which are included in "Trade and bills receivables" (note 13)	**69,576,614**	67,130,406

Contract assets above include amounts attributable to joint ventures and associates as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Joint ventures	**776,787**	498,915
Associates	**2,355,143**	1,498,013
	3,131,930	1,996,928

The transactions between these related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Contract liabilities		
Billings in advance of performance under construction contracts	**11,011,338**	12,169,113
Advances for the sale of properties	**11,805,367**	8,723,621
Other advances received from customers	**20,064,994**	21,953,208
	42,881,699	42,845,942

Contract liabilities above include amounts attributable to fellow subsidiaries, joint ventures and associates as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Fellow subsidiaries	**21**	–
Joint ventures	**181,601**	173,487
Associates	**440,895**	43,077
	622,517	216,564

The transactions between these related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

17 BANK AND CASH BALANCES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Bank and cash balances	**40,134,757**	48,827,839
Time deposits	**4,663,458**	5,967,953
	44,798,215	54,795,792
Less: Pledged deposits for		
Bills payable	**972,675**	1,289,921
Letter of credit	**1,180,661**	1,223,205
Others	**2,342,050**	3,236,024
	4,495,386	5,749,150
Bank and cash balances at end of the period	**40,302,829**	49,046,642
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**1,434,005**	1,403,489
Cash and cash equivalents in the consolidated statement of cash flows	**38,868,824**	47,643,153

18 TRADE AND BILLS PAYABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade payables	**88,443,962**	85,637,507
Bills payable	**10,022,995**	8,656,711
	98,466,957	94,294,218

The credit period on purchases of goods or services ranges from 30 days to 180 days.

As at 30 June 2019, retention payables of RMB5,807 million (31 December 2018: RMB5,252 million) were 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.

Notes to the unaudited interim financial report

18 TRADE AND BILLS PAYABLES (CONTINUED)

The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	**84,460,620**	80,322,846
1 to 2 years	**6,412,723**	6,216,968
2 to 3 years	**2,491,253**	2,857,369
More than 3 years	**5,102,361**	4,897,035
	98,466,957	94,294,218

The amounts due to fellow subsidiaries, joint ventures and associates included in the trade and bills payables are analysed as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fellow subsidiaries	**81,793**	99,913
Joint ventures	**10,541**	1,058
Associates	**207,031**	6,331
	299,365	107,302

The above amounts due to related parties are unsecured, interest-free and repayable on similar credit terms offered by other suppliers of the Group.

19 OTHER PAYABLES AND ACCRUALS

	At 30 June 2019	At 31 December 2018
		(Note (i))
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other payables (note (ii)(iii))	**21,922,386**	24,382,525
Accrued payroll and welfare	**2,355,141**	2,404,305
Non-income tax related tax payables	**1,462,388**	2,288,994
Dividend payables	**1,583,502**	456,134
Interest payables	**1,126,057**	1,107,243
	28,449,474	30,639,201
Analysed for financial reporting purpose:		
Current	**28,055,984**	30,310,576
Non-current	**393,490**	328,625
	28,449,474	30,639,201

Notes:

(i) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) The balances of other payables mainly include payments made by third parties on behalf of the Group, deposits payable and others.

(iii) Under the initial adoption of transition to IFRS 16, accrued lease payments of RMB82 million previously included in "Other payables" were adjusted to right-of-use assets recognised at 1 January 2019. See note 2.

19 OTHER PAYABLES AND ACCRUALS (CONTINUED)

The amounts due to ultimate holding company, fellow subsidiaries, joint ventures and associates included in other payables are analysed as follows:

	At 30 June 2019	At 31 December 2018
		(Note (i))
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company	1,239,211	1,245,296
Fellow subsidiaries	298,624	336,965
Joint ventures	200,000	467,326
Associates	1,467,253	1,775,041
	3,205,088	3,824,628
Analysed by nature:		
Non-trade nature	3,205,088	3,824,628
	3,205,088	3,824,628

Notes:

(i) The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) The above amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

20 BANK AND OTHER BORROWINGS

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Current		
Short term bank borrowings:		
– unsecured	**24,378,551**	29,191,719
– secured	**70,000**	798,000
Short term other borrowings:		
– unsecured	**11,580,614**	11,846,837
Current portion of long term bank borrowings:		
– unsecured	**2,470,296**	3,621,515
– secured	**4,929,659**	5,623,559
Current portion of long term other borrowings:		
– secured	**79,992**	144,493
	43,509,112	51,226,123
Non-current		
Long term bank borrowings:		
– unsecured	**32,114,000**	24,280,463
– secured	**16,693,331**	16,107,708
Long term other borrowings:		
– secured	**512,874**	501,737
	49,320,205	40,889,908

20 BANK AND OTHER BORROWINGS (CONTINUED)

The amounts due to ultimate holding company, fellow subsidiaries, joint ventures and associates included in bank and other borrowings above are analysed as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company	**2,608,696**	2,796,763
Fellow subsidiaries	**1,948,349**	1,561,919
Joint ventures	**2,406,010**	3,077,510
Associates	**2,603,585**	2,102,697
	9,566,640	9,538,889

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 28.

The amounts of bank and other borrowings guaranteed by third parties and non-controlling interest holders are analysed as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guaranteed by third parties	**372,857**	128,907
Guaranteed by non-controlling interest holders	**629,693**	700,000
	1,002,550	828,907

20 BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amount of the bank and other borrowings and the range of interest rates are as below:

	At 30 June 2019		At 31 December 2018	
	RMB'000	**%**	RMB'000	%
	(Unaudited)		(Audited)	
Fixed rate bank and other borrowings	**39,638,780**	**1.05 – 8.00**	36,988,821	1.05 – 8.00
Floating rate bank and other borrowings	**53,190,537**	**1.20 – 7.50**	55,127,210	1.20 – 9.00
	92,829,317		92,116,031	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of the PBOC or London Interbank Offered Rate.

21 CORPORATE BONDS

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount repayable based on repayment term (note):		
Within one year	**2,103,756**	1,730,776
More than one year but within two years	**7,170,449**	750,000
More than two years but within three years	**1,400,000**	11,400,000
More than three years but within four years	**5,992,668**	–
More than four years but within five years	**4,000,000**	5,991,776
	20,666,873	19,872,552
Less:		
Carrying amounts of corporate bonds that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than two years but within three years	**–**	3,000,000
More than one years but within two years	**20,449**	–
Amounts due within one year	**2,103,756**	1,730,776
Amounts shown under current liabilities	**2,124,205**	4,730,776
Amounts shown under non-current liabilities	**18,542,668**	15,141,776
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.

22 CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the six months ended 30 June 2019

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved during the six months ended 30 June 2019, of RMB0.0306 per share (2018: RMB0.0306 per share)	**918,624**	918,624

(b) Issued share capital

The details of the Company's issued share capital are as follows:

	At 30 June 2019		At 31 December 2018	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**RMB'000**	'000	RMB'000
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
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

(c) Group's reserves

Details of the Group's reserves for the period are presented in the consolidated statement of changes in equity.

22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)

(d) Purchase of shares under restricted share incentive scheme

During the six months ended 30 June 2019, the Company did not purchase any shares under restricted share incentive scheme.

During the six months ended 30 June 2018, the Company purchased shares under restricted share incentive scheme by a trustee on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HKD	HKD	RMB'000
January 2018	11,700,000	1.5163	1.3315	14,107
February 2018	7,200,000	1.4936	1.3701	8,448
				22,555

(e) Restricted share incentive scheme

On 21 November 2016, the Company adopted a restricted share scheme (the "Scheme") with a duration of ten years. On 21 November 2016, 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 Company 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 30 June 2019, 248,526,000 shares were acquired from the market (31 December 2018: 248,526,000 shares), and 83,994,000 shares were vested to 481 grantees upon the fulfillment of vesting conditions in 2018.

Movements in number of restricted shares granted and related fair value are as follows:

	Six months ended 30 June			
	2019		2018	
	Average fair value (per share)	**Number of restricted shares granted**	Average fair value (per share)	Number of restricted shares granted
	HKD		HKD	
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
At the beginning of the period granted	**0.66**	**180,284**	0.66	275,272
At the end of the period	**0.66**	**180,284**	0.66	275,272

22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)

(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, bank and cash balances, bank and other borrowings and corporate bonds, as disclosed in notes 17, 20 and 21 respectively), perpetual capital instruments and equity attributable to equity shareholders of the Company.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an increase in the Group's net debt and hence the Group's net debt rose from RMB57,193 million to RMB58,428 million on 1 January 2019 when compared to its position as at 31 December 2018.

The net debt of the Group as at 30 June 2019 is RMB69,764 million.

23 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 30 June 2019:

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	3.24	2,500,000
21 July 2016	3.48	2,500,000
3 August 2016	3.15	2,000,000
3 August 2016	3.43	3,000,000
28 July 2017	5.80	1,000,000
31 July 2017	5.90	600,000
8 December 2017	6.00	620,000
12 January 2018	6.60	520,000
22 January 2018	6.60	660,000
20 May 2019	4.35	5,000,000
Total		24,400,000

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 have 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.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2018: 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.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 this interim financial report approximate their fair values.

	Carrying amounts at		Fair values at	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Bank and other borrowings (fixed rate)	**39,638,780**	36,988,821	**41,607,350**	38,542,795
Corporate bonds (fixed rate)	**20,666,873**	19,872,552	**20,835,542**	20,087,565
Lease liabilities (fixed rate)	**1,065,688**	–	**1,065,688**	–
	61,371,341	56,861,373	**63,508,580**	58,630,360

Fair value hierarchy as at 30 June 2019

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank and other borrowings (fixed rate)	**–**	**41,607,350**	**–**	**41,607,350**
Corporate bonds (fixed rate)	**–**	**20,835,542**	**–**	**20,835,542**
Lease liabilities (fixed rate)	**–**	**1,065,688**	**–**	**1,065,688**
Total	**–**	**63,508,580**	**–**	**63,508,580**

Fair value hierarchy as at 31 December 2018

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other borrowings (fixed rate)	–	38,542,795	–	38,542,795
Corporate bonds (fixed rate)	–	20,087,565	–	20,087,565
Total	–	58,630,360	–	58,630,360

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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		
	30 June 2019	31 December 2018	Fair value hierarchy
	RMB'000	RMB'000	
	(Unaudited)	(Audited)	
Tradable listed equity securities classified as financial asset at FVOCI	**1,362,726**	900,906	Level 1
Tradable unlisted equity securities classified as financial asset at FVOCI	**906,997**	1,150,248	Level 3
Total	**2,269,723**	2,051,154	
Tradable listed equity securities classified as financial assets at FVPL	**43,128**	33,504	Level 1
Tradable unlisted equity securities classified as financial asset at FVPL	**6,611,795**	6,370,214	Level 3
Total	**6,654,923**	6,403,718	

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

Industry	Amount RMB'000 (Unaudited)	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Finance	2,161,403	Market comparable companies	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value.
Others	481,105			
Toll road and railway	4,176,312	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	327,742			
Others	17,231			
Power plant and others	354,999	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:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Balance at 1 January	**7,520,462**	7,354,961
Payment for purchase	**255,058**	5,065,666
Disposal for the period	**(277,916)**	(5,866,690)
Changes in fair value recognised in profit or loss during the period	**15,904**	2,871
Changes in fair value recognised in other comprehensive income during the period	**5,284**	3,146
Balance at 30 June	**7,518,792**	6,559,954

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements (continued)

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.

25 CAPITAL COMMITMENTS

Capital expenditure:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Contracted for but not provided		
Property, plant and equipment	**2,911,808**	2,995,665

Investment commitments:

According to relevant agreements, the Group has the following investment commitments:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Investment commitments in:		
– Associates	**4,450**	4,450
– Joint ventures	**551,976**	366,700
	556,426	371,150

26 OPERATING LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December 2018 RMB'000 (Audited)
Within 1 year	359,049
1 to 3 years	283,631
Over 3 years	159,840
	802,520

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

27 CONTINGENCIES

(a) 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 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. 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 management believes that the probability of loss is remote.

(b) Guarantees

	At 30 June 2019	At 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantees given to banks and other financial institutions in respect of loan facilities and finance lease granted to: (note (i))		
Joint ventures (note 29(a))	**315,389**	736,911
Associates (note 29(a))	**2,063,392**	3,594,419
Third party (note (iii))	**258,888**	258,888
Investee recognised as financial assets at FVOCI	**23,500**	24,500
	2,661,169	4,614,718
Mortgage loan guarantees provided by the Group to banks in favour of its customers (note (ii))	**2,465,749**	1,790,399
	5,126,918	6,405,117

Notes:

(i) In the opinion of the Directors, the fair value of these guarantee contracts is insignificant at initial recognition.

(ii) 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 the interim financial report.

(iii) One subsidiary of the Group has provided guarantee in respect of a finance leasing contract with one financial institution to a third party.

28 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:

	Note	**At 30 June 2019 RMB'000 (Unaudited)**	At 31 December 2018 (Note) RMB'000 (Audited)
Property, plant and equipment	10	**4,217,140**	3,977,206
Prepaid lease payments	10	**–**	279,586
Intangible assets	11	**12,526,576**	12,988,866
Trade and bills receivables	13	**2,602,286**	2,022,816
Properties under development for sale		**27,152,437**	24,105,537
Bank deposits	17	**4,495,386**	5,749,150
		50,993,825	49,123,161

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

Notes to the unaudited interim financial report

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in the interim financial report, the Group entered into the following transactions with related parties during the period:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods		
Fellow subsidiaries	**177**	–
Associates	**264**	51,028
	441	51,028
Construction service		
Fellow subsidiaries	**4,338**	–
Joint ventures	**1,380,226**	1,121,797
Associates	**5,725,462**	2,463,542
	7,110,026	3,585,339
Purchase of goods		
Fellow subsidiaries	**124**	–
Associates	**6,134**	6,191
	6,258	6,191
Purchase of services		
Ultimate holding company	**3,113**	4,416
Fellow subsidiaries	**166,305**	3,565
Joint ventures	**2,663**	89
Associates	**156**	–
	172,237	8,070
Lease expense		
Fellow subsidiaries	**21,750**	23,288

29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Fellow subsidiaries	**4,932**	3,900
Associates	**77,457**	5,657
	82,389	9,557
Finance costs		
Ultimate holding company	**34,697**	15,507
Fellow subsidiaries	**1,949**	5,385
	36,646	20,892

29 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:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Joint ventures (note 27(b))	**315,389**	736,911
Associates (note 27(b))	**2,063,392**	3,594,419
	2,378,781	4,331,330

During the six months ended 30 June 2019, the Group had transactions with enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "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 13, 14, 15, 16, 18, 19 and 20.

30 COMPARATIVE INFORMATION

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Certain comparative figures have been adjusted to conform to current period's presentation for the first time in the six months ended 30 June 2019.

31 SUBSEQUENT EVENT

On 2 July 2019, CGGC, a subsidiary of the Group, made an announcement that it would not renew the perpetual corporate bonds (the "Bonds") issued in 2016 with face value of RMB4,500 million. Pursuant to the announcement, the Bonds, which was presented as equity instruments in the consolidated financial statements of the Group for the six months ended 30 June 2019 fell into the definition of financial liabilities under IFRSs thenceforth.

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 established 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 our 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 our Company
"CGGC Group"	refers to China Gezhouba Group Company Limited, a subsidiary of our 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 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 our Company
"Board"	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
"Reporting Period"	refers to the period of 6 months ended 30 June 2019
"year-on-year"	refers to comparison with the same period of the previous year
"13th Five-Year Plan"	refers to the Thirteenth Five-Year Planning Outline for National Economic and Social Development of the People's Republic of China

Glossary of Vocabulary and Technical Terms

"Corporate Governance Code"	refers to the Corporate Governance Code as set out 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)
"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
"Model Code for Securities Transactions"	refers to the Model Code for Securities Transactions by Directors of Listed Issuers
"China"	refers to the People's Republic of China
"MOC"	refers to the Ministry of Commerce of the People's Republic of China
"SASAC"	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)
"National Bureau of Statistics"	refers to the National Bureau of Statistics of the People's Republic of China
"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 development strategy and framework, 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 oceangoing "Maritime Silk Road"
"MW"	refers to a measure of electric power equal to 1,000,000 watts, alternatively 1 MW equals 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 technology that directly converts solar energy into electrical energy by making use of the photovoltaic effect of semiconductor materials

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, which 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
"smart grid"	refers to the new modern grid highly integrating the advanced sensor measurement technology, information and communication technology, analysis and decision technology, automatic control technology, energy electric technology and power grid infrastructure in order to achieve the reliable, economical, efficient, and environmental friendly and safety use objectives
"sponge city"	refers to the city having a good "flexibility" adapting to environmental changes and response to natural disasters caused by rain, etc., capable of water absorption, water storage, water seepage, and water purification when it rains, and "release" and make use of the stored water when needed

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