大唐環境產業集團股份有限公司
Datang Environment Industry Group Co., Ltd.*

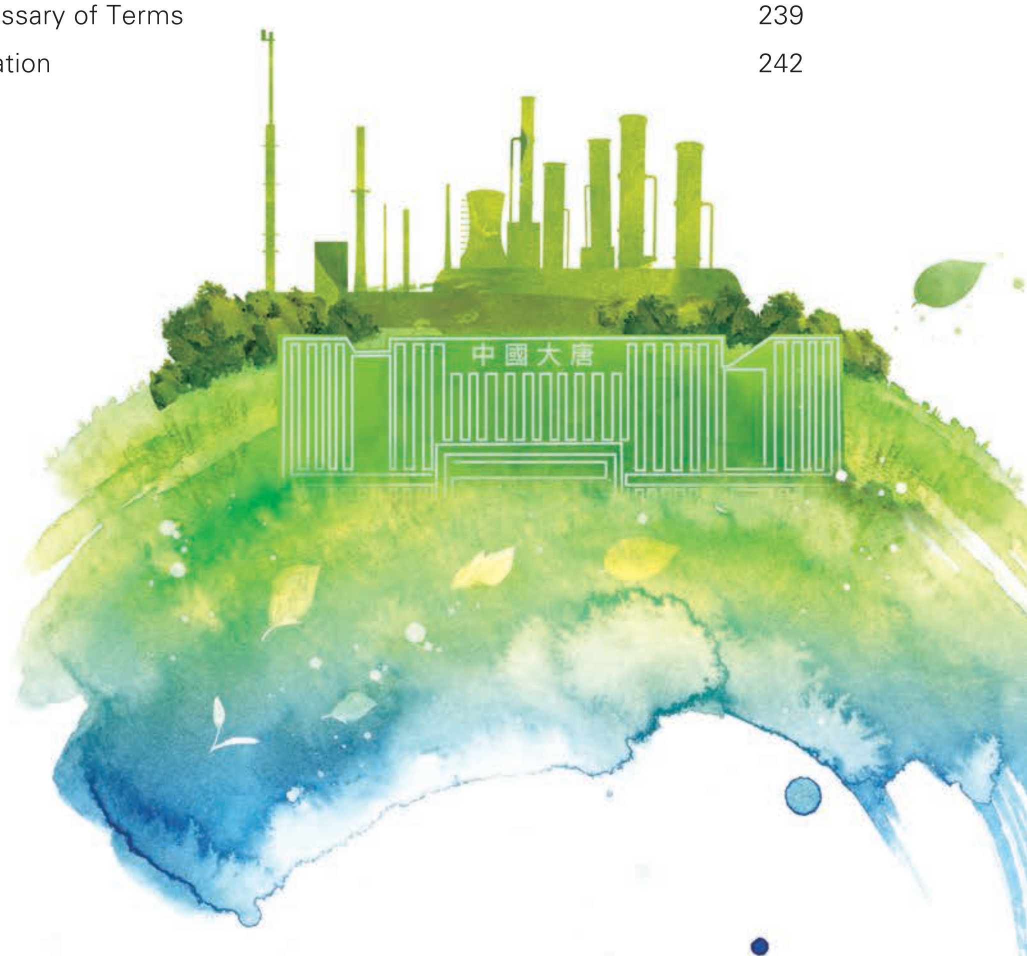
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1272

2019
ANNUAL REPORT

* For identification purpose only

Contents



Chairman's Statement

Chairman of the Board

JIN Yaohua

Dear Shareholders,

In 2019, the Company pushed forward comprehensive high-quality development, adhered to the development direction of "marketization, legalization and internationalization", persisted with technological guidance, concentrated on its green business of environmental protection, and carry forward comprehensive innovation, improving its management capabilities, technical standards, institutional mechanism, etc. to a new stage. With an excellent team of management and outstanding major businesses and resource superiority, the Company has always maintained a leading position in the technological environment protection field of the PRC's electricity industry.

In 2019, in face of a complicated global situation and external environment, the Company firmly seized new opportunities from its energy reforms and structural reforms on the supply side, as well as relevant dividend policies, to expedite structural adjustment, transformation and upgrades, and accumulate new momentum for industrial development. By deepening state-owned enterprise reforms called "Double Hundred Actions" and integrated reform, the Company further enhanced its institutional mechanism for high quality development; through deepening international cooperation on production capacity, the Company effectively promoted Chinese equipment to "go global". The Company fully embarked upon a new chapter of benign, healthy and sustainable development by enhancing its core capabilities building and improving its integrated services on a continuous basis.

Looking ahead, the Company will actively respond to the "Belt and Road" initiative introduced by the Chinese government and expedite its internationalization process. Also, the Company will grasp strategic opportunities brought by the PRC's implementation of the co-development of Beijing-Tianjin-Hebei, integration of the Yangtze River Delta area, and construction of the Guangdong-Hong Kong-Macao Greater Bay Area to bolster its sustainable development capabilities. In addition, the Company plans to continue relying on the platform and resources provided by its Controlling Shareholder, China Datang, to strengthen its collaboration in areas including investment management, project development, equipment manufacturing and technical services, and effectively make use of both domestic and international resources to continuously renew international development landscapes, striving to turn itself into a top-rated integrated environmental governance service provider offering towns, parks and enterprises integrated solutions to environmental issues. The Company aims to repay Shareholders and society with excellent performance results, so as to make greater contributions to the construction of a beautiful China!

Last but not least, on behalf of the Board, I hereby express my sincere gratitude to all the trust and support from the Shareholders, all sectors of society and friendly personages!

Chairman of the Board
JIN Yaohua

28 March 2020

Message From the General Manager

General Manager

HOU Guoli

Dear Shareholders,

In 2019, with the tremendous support of all Shareholders and the precise strategy of the Board, the Company pushed forward comprehensive high-quality development by focusing on its major business for development, deepening its reforms for upgrades, and enhancing innovation for increased effectiveness. Encountering the significant challenges of a continuously shrinking coal-fired power market, considerably decreased infrastructure projects, the basic completion of effective desulfurization transformation, and deteriorating environmental protection business in the electricity industry, the operating management and the overall staff of the Company made joint efforts to fight against obstacles to achieve operating revenue of RMB6,415 million, profits before tax of RMB303 million, return on net assets of 3.4%, and a gearing ratio of 65.80%.

In 2019, the Company focused on its major environmental protection business, took advantage of its professional strengths, enhanced its professional management capabilities, and vigorously fulfilled its corporate social responsibilities, making active contributions to establishment of a national ecological civilization. The concession installed capacity of desulfurization of the Company amounted to 37.93 million kW, and the installed capacity of denitrification 31.8 million kW, all of which achieved standard emissions, reducing emissions of sulfur dioxide by 1.2373 million tons and nitrogen oxides by 140,100 tons. The Company accumulatively completed renovation of frequency variation for 10 slurry circulation pumps and renovation of permanent-magnet machineries for 9 slurry circulation pumps throughout the year, with a maximum energy conservation rate of 24.1% for each machine. The Company completed the optimization of ammonia injection and intelligent control in seven Lusigang and Fushan projects, and denitration performance trial tests at No. 1 and No. 4 of Lusigang, whose ammonia consumption rates, in automatic state, could decrease by 11.3% and 12.8% compared with non-automatic state. Accumulative production of desulfurization catalysts throughout the year amounted to 36,100 m^3.

In 2019, the Company focused on technological innovation and capitalized on its platform strength to continuously enhance its professional capabilities and technical standards. The Company owned one academicians and experts workstation, three post-doctoral research workstations, two provincial-level corporate technology centers and one catalyst testing center accredited by the China National Accreditation Service for Conformity Assessment. The Company completed the formulation of the Environmental Protection Index Benchmarking Scheme for Coal-fired Units of Datang Environment Industry Group Co., Ltd. (Trial) (《中國大唐集團有限公司燃煤機組環保指標對標方案(試行)》), published a series of Q&A books on environmental protection techniques surrounding coal-fired power plants, and obtained 148 utility model patents, including 25 invention patents. The Technical Guidelines for Energy Conservation Assessment of Thermal Power Plants (火電廠節能量評估技術導則), the first ISO standard independently drafted by the Company and pioneered by a Chinese firm in the thermal power industry, was officially published. The Company's three technological achievements, including the Intelligent Denitration Technology for Thermal Power Units with Ultra-low Emissions (超低排放火電機組智慧脱硝技術), the Flat Medium and Low Temperature Denitration Catalyst (平板式中低溫脱硝催化劑), and the Cold-end Energy-saving and Water-saving Technology of Air-wet Cooling Units (空濕冷機組冷端節能節水技術) were proven to meet internationally leading or advanced levels; 10 achievements, most notably the Research and Development and Application of Key Technology in the Entire Life Cycle of Highly Efficiency Coal-fired Gas Denitrification Catalysts (高效燃煤燃氣脱硝催化劑全生命週期關鍵技術研發與應用), won provincial, city-level and industrial awards, such as the Beijing Science and Technology Award (北京市科學技術獎).

Message From the General Manager (Continued)

In 2019, the Company concentrated on external development, highlighted the orientation of effectiveness, and penetrated its major markets. The Company realized breakthroughs outside its franchised operational system and signed agreements for four operational maintenance and repair projects involving power plants such as Guodian Toubinhai Power Plant (國電投濱海電廠) and Zhundong Wucaiwan Power Plant (准東五彩灣電廠). With regard to the water business segment, the Company acquired a project for zero discharge of desulfurization wastewater from Suanci gully from Beijing Energy Holding Co., Ltd., and the Fugu Desulfurization Wastewater Treatment Project from Shenhua Group Corporation Limited. Concerning its overseas business, the Company signed agreements for two desulfurization Zongbao projects from India's Gujarat state and NLC India Limited, which consolidated its development of environmental protection market in the Southeast Asia and laid a solid foundation for its overseas business. The Company also signed contracts for 47 catalyst manufacturing projects in non-electricity industries including steel, metallurgy and glass building materials, and 12 overseas projects covering South Korea, Japan, Turkey, Hong Kong and Taiwan, maintaining a good position in external development.

In 2020, while the external circumstances remained complex, the statement of "lucid waters and lush mountains are invaluable assets" has become a fundamental regulation for developing an ecological civilization and beautiful China, and the environmental protection industry that strongly supported by national policies and regulations enjoys bright prospects. With environmental governance spilling over a single coal power company into petrochemical, steel, cement, urban and park arenas, the room for market development in non-electricity industries will further expand and international cooperation in environmental protection industry will further widen. Following its general requirement of "Acting with First Class Standard, being the World Class Energy Group", the Company concentrates on its major business of environmental protection, perseveres in its path of high quality development, as well as continuously deepening reform, bolstering innovation, developing markets, strengthening management and unswervingly going global, determined to establish the Company as a top-notch technological and environmental protection enterprise in the world.

We hereby express our sincere gratitude to the strong support of all Shareholders and all sectors of society. Under the leadership of the Board and the support of China Datang, our Controlling Shareholder, we are confident and determined to bring better rewards to all Shareholders.

General Manager
HOU Guoli

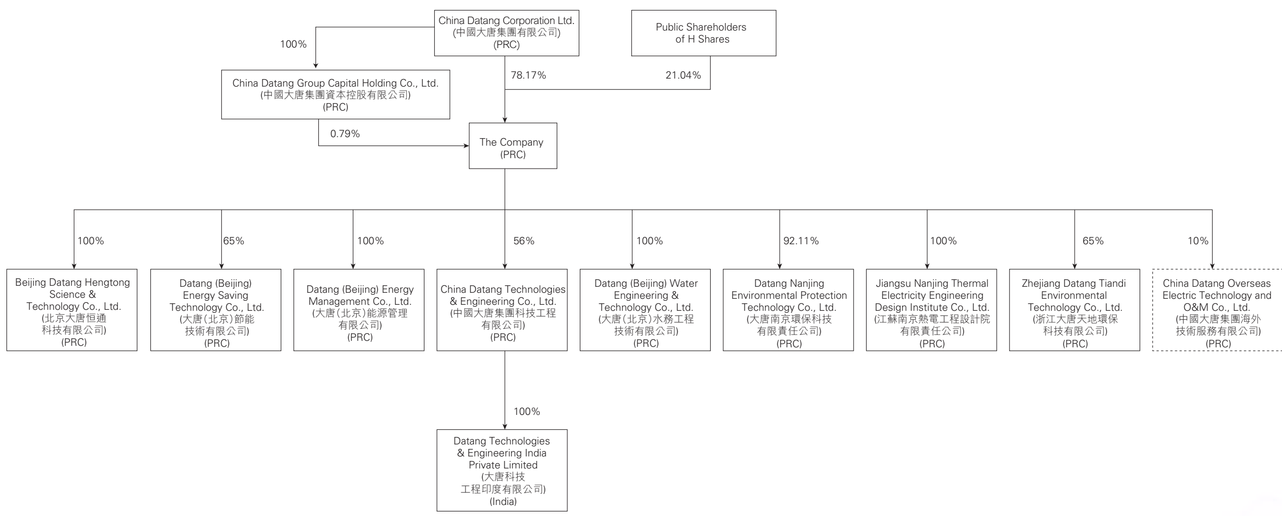
28 March 2020

Company Profile

The predecessor of the Company (stock code: 1272) was China Datang Corporation Group Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司), which was established in July 2011. Since the establishment of the Company and after several years of rapid development and a series of business restructuring, the Company has been successfully listed on the Main Board of the Stock Exchange since 15 November 2016. As at 31 December 2019, the Company had a total of 2,967,542,000 issued Shares, among which the Controlling Shareholder, China Datang, holds, directly and indirectly, an aggregate of approximately 78.96%.

The Group is the sole platform for the development of environmental protection and energy conservation business under China Datang Corporation, one of the major state wholly-owned power generation groups in the PRC. The principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

As at 31 December 2019, the Company's major corporate structure was as follows:



Financial and Operation Highlights

- For the year ended 31 December 2019, the revenue of the Group amounted to RMB6,414.6 million, representing a decrease of 25.3% as compared with last year.

- For the year ended 31 December 2019, the gross profit of the Group amounted to RMB1,080.0 million, representing a decrease of 20.0% as compared with last year; the gross profit margin of the Group was 16.8%, representing an increase of 1.1 percentage points as compared with last year, respectively.

- For the year ended 31 December 2019, the total comprehensive income attributable to owners of the parent amounted to RMB219.7 million, representing a decrease of 71.4% as compared with last year.

- For the year ended 31 December 2019, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts nationwide.

- The Board proposed to distribute the final dividend of RMB0.0338 per Share (before tax) for the year ended 31 December 2019.

Financial Highlights

The following table sets forth the Company's consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**6,414,621**	8,588,070	8,024,494	8,156,469	8,609,588
Cost of sales	**(5,334,656)**	(7,238,113)	(6,424,764)	(6,483,157)	(7,229,534)
Gross profit	**1,079,965**	1,349,957	1,599,730	1,673,312	1,380,054
Selling and distribution expenses	**(36,898)**	(42,237)	(46,036)	(47,018)	(38,252)
Administrative expenses	**(549,695)**	(279,419)	(293,094)	(282,051)	(289,947)
Other income and gains	**132,290**	169,414	429	113,745	71,013
Finance costs	**(252,841)**	(200,518)	(182,831)	(193,065)	(230,022)
Impairment losses on financial and contract assets	**(69,678)**	(59,775)	–	–	–
Profit before tax	**303,143**	937,422	1,078,198	1,264,923	892,846
Income tax expenses	**(57,766)**	(154,199)	(163,286)	(180,193)	(142,537)
PROFIT FOR THE YEAR	**245,377**	783,223	914,912	1,084,730	750,309
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**967**	758	(930)	2,104	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**246,344**	783,981	913,982	1,086,834	750,286

Financial Highlights (Continued)

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit Attributable to:					
Owners of the parent	**218,942**	766,736	874,924	1,020,564	705,753
Non-controlling interests	**26,435**	16,487	39,988	64,166	44,556
	245,377	783,223	914,912	1,084,730	750,309
Total comprehensive income attributable to:					
Owners of the parent	**219,666**	768,183	874,403	1,021,657	705,741
Non-controlling interests	**26,678**	15,798	39,579	65,177	44,545
	246,344	783,981	913,982	1,086,834	750,286

The following table sets forth selected items from our consolidated statements of financial position as at the dates indicated:

	31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Total current assets	**12,459,102**	12,172,973	10,309,222	11,016,628	7,893,164
Total non-current assets	**8,711,657**	8,287,008	7,852,230	6,918,912	6,085,663
TOTAL ASSETS	**21,170,759**	20,459,981	18,161,452	17,935,540	13,978,827
LIABILITIES AND EQUITY					
Total current liabilities	**10,574,779**	10,195,621	8,181,413	8,022,970	6,962,036
Total non-current liabilities	**3,362,099**	2,945,038	3,053,678	3,497,216	3,389,720
Total equity	**7,233,881**	7,319,322	6,926,361	6,415,354	3,627,071
TOTAL LIABILITIES AND EQUITY	**21,170,759**	20,459,981	18,161,452	17,935,540	13,978,827

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash flows (used in)/from operating activities	**(183,225)**	487,782	873,831	1,303,594	1,266,530
Net cash flows used in investing activities	**(1,045,933)**	(839,589)	(1,145,537)	(1,575,855)	(2,804,435)
Net cash flows from/(used in) financing activities	**1,133,442**	370,295	(979,554)	1,812,562	1,907,341

Management Discussion and Analysis

As an environmental protection and energy conservation solution provider for coal-fired power generation enterprises, the principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business. Customers of the Group spread over 30 provinces, autonomous regions and municipal cities in the PRC as well as eleven countries.

I. INDUSTRY OVERVIEW

To review the overall performance of the environmental protection industry in 2019, the following highlights and industry trends are worth mentioning:

1. Consolidate the achievements of Blue Sky Protection Campaign and promote environmental protection treatment in key areas

In March 2019, the 2019 Government Work Report brought forward a set of requirements for key tasks of environmental protection. In respect of pollution treatment of atmosphere, the government shall consolidate the achievements of Blue Sky Protection Campaign, the emission of sulphur dioxide and nitrogen oxide shall decrease by 3%, and PM2.5 concentrations continue to fall in key regions. The government shall accelerate the ultra-low emission upgrade of thermal power and steel industry, implement sewage discharge standard transformation for severely polluted industry, continue to launch air pollution control initiatives in Beijing-Tianjin-Hebei region and its surrounding area, Yangtze River Delta and Fen-Wei Plain, and strengthen the treatment of three major sources of pollution, including industry, coal and motor vehicles. In respect of water pollution treatment, the government will continue making efforts to prevent and control water and soil pollution, bring down the chemical oxygen demand and ammonia nitrogen emissions by 2%, speed up to clean up black and malodorous water bodies, and promote comprehensive treatment in key river basins and nearshore sea areas. In respect of solid waste treatment, the government shall strengthen the disposal of solid waste and urban garbage sorting. As main bodies of pollution prevention and control, enterprises shall fulfill environmental protection obligations in compliance with the laws.

2. Promote the implementation of ultra-low emission in the steel industry and speed up the ultra-low emission transformation

In April 2019, Ministry of Ecology and Environment, National Development and Reform Commission ("**NDRC**"), Ministry of Industry and Information Technology, Ministry of Finance and Ministry of Transport released the Opinions on Promoting the Implementation of Ultra-low Emission in the Steel Industry (《關於推進實施鋼鐵行業超低排放的意見》) (the "**Opinion**"). The Opinion proposed that the average emission standard per hour on steel sintering machine head, particulate matter of sintering and pelletizing, sulphur dioxide and nitrogen oxide shall not be higher than 10mg/m^3, 35 mg/m^3 and 50 mg/m^3, respectively, which is far stricter than the American and European standards. The Opinion also specified that around 60% of steel production enterprises in key areas shall complete the renovation by the end of 2020, and over 80% of such enterprises shall complete the renovation by the end of 2025.

3. Continue to deepen the reform of the formation mechanism of the feed-in tariff for coal-fired power generation and maintain the environmental protection tariff policies

In October 2019, NDRC issued the Guiding Opinions on Deepening the Reform of the Feed-in Tariff Formation Mechanism for Coal-fired Power Generation (《關於深化燃煤發電上網電價形成機制改革的指導意見》) (the "**Guiding Opinions**"), which further stipulated environmental protection tariff policies definitively. Specifically, the price mechanism of "base price + up and down fluctuations" shall be applied to coal-fired power generation volume and the base price includes tariff for desulfurization, denitration and dust removal. Power network enterprises are still responsible for safeguarding power supply and continuing to implement the prevailing ultra-low emission tariff policies on the basis of implementing base price. The market has been fully opened up for the coal-fired power generation feed-in tariff, including tariff for desulfurization, denitrification, dust removal and ultra-low emission. The Guiding Opinions have provided policy-based guarantee for future development of the environmental protection facility concession operation business of the Company.

Based on the above, the environmental protection industry is currently in significant transition stage, and the most fundamental feature is that the environmental protection industry has moved into the stage of high-quality development from that of high-speed growth. In 2019, the PRC intensively formulated environmental protection policies, made further and greater efforts on environmental protection with the environmental protection policy measures expanding to legal and economic means from administrative means, and motivate thoroughly the third parties' enthusiasm and initiative in environmental protection. The government also published such marketization means as environmental protection tax and discharge permit progressively and further determined environmental protection tariff policies to expose the merits of the dividend policies in a consistent manner. Reviewing the development of environmental protection industry, we have established the overall water, soil, solid waste and air supervision structure, under which the environmental protection industry has entered the comprehensive policy ploughing era from the policy sowing era.

II. BUSINESS OVERVIEW

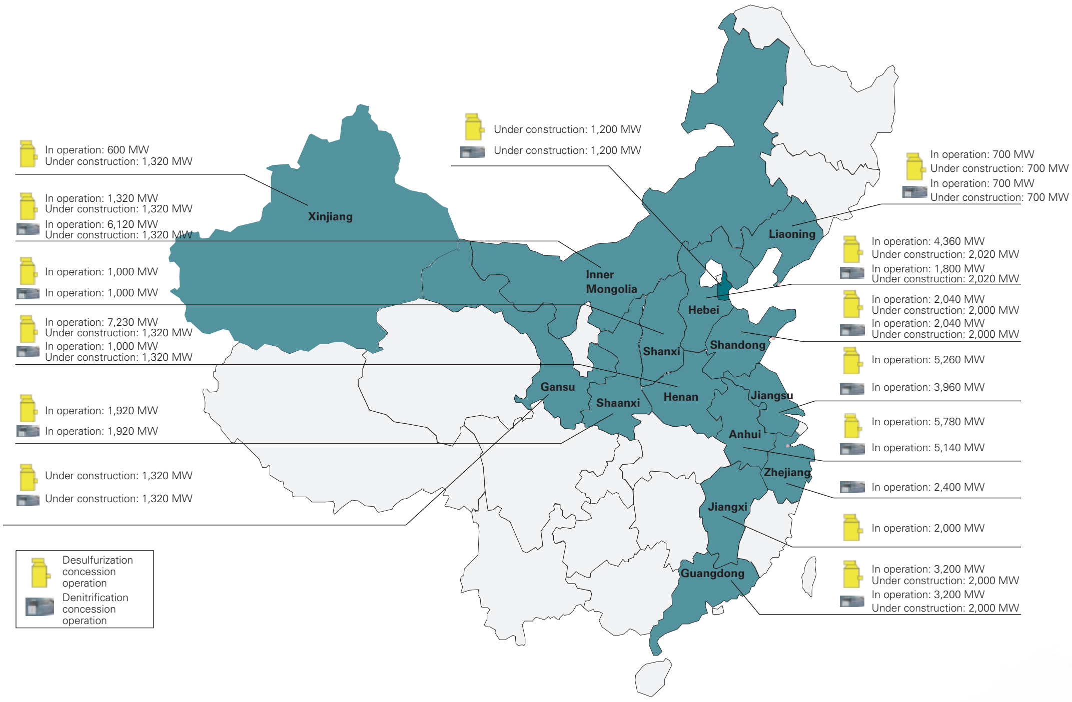
In 2019, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facilities concession operation and denitrification catalysts. According to the statistics published by China Electricity Council ("**CEC**"), based on the cumulative installed capacity in operation as of the end of 2019, the Group remained as the PRC's largest flue gas desulfurization and denitrification concession operator. Based on the total output of denitrification catalysts in 2019, the Group remained as the PRC's largest producer of denitrification catalysts.

In 2019, the Group won four projects tendering in operating market of environmental protection facilities outside the system of China Datang Group in respect of its environmental protection facilities concession operation business, achieving market breakthroughs. While consolidating its leading position in the environmental protection field of thermal power segment, the Group actively developed environmental protection businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

1. Environmental Protection and Energy Conservation Business

1.1. Environmental protection facility concession operation business

The Group's environmental protection facility concession operation business covers desulfurization and denitrification concession operations and its major assets are located along east coast and in the areas with relatively robust economic development and strong demands for electricity. The following map shows the geographical layout and cumulative capacity of the Group's concession operation as at 31 December 2019:



As at 31 December 2019, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 37,930MW and the cumulative installed capacity for desulfurization concession operation projects under construction reached 10,680MW. The cumulative installed capacity in operation for denitrification concession operations reached 31,800MW and the cumulative installed capacity for denitrification concession operation projects under construction reached 9,360MW. The installed capacity of the Group's desulfurization entrusted operation projects reached 1,960MW.

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects in operation as at 31 December 2019:

Project location	Project name	Category of concession operation	Installed capacity *(MW)*
Guangdong	Chaozhou	Desulfurization and denitrification	3,200
Jiangsu	Lvsigang	Desulfurization and denitrification	2,640
	Nanjing	Desulfurization and denitrification	1,320
	Xutang	Desulfurization	1,300
Shandong	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
Zhejiang	Wushashan	Denitrification	2,400
Henan	Xuchang	Desulfurization	2,020
	Sanmenxia	Desulfurization and denitrification	2,900/1,000
	Anyang	Desulfurization	1,270
	Shouyangshan	Desulfurization	1,040
	Xinyang (entrusted)	Desulfurization	1,960
Hebei	Wangtan	Desulfurization and denitrification	1,200
	Zhangjiakou Thermal Power	Desulfurization and denitrification	600
	Zhangjiakou	Desulfurization	2,560
	Weixian	Desulfurization and denitrification	1,320
Tianjin	Jixian	Desulfurization and denitrification	1,200
Anhui	Luohe	Desulfurization and denitrification	2,500
	Ma'anshan	Desulfurization and denitrification	1,320
	Hushan	Desulfurization and denitrification	1,320
	Tianjia'an	Desulfurization	640
Shaanxi	Binchang	Desulfurization and denitrification	1,260
	Baoji	Desulfurization and denitrification	660
Inner Mongolia	Tuoketuo	Desulfurization and denitrification	1,320/6,120
Jiangxi	Fuzhou	Desulfurization	2,000
Shanxi	Shentou	Desulfurization and denitrification	1,000
Xinjiang	Hutubi	Desulfurization	600
Liaoning	Shendong	Desulfurization and denitrification	700

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects under construction as at 31 December 2019:

Project location	Project name	Category of concession operation	Installed capacity *(MW)*
Guangdong	Leizhou	Desulfurization and denitrification	2,000
Henan	Gongyi	Desulfurization and denitrification	1,320
Hebei	Tangshan Beijiao	Desulfurization and denitrification	700
Liaoning	Huludao	Desulfurization and denitrification	700
Inner Mongolia	Xilinhot	Desulfurization and denitrification	1,320
Xinjiang	Wucaiwan	Desulfurization	1,320
Ningxia	Pingluo	Desulfurization and denitrification	1,320
Shandong	Dongying	Desulfurization and denitrification	2,000

In 2019, the Group won four projects tendering in operating market of environmental protection facilities outside the system of China Datang Group in respect of its concession operation business, including the maintenance project for environmental protection facilities of two coal-fired power plants of State Power Investment Corporation Limited, the maintenance projects for desulfurization concession operation facilities of one coal-fired power plant of Wuhan East Lake High Technology Group Co., Ltd, and the technical service project for environmental protection facilities of Tianjin Tiangang United Special Steel Co., Ltd..

1.2. *Denitrification catalysts business*

In 2019, the Group's denitrification catalysts business remained stable, with an increase in 6.1% of average sales unit price calculated based on the delivery volume as compared with 2018. The following table sets forth the breakdown of the key information of the Group's denitrification catalysts business in 2019:

(Unit: m^3)

Production volume	Sales volume	Delivery volume	Delivery volume to customers other than China Datang Group
36,074	35,509	40,596	14,533

In 2019, the Group sold 15,940m^3 of catalyst to customers other than China Datang Group and entered into 108 contracts, among which, 15 contracts were entered with overseas customers with the aggregate sales volume of 4,738m^3, while 69 contracts were entered with customers from non-electric industry such as glass and alumina sectors with the aggregate sales volume of 4,367m^3. Meanwhile, the Group has mead steady progress in the disposal of waste catalysts with a total amount of 3,878m^3 of waste catalysts being disposed in 2019.

1.3. *Environmental protection facilities engineering business*

In 2019, the Group continued to carry out its environmental protection facilities engineering business, including desulfurization, denitrification, dust removal, ultra-low emission, and industrial site dust management, and actively explore the environmental market of non-electric industry such as petroleum, coking, steel, and cement.

In 2019, the Group entered into two contracts for environmental protection facilities construction projects in non-electric industry with an aggregate amount of RMB30.33 million, among which, there was a contract for the dry desulfurization, denitrification, dust removal and gas comprehensive utilization project of 1 coking plant , marking a major breakthrough by the Company in the field of environmental protection in the coking industry.

The following table sets forth the breakdown of the environmental protection facilities engineering business in the power industry of the Group as at 31 December 2019:

Projects	Projects put into operation in 2019		Projects under construction	
	Number	Capacity *(MW)*	Number	Capacity *(MW)*
Desulfurization	2	600	9	5,840
Denitrification	3	3,240	14	14,300
Dust removal	3	4,640	11	8,700
Ultra-low emission	4	1,890	–	–
Industrial site dust treatment	12	14,500	10	13,310

1.4. Water treatment business

In 2019, the Group entered into 11 contracts for waterworks projects with an aggregate amount of RMB7.3 million, among which, nine contracts have been signed outside the system of China Datang Group, with an aggregate amount of RMB5.7 million.

In 2019, the Group successfully entered into the PetroChina Tarim oilfield sewage treatment project, achieving a significant breakthrough in the field of non-power industrial sewage treatment. The Group also entered into the agent-construction project for municipal sewage treatment in Dulan county, Qinghai Province and created a new business pattern.

2. Overseas Business

In 2019, the Group has cumulatively entered into two overseas projects, including the Gujarat desulfurization engineering project and the NLC desulfurization engineering project in India, recording a contract amount of RMB922 million.

As at 31 December 2019, the Group had five overseas projects under enforcement. Among which, the NPP5A and NPP9 projects in Thailand have been put into operation and the desulfurization project for No. 1 and No. 2 generating units in Cuddalore in India ran steadily after officially put into operation desulfurization.

3. Renewable Energy Engineering Business

In 2019, the Group newly entered two contracts for renewable energy engineering projects, all of which were photovoltaic engineering projects with installed capacity of 64MW.

As of 31 December 2019, the cumulative installed capacity in operation for wind power plant of the Group reached 1,614MW, while the cumulative installed capacity in operation for photovoltaic engineering projects of the Group reached 951MW.

4. Research and Development

In 2019, the Group continued to enhance its cultivation of outstanding science and technology innovation achievement. The Group built up its core competitive strength and achieved outstanding results through continuous technological innovation and received a total of 10 provincial, prefecture and industrial level technological awards, among which the Research and Development and Application of Key Technology in the Entire Life Cycle of High Efficiency Coal-fired Gas Denitration Catalyst (高效燃煤燃氣脱硝催化劑全生命週期關鍵技術研發與應用) won the first prize of technological improvement in Jiangsu province, the Development and Application of Key Technology for High-Efficiency Utilization in Full Operation of Exhaust Gas Residual Heat from Integrated Air Heaters (聯合暖風器的煙氣餘熱全工況餘熱利用) won the second prize of science improvement in power construction and the Research and Application of key Technology of green and intelligent coal transportation Island (綠色智慧輸煤島關鍵技術研究與應用) won the second prize of energy innovation.

In 2019, the Group continued to put emphasis on its proprietary development and innovation, commit substantial resources to research and development and persist in promoting the commercialization of technological achievements. The three proprietary technological achievements of the Group, namely the Development and Application of Key Technology for Energy and Water Conservation at the Cold End of Air-wet Cooling Units (空濕冷機組冷端節能節水關鍵技術開發與應用), the Development and Application of Technology for Flat Medium and Low Temperature Denitrification Catalysts (平板式中低溫脱硝催化劑技術研發與應用) and the Research and Engineering Demonstration of Key Technology for Intelligent Denitrification of Ultra-low Emission Thermal Power Units (超低排放火電機組智慧脱硝關鍵技術研究及工程示範) have successfully passed the technical assessment of competent authorities such as the China Energy Research Association and have reached internationally leading and advanced levels.

In 2019, the Group was awarded 123 utility model patent authorizations in aggregate, and 25 invention patent authorizations. As at 31 December 2019, the Group has accumulatively obtained 1,201 patent authorizations, 125 of which were invention patents.

In 2019, the ISO international standard "Technical guidelines for the evaluation of energy savings of thermal power plants" (ISO 50045) independently led by the Group was officially issued, making it the first ISO standard of the coal-fired power industry led by the PRC. As of 31 December 2019, the Group had a total of 42 technical standards being compiled, including 10 industry standards and group standards led by the Group.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND OPERATING RESULTS

There are inter-segment sales among the Group's segments and sub-segments, and accordingly the Group records intra-segment elimination and inter-segment elimination among these segments/sub-segments for the relevant revenue and cost of sales. In this annual report, unless otherwise specified herein, (i) all discussion about total revenue, total gross profit and overall gross profit margin are based on the amounts after all intra- and inter-segment elimination among the segments/sub-segments (being the figures reflected in our consolidated statement of profit or loss and other comprehensive income), and (ii) all discussion about the revenue, gross profit and gross profit margin of business segments and sub-segments are based on the amounts before any intra- or inter-segment elimination of such segment or sub-segment.

1. Overview

The Group's revenue decreased by 25.3% from RMB8,588.1 million in 2018 to RMB6,414.6 million in 2019. The Group's profit for 2019 amounted to RMB245.4 million, representing a decrease of RMB537.8 million as compared with RMB783.2 million in 2018. Profit attributable to owners of the parent amounted to RMB218.9 million. As at 31 December 2019, the Group's cash and cash equivalents decreased by 5.8% to RMB1,580.4 million as compared with RMB1,677.7 million as at 31 December 2018. The Group's total assets increased by 3.5% to RMB21,170.8 million as at 31 December 2019 as compared with RMB20,460.0 million as at 31 December 2018. The Group's total liabilities increased by 6.1% to RMB13,936.9 million as at 31 December 2019 as compared with RMB13,140.7 million as at 31 December 2018. The Group's return on total assets for 2019 was 1.2%, as compared with 4.1% in 2018.

2. Results of Operations

2.1. Revenue

The Group's revenue decreased by 25.3% to RMB6,414.6 million in 2019 as compared with RMB8,588.1 million in 2018, primarily due to the saturation of the flue gas pollution treatment market of environmental protection segment in the power industry in the PRC, and the decrease of traditional environmental protection facilities engineering business. Meanwhile, the Group undertook fewer renewable energy projects and coal-fired power projects for promotion of business transformation and upgrade in 2019, resulting in decrease in revenue.

2.2. Cost of sales

The Group's cost of sales decreased by 26.3% to RMB5,334.7 million in 2019 as compared with RMB7,238.1 million in 2018. The level of increase in the Group's cost of sales was slightly higher than the increase in total revenue, which was mainly affected by the increase in prices of raw materials.

2.3. Selling and distribution expenses

The Group's selling and distribution expense decreased by 12.6% to RMB36.9 million in 2019 as compared with RMB42.2 million in 2018.

2.4. Administrative expenses

The Group's administrative expenses increased by 96.7% to RMB549.7 million in 2019 as compared with RMB279.4 million in 2018. This was mainly due to the impairment loss recognised for certain buildings and other infrastructure and machinery as a result of technical innovation and the increase in employee expenses.

2.5. Other income and gains

The Group's other income and gains decreased to RMB132.3 million in 2019 as compared with RMB169.4 million in 2018. This was mainly due to net decrease of exchange gains and net decrease of government grants for the year as compared with that last year.

2.6. Finance costs

The Group's finance costs increased by 26.1% to RMB252.8 million in 2019 as compared with RMB200.5 million in 2018, primarily due to an increase in total short-term borrowings as compared with last year.

2.7. Profit before tax

As a result of the foregoing factors, the Group's profit before tax decreased by 67.7% to RMB303.1 million in 2019 as compared with RMB937.4 million in 2018.

2.8. Income tax expense

The Group's income tax expense was RMB57.8 million in 2019, representing a decrease of 62.5% from RMB154.2 million in 2018. The reason that range of decrease in income tax expense of the Group was slightly lower than the range of decrease in profit before tax was mainly due to the change of tax preferential policy of part of the subsidiaries enjoy as compared to that of last year.

2.9. Profit for the year

The Group's profit for the year decreased by RMB537.8 million from RMB783.2 million in 2018 to RMB245.4 million in 2019. For the year ended 31 December 2019, the Group's profit for the year as a percentage of its total revenue decreased to 3.8% as compared with 9.1% in 2018.

2.10. Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB547.8 million to RMB218.9 million in 2019 as compared with RMB766.7 million in 2018.

2.11. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group increased by 60.0% to RMB26.4 million in 2019 as compared with RMB16.5 million in 2018.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the years ended 31 December 2019 and 2018, as well as the percentage of change:

	For the year ended 31 December				
	2019		2018		
	Revenue	Percentage of total revenue before elimination[1]	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	%	RMB'000	%	%
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**3,274,326**	**49.5**	3,207,649	36.4	2.1
Denitrification catalysts	**508,015**	**7.7**	475,814	5.4	6.8
Environmental protection facilities engineering	**1,441,838**	**21.8**	2,339,520	26.5	(38.4)
Water treatment business	**299,164**	**4.5**	329,263	3.7	(9.1)
Energy conservation business	**46,495**	**0.7**	290,907	3.3	(84.0)
Total revenue of environmental protection and energy conservation solutions before elimination	**5,569,838**	**84.2**	6,643,153	75.3	(16.2)
Intra-segment elimination [2]	**(184,301)**		(148,388)		
Total revenue of environmental protection and energy conservation solutions after intra segment elimination	**5,385,537**		6,494,765		(17.1)
Inter-segment elimination[3]	**(155)**		(14,895)		
External revenue of environmental protection and energy conservation solution	**5,385,382**		6,479,870		(16.9)
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**763,880**	**11.5**	1,284,967	14.6	(40.6)
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering	**763,880**		1,284,967		(40.6)

	For the year ended 31 December				
	2019		2018		
	Revenue	Percentage of total revenue before elimination[1]	Revenue	Percentage of total revenue before elimination[1]	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Thermal power engineering:					
Total revenue of thermal power engineering	**113,597**	**1.7**	494,237	5.6	(77.0)
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**113,597**		494,237		(77.0)
Other businesses:					
Total revenue of other businesses	**170,909**	**2.6**	392,990	4.5	(56.5)
Inter-segment elimination[4]	**(19,147)**		(63,994)		(70.1)
External revenue of other businesses	**151,762**		328,996		(53.9)
Total revenue before elimination[5]	**6,618,224**	**100**	8,815,347	100	(24.9)
Total intra- and inter-segment elimination[6]	**(203,603)**		(227,277)		
Total revenue	**6,141,621**		8,588,070		(25.3)

Notes:

(1) Represents the revenue of each business segment or sub-segment (before any intra- or inter-segment elimination) as a percentage of the total revenue before any intra- or inter-segment elimination.

(2) Intra-segment elimination of revenue from sub-segments under environmental protection and energy conservation solutions segment mainly arises from the intra-segment sales between denitrification catalysts sub-segment to denitrification facilities engineering sub-segment and environmental protection facilities concession operation, respectively.

(3) Inter-segment elimination of revenue from environmental protection and energy conservation solutions segment mainly arises from the inter-segment sales to other business segments made by the sub segments within environmental protection and energy conservation solutions segment, including the inter-segment sales from denitrification facilities engineering sub-segment to thermal power engineering segment, the inter-segment sales from dust removal facilities engineering sub-segment to thermal power engineering segment, the inter-segment sales from water treatment business sub-segment to thermal power engineering segment and the inter-segment sales from energy conservation business sub-segment to other business segment.

(4) Inter-segment elimination of revenue from other businesses segment mainly arises from the inter-segment sales between other businesses segment and environmental protection and energy conservation solutions, respectively.

(5) Represents the aggregate amount of the revenue of all segments/sub-segments before any intra- or inter-segment elimination.

(6) Represents the aggregate amount of all intra- and inter-segment elimination.

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the years ended 31 December 2019 and 2018, as well as the percentage of change in gross profit:

	For the year ended 31 December				
	2019		2018		
	Gross profit(1)	Gross profit margin(2)	Gross profit(1)	Gross profit margin(2)	Change of gross profit
	RMB'000	*%*	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facilities concession operation	**772,927**	**23.6**	978,797	30.5	(21.0)
Denitrification catalysts	**145,791**	**28.7**	115,992	24.4	25.7
Environmental protection facilities engineering	**130,404**	**9.0**	150,966	6.5	(13.6)
Water treatment business	**31,477**	**10.5**	30,774	9.3	2.3
Energy conservation business	**3,479**	**7.5**	47,147	16.2	(92.6)
Total gross profit of environmental protection and energy conservation solutions	**1,084,078**	**19.5**	1,323,676	19.9	(18.1)
Total gross profit of renewable energy engineering business	**25,319**	**3.3**	28,431	2.2	(10.9)
Total gross profit of thermal power engineering	**1,159**	**1.0**	27,354	5.5	(95.8)
Total gross profit of other businesses	**(29,796)**	**(17.4)**	(14,498)	(3.7)	105.5
Total gross profit and overall gross profit margin(3)	**1,079,965**	**16.8**	1,349,957	15.7	(20.0)

Notes:

(1) Calculated based on the revenue of each segment or sub-segment (before any intra- or inter-segment elimination) minus the cost of sales of such segment or sub-segment (before any intra- or inter-segment elimination).

(2) Calculated based on the gross profit of each segment or sub-segment calculated according to note (1) divided by the revenue of such segment or sub-segment (before any intra- or inter-segment elimination).

(3) Total gross profit equals total revenue (being the revenue reflected on our consolidated statement of profit or loss and other comprehensive income) minus total cost of sales (being the cost of sales reflected on our consolidated statement of profit or loss and other comprehensive income). Overall gross profit margin equals total gross profit divided by total revenue.

4. Cash Flows

As at 31 December 2019, the Group's cash and cash equivalents decreased by 5.8% to RMB1,580.4 million as compared with RMB1,677.7 million as at 31 December 2018.

5. Working Capital

As at 31 December 2019, the Group's net current assets decreased by 4.7% to RMB1,884.3 million as compared with RMB1,977.4 million as at 31 December 2018, primarily due to (i) an increase of 39.7% in the Group's prepayments, deposits and other receivables to RMB1,241.6 million as at 31 December 2019 as compared with RMB888.9 million as at 31 December 2018; (ii) a decrease of 23.0% in the Group's trade and bills payables to RMB4,989.3 million as at 31 December 2019 as compared with RMB6,481.3 million as at 31 December 2018; (iii) an increase of 11.4% in the Group's other payables and accruals to RMB1,852.7 million as at 31 December 2019 as compared with RMB1,663.4 million as at 31 December 2018; and (iv) an increase of 84.0% in the Group's short-term interest-bearing bank borrowings and other loans to RMB3,723.3 million as at 31 December 2019 as compared with RMB2,023.8 million as at 31 December 2018, which was partially offset by an increase of 1.7% in the Group's trade and bills receivables to RMB8,541.2 million as at 31 December 2019 as compared with RMB8,398.5 million as at 31 December 2018.

6. Indebtedness

As at 31 December 2019, the Group's borrowings increased by 42.9% to RMB7,045.9 million as compared with RMB4,929.9 million as at 31 December 2018.

7. Capital Expenditure

The Group's capital expenditure decreased by 5.7% to RMB884.0 million in 2019 as compared with RMB937.8 million in 2018. Capital expenditure mainly comprises costs including acquisition or construction of property, plant and equipment and intangible assets.

8. Financial Ratios

The following tables set forth certain of our financial ratios as at the dates and for the periods indicated:

	As at 31 December	
	2019	2018
Current ratio	**117.8%**	119.4%
Quick ratio	**116.2%**	117.9%
Liabilities to assets ratio	**65.8%**	64.2%
Leverage ratio	**75.6%**	44.4%

	For the year ended 31 December	
	2019	2018
Return on total assets	**1.2%**	4.1%
Return on equity	**3.4%**	11.0%

9. Significant Investment

For the year ended 31 December 2019, the Group made no significant investment.

10. Material Acquisition and Disposal

For the year ended 31 December 2019, the Group had no material acquisition or disposal.

11. Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

The Group provides substantially all of its products and services in the PRC, and the development of its business is greatly dependent on the environmental protection policies of the PRC. Environmental protection industry is one of the major industries that benefit from the constant support of the PRC government. The market demand for the Group's environmental protection and energy conservation products and services and the revenue generated therefrom are directly affected by the environmental protection policies of the PRC. However, there is no assurance that such policies will continue to be available to the Group or there will be no adverse change. If there is any adverse change, it may result in a material and adverse effect on the business prospects, results of operations and financial condition of the Group. The management of the Group is of the view that, given the severity of pollution in the PRC, it is unlikely for the PRC government to revise such environmental protection policies regarding the adverse effect or to withdraw any resources invested in the environmental protection industry. Moreover, the Group, as a trendsetter and leader of the environmental protection and energy conservation for the PRC's electric power industry, has participated in the formulation of various industrial policies and standards, which allows it to catch the latest industry trends and respond in a timely fashion.

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. For the year ended 31 December 2019, the total value of goods sold and services provided by the Group to China Datang Group was approximately RMB5,916.96 million, representing approximately 92.24% of the total revenue of the Group. For the year ended 31 December 2019, the total value of goods purchased and services received by the Group from China Datang Group was approximately RMB1,487.28 million, representing approximately 27.88% of the total cost of the Group. The Group has been actively expanding its client base, for example, during 2019, the Group entered into contracts in the amount of RMB1.802 billion with clients other than China Datang Group, representing 80.47% of the total contract amount of the Group.

Liquidity risks

The Group had negative operating cash flows of RMB183.23 million for the year ended 31 December 2019, it cannot assure that its operating cash flow for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 31 December 2019, the Group had available bank facilities of RMB18.659 billion.

Industry risks

The Group's business primarily focuses on the environmental protection and energy conservation for coal-fired power plants, the market demand for its business relies heavily on the growth rate of the coal-fired power generation output in the PRC. In particular, the revenue generated from concession operations will be directly affected by the power generation output of coal-fired power plants. As pollution has become an increasingly severe environmental issue in the PRC, the PRC government has shown considerable concern for the adjustment to the national energy structure and development. Therefore, there can be no assurance that coal-fired power generation output in the PRC will continue to grow at the current pace. If the increase of coal-fired power generation output in the PRC slows down, it may result in a decrease of utilization hours of coal-fired power generation units, or a lower demand for the Group's products and services, which in turn will materially and adversely affect our business prospects, results of operations and financial position. The management of the Group is of the view that, in terms of the power generation portfolio in the PRC, coal-fired power generation still dominates the market. In addition, the vast majority of the Group's concession operations locate in coastal areas or economically developed areas, where the utilization hours of coal-fired power generation are higher than the average level nationwide. The Group plans to actively explore clients in the iron and steel, cement and petro-chemical industries.

Risks on overseas business

The Group is aggressively developing its overseas business, especially in the Belt and Road Initiative countries, deeply explores Southeast Asia, South Asia and other core market, and focuses on the deployment of India, Thailand and other countries. The Group's global business expansion may be hindered by risks such as: lack of availability of overseas financing, possible difficulties in the management of overseas personnel and business operations, lack of understanding of the local business environment, financial and management system or legal system, volatility in currency exchange rates, cultural differences, changes in political, regulatory or economic environments in the foreign countries or other regions, as well as the risk of barriers. If the Group fails to manage the above risks effectively, its overseas expansion may be hindered, which may in turn result in a material and adverse effect on its business prospects, results of operations and financial condition. The management of the Group is of the view that, the PRC government has been actively establishing friendly diplomatic relations with the Belt and Road Initiative countries and improving the overseas investment atmosphere. The Group has extensive experience in project management in certain countries, for instance India and Thailand, which can serve as examples for its future overseas development. Moreover, the Group has established rather mature risk management and internal control systems to mitigate risks on overseas business to the greatest extent possible.

Relevant risks of COVID-19

Since the beginning of 2020, novel coronavirus ("**COVID-19**") has spread globally. The COVID-19 may have the following impact on the business operation of the Group: the macro economy in the PRC may experience slowdown of growth or downward trend due to the impact of the epidemic, resulting in a decrease in demand for use of electricity in throughout the society, further causing adverse impact on the concession business of the environmental protection facilities of the Group; part of the environmental facilities engineering projects in the PRC was suspended or cancelled, further intensifying the competition of inventory projects in the market, which might adversely affect the engineering business of the Group; there have been significant restrictions on the travel of domestic personnel and transportation of goods, which may lead to postponement of the projects undertaken by the Group or increase in the prices of major raw materials, which in turn may adversely affect the business of the Group; various countries in the world have imposed or may impose immigration restriction policies. The shortage of personnel for overseas projects which may be undertaken by the Group may adversely affect the overseas business of the Group. The Group has adopted a number of response measures to strictly carry out prevention and control of the epidemic as well as "striving to seize opportunities with both hands" for the production and operation, and maintain normal order of production and operation, so as to minimise losses caused by the epidemic.

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

Looking forward to 2020, the Group will be faced with both opportunities and challenges.

In terms of favorable factors, firstly, the focus of air pollution control of the PRC extends from the single thermal power industry to more industrial sectors such as petroleum & chemical, steel, and cement. There is a huge market in non-electric industry. Secondly, the further promotion of the Belt and Road Initiative by the PRC will speed up the development of regional economy and promote the international cooperation in production capacity and "going global" of Chinese equipment, which brings about a promising prospect for the environmental protection business of the Group in overseas markets. Thirdly, the Group is being included in the enterprise list of "Double Hundred Actions" launched by the SASAC for the reform of state-owned enterprises, and will be faced with unprecedented reform opportunities. The implementation of the reform scheme of "Double Hundred Actions of the Reform" will help the Group break institutional constraints to provide new impetus for development.

In terms of unfavorable factors, firstly, power development in the PRC has entered the crucial period of transferring mode, adjusting structure and shifting motivation. The power overcapacity, the long-term high price of coal, and the scaling up of power marketization have certain impact on the profitability of the environmental protection facility concession operation business of the Group; secondly, the environmental protection flue gas pollution treatment market in the power industry is becoming saturated. The traditional environmental protection facilities engineering business is decreasing year by year, and the competition among environmental protection enterprises is intensified, and these enterprises are in urgent need to expand their businesses to non-power areas.

Main Tasks in 2020

In 2020, the Group will continue to unswervingly follow the path of high-quality development, manage the conspicuous contradictions in structure, quality, efficiency, profitability and other aspects effectively, and strive to achieve transformation and upgrading, quality and efficiency improvement. The Group will focus on the following five aspects:

1. *Focusing on the major business of scientific and technological environmental protection, and improving profitability constantly*

The Group will enhance the development philosophy of "focus on main business and highlight specialization", and adhere to the eight-character policy of "green, development, service and consolidation" to achieve leaping-over breakthrough in market-based transformation, business expansion, reform and innovation and other aspects. The Group will focus on fields such as efficient and clean utilization of coal-fired power, pollution treatment in industrial cities and towns and clean energy services, take flue gas treatment as the core business, accelerate business expansion in water and solid waste treatment, and unswervingly follow the path of energy conservation and emission reduction, environmental protection, and resources recycling.

2. *Continuing to deepen internal reform and focusing on optimizing relevant system and mechanism*

The Group will take advantage of the reform opportunity of "Double Hundred Actions", and focus on the "13th Five-Year" development plan and the development objectives for the next three years. Guided by efficiency improvement and external development, the Group will establish a market-oriented system and mechanism and address constraints and major problems hindering the enterprise survival and development. The Group will make proper plans for the medium and long-term incentives, the improvement of corporate governance system and the reform of mixed ownership. By activating resource element vitality through reform, we can practicably strengthen our innovation capability and market competitiveness, and build a world-class scientific and technological environmental protection enterprise.

3. *Dedicating more efforts in enhancing scientific and technological innovation and accelerating to foster new growth points*

The Group will enhance scientific and technological innovation and technological optimization efforts, strengthen the grasp of policies and future development trends to establish a scientific and technological innovation management mechanism that meets the high-quality development demands and broaden technology acquisition channels. Through the combination of introduction and proprietary research and development, we will be able to speed up the research of advanced technologies and achievement conversion, and ensure an addition of one or two core technologies annually to explore new business growth points.

4. ***Accelerating to explore external market and maintaining market competitiveness capability***

The Group will focus on project profitability and risk prevention and control, aim at the target markets and the main advancing direction, promote business transformation and upgrading, and establish new market competitive advantages. Leveraging on existing resources, we will implement the strategy of "introduction, absorption, digestion" plus cooperation to expand the existing business horizontally and in upstream and downstream industry chain with the investment plus operation business model and the exploration of applying capital operation means. We will strengthen overseas business development, concentrate on the main business of flue gas environmental protection and Indian markets, and improve overseas management and control ability and project profitability.

5. ***Preventing and addressing significant risks and safeguarding sustained and steady operation***

The Group will continue to seek benefits from "management", improve various management systems and implement system implementation, compliance management and risk prevention throughout market development, material procurement, financial management, capital operation, safety production, engineering construction and other sectors to effectively prevent and control industry risks, financial risks, legal risks, overseas risks and other significant risk factors. We will put emphasis on addressing the recovery of bills receivables and recover the arrears by making full use of legal actions such as litigation to ensure the recovery of every cent of operation revenue.

The Board hereby presents this report of Directors and the annual report as well as the Group's audited consolidated financial statements for the year of 2019 prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

I. CORPORATE INFORMATION

The Company was incorporated as a joint stock Company in the PRC with limited liability on 25 July 2011. Basic information about the Company is set out in the sections headed "Company Profile" and "Corporate Information" on page 7 and pages 242 to 244 of this annual report.

II. PRINCIPAL BUSINESS

The Group is the sole platform for the development of environmental protection and energy conservation business under China Datang Corporation, one of the 4 major state wholly-owned power generation groups in the PRC. The principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

Details of the Company's subsidiaries are set out in Note 1 to the financial statements in this annual report.

III. RESULTS AND BUSINESS REVIEW

The audited financial results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 114 to 115 of this annual report. The financial position of the Group and of the Company as at 31 December 2019 is set out in the consolidated statement of financial position on pages 116 to 117 of and in Note 37 to the financial statements in this annual report. The cash flows of the Group for the year ended 31 December 2019 are set out in the consolidated statement of cash flows on pages 119 to 120 of this annual report.

A discussion and analysis of the Group's business review, results and performance during the year ended 31 December 2019, the discussion and analysis of the key factors of its results and financial performance, risk factors and risk management and the prospect for future development are set out in the section headed "Management Discussion and Analysis" on pages 12 to 34 of this annual report, and the "Report of Directors" on pages 35 to 61 of this annual report. The description of relationship between the Group and employees is set out in the section headed "Human Resources" on pages 106 to 107 of this annual report. The indemnity provisions of the Company are set out in the section headed "Directors' liability insurance and the permitted indemnity provisions" under the corporate governance report on page 70 of this annual report. The aforementioned sections form part of the report of Directors.

IV. ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

As an environmental protection technology company, the Group strictly abides by the environment and social-related laws and regulations that have a significant impact on the Group in relation to its businesses, including provision of environmental protection and energy conservation services, monitoring of the pollutants generated by coal-fired power plants, and provision of renewable energy services, etc. Meanwhile, as a responsible company, the Group proactively performed its social responsibility in 2019, and conducted business by taking fulfillment of the concept of sustainable development as its duty. It also adheres to mutually beneficial cooperation with customers and employees to seek for common development, and strives to maintain a balance of harmony with ecological environment and social environment. The Group will keep on undertaking social responsibilities and exerting advantages as an environmental protection enterprise and making consistent efforts to forage an environment with blue sky and white clouds.

Details of the environment, social and governance of the Company will be set out in the Environmental, Social and Governance Report (the "**ESG Report**") to be issued by the Company separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

V. COMPLIANCE WITH LAWS AND REGULATIONS

As an H share company incorporated in the PRC with limited liabilities and listed on the Main Board of the Stock Exchange, the Company is governed by various applicable domestic laws and regulations including the Company Law of the People's Republic of China ("**Company Law**"), the Production Safety Law of the People's Republic of China, the Standards for Corporate Governance of Listed Companies《(上市公司治理準則》) promulgated by the CSRC, the Guideline on Comprehensive Risk Management of Central Enterprises《(中央企業全面風險管理指引》) promulgated by the SASAC, as well as the Listing Rules and the SFO. The Group has implemented risk management and internal control measures to ensure its compliance with such laws and regulations. Having reviewed the business performance of the Group, the Board is of the view that the Group has been in compliance with the requirements of relevant laws and regulations in all material respects.

The discussion and analysis of legal risks exposed to the Company are set out in the section headed "Risk Factors and Risk Management" on pages 29 to 31 of this annual report.

VI. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company has been listed on the Main Board of the Stock Exchange since 15 November 2016. The net proceeds from the initial public offering and partial exercise of the over-allotment option, after deducting the underwriting fees and relevant expenses, amounted to approximately HK$2,032.3 million, which will be used in the ways stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The following table sets forth the use of net proceeds from the initial public offering as at 31 December 2019:

	Use of net proceeds disclosed in the Prospectus *(HK$ Million)*	Actual use of net proceeds up to 31 December 2019 *(HK$ Million)*	Unused net proceeds up to 31 December 2019 *(HK$ Million)*	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.5	1,219.5	0.0	–
To develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultralow emissions	304.8	304.8	0.0	–
To repay some of the existing bank loans in order to lower the finance costs and improve the leverage ratio	203.2	203.2	0.0	–
For working capital and other general corporate purposes	203.2	203.2	0.0	–
For research and development expenditures	101.6	10.5	91.1	December 2020
Total	2,032.3	1,941.2	91.1	

VII. PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment of the Group are set out in Note 13 to the financial statements in this annual report.

At the end of the Reporting Period, the Group had no investment properties or properties held for development and/or sale with one or more of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) exceeding 5%.

VIII. SHARE CAPITAL

As at 31 December 2019, the total registered shares of the Company was RMB2,967,542,000, divided into 624,296,200 H Shares and 2,343,245,800 Domestic Shares. Details of the changes in issued share capital of the Company during the Reporting Period are set out in Note 26 to the financial statements in this annual report.

IX. PRE-EMPTIVE RIGHTS

As at 31 December 2019, there were no provisions for pre-emptive rights under the Articles of Association or the relevant PRC laws, which require the Company to offer new Shares to existing Shareholders in proportion to their shareholdings.

X. RESERVES

Details of the changes in reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and in Note 37 to the financial statements in this annual report.

XI. RETAINED PROFITS

Pursuant to the Articles of Association, where there are differences between Accounting Standards for Business Enterprises of the PRC ("**PRC GAAP**") and the IFRSs, the retained profits shall be the lower of the amounts shown in the two different financial statements. There is no discrepancy between the net assets at the end of 2019 as calculated in accordance with PRC GAAP and the IFRSs. The retained profits of the Group as of 31 December 2019 is set out in the consolidated statement of changes in equity.

The Board proposes to set aside 10% of the profit after tax as the statutory surplus reserve in accordance with the Company Law and the Articles of Association, and not to set aside discretionary reserve. This proposal will be submitted to the 2019 AGM for consideration and approval.

XII. 2019 FINAL DIVIDEND AND RELATED CLOSURE OF REGISTER OF MEMBERS

According to the resolutions of the Board passed at the tenth meeting of the second session of the Board on 28 March 2020, the Board proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.0338 per Share (before tax) (the "**Proposed 2019 Final Dividend**") in cash to the Shareholders. If the proposal is approved by the Shareholders at the 2019 AGM to be held on Thursday, 18 June 2020, the Proposed 2019 Final Dividend is expected to be distributed on or about Monday, 10 August 2020 to the Shareholders whose names appear on the register of members of the Company on Thursday, 2 July 2020. The Proposed 2019 Final Dividend to be distributed will be denominated and announced in RMB, of which dividends on domestic Shares will be paid in RMB whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of RMB to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for a week prior to the date of the 2019 AGM).

In order to ascertain the entitlements of the Shareholders to receive the Proposed 2019 Final Dividend, the register of members of the Company will be closed from Thursday, 25 June 2020 to Thursday, 2 July 2020 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the Proposed 2019 Final Dividend, all transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of Domestic Shares), no later than 4:30 p.m. on Wednesday, 24 June 2020.

XIII. TAX

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations (the "**EIT Law**"), the tax rate of the enterprise income tax applicable to the income of a non-resident enterprise deriving from the PRC is 10%. For this purpose, any H Shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited, other agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise Shareholders (as defined under the EIT Law). When the Company distributes dividends to non-resident enterprise Shareholders, it is liable to withhold enterprise income tax on their behalf at an interest rate of 10%. Any H Shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited, other agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise Shareholders. Therefore, the Company will distribute dividends to such non-resident enterprises Shareholders after withholding 10% of enterprise income tax. If H Shareholders need to change their Shareholder's status, they shall consult with the agents or trustees on the procedures. In strict compliance with laws and requirements of relevant government authorities, the Company will withhold the enterprise income tax according to the register of members of the H Shares of the Company as at the record date.

Any resident enterprise (as defined under the EIT Law) which has been legally incorporated in the PRC or which was established pursuant to the laws of foreign countries (regions) but has established effective administrative entities in the PRC, and whose name appears on the Company's register of members of H Share should deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the official chop of the law firm issuing the opinion affixed thereon) and relevant documents to the H Share Registrar, Computershare Hong Kong Investor Services Limited, if they do not wish to have the 10% enterprise income tax withheld and paid on their behalf by the Company.

Pursuant to the Notice on the Issues on Levy and Administration of Individual Income Tax after the Abolishment of Guo Shui Fa (1993) No. 045 Document《(關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax on 28 June 2011, the dividend to be distributed by the PRC non-foreign invested enterprises which have issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general.

If the individual H Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. Under the above circumstances, if the relevant individual H Shareholders want a refund of the extra amount withheld (the "**Extra Amount**") due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax treaty to the H Share Registrar. The Company will assist with the tax refund after receiving approval of the competent tax authority. Should the individual H Shareholders be residents of the countries which have an agreed tax rate of over 10% but less than 20% with the PRC under the tax treaty, the Company will withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax treaty. In the case that the individual H Shareholders are residents of the countries which have an agreed tax rate of 20% with the PRC, or which have not entered into any tax treaty with the PRC, or otherwise, the Company will withhold and pay the individual income tax at a rate of 20%.

The Company will strictly comply with the laws and requirements of the relevant government authorities and withhold and pay enterprise and individual income tax on behalf of the Shareholders based on the register of members of the H Shares on the record date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the Shareholders or any disputes over the mechanism of withholding of enterprise income tax. The Company assumes no liability whatsoever in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

XIV. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

XV. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, total sales to the Group's five largest customers represented approximately 21% of total revenue of the Group for the year of 2019, among which total sales to the largest customer accounted for approximately 5% of total revenue of the Group for the year of 2019. The super-majority of our top five customers during the Reporting Period were subsidiaries of China Datang, and the Group was heavily reliant on sales to China Datang Group as its principal source of revenue. For the year ended 31 December 2019, the total value of products and services provided by the Group to China Datang Group represented approximately 92% of the total revenue of the Group for the corresponding period. If not taking into account of revenue generated from the concession operations, the Group's revenue generated from transactions with China Datang Group represented approximately 41% of the total revenue of the Group for the year ended 31 December 2019.

For the year ended 31 December 2019, total purchase from the Group's five largest suppliers represented approximately 15.4% of total cost of sales of the Group for the year of 2019, among which total purchase from the largest supplier accounted for approximately 4.6% of total cost of sales of the Group for the year of 2019. During the Reporting Period, the Group procured certain products and services from China Datang Group. For the years ended 31 December 2019, the total value of products and services procured by the Group from China Datang Group represented approximately 28% of the total costs of the Group for the year ended 31 December 2019.

To the best of the Directors' knowledge, except for certain subsidiaries of China Datang that were among our top five customers or suppliers, none of the Directors, Supervisors, Senior Management, their close associates or any Shareholders (to the best of the Directors' knowledge, who holds more than 5% of the issued Shares) have any interest in the five largest customers or suppliers of the Company during the Reporting Period.

During the Reporting Period, the Company maintained good relations with its customers and suppliers. The Company kept contact with its customers and suppliers, and maintained communication with them via various channels, such as telephone, email and physical meetings, to receive feedback and suggestions.

XVI. BANK BORROWINGS AND OTHER LOANS

The details of bank borrowings and other loans of the Group as at 31 December 2019 are set out in Note 25 to the financial statements in this annual report.

XVII. STAFF

Staff is the key for the Group's sustainable development. Details of the staff of the Group are set out in the sections headed "Profile of Directors, Supervisors and Senior Management" and "Human Resources" on pages 91 to 105 and pages 106 to 107 respectively in this annual report.

XVIII. ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

For the year ended 31 December 2019, the Group had no entrusted deposits with financial institutions in the PRC, or term deposits which were overdue but unrecovered.

XIX. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and Senior Management from 1 January 2019 to the date of publishing of this annual report:

Name	Position in the Company	Date of appointment/resignation as a Director/Supervisor/Senior Management
Directors		
JIN Yaohua	Chairman of the Board and non-executive Director	June 2015
LIU Quancheng	Non-executive Director	October 2019
LIU Ruixiang	Non-executive Director	October 2019
LI Zhenyu	Non-executive Director	October 2019
Hou Guoli	Executive Director	October 2019
	General manager	March 2019
WANG Yanwen	Executive Director	October 2019
	Deputy general manager	July 2019
YE Xiang	Independent non-executive Director	June 2015
MAO Zhuanjian	Independent non-executive Director	June 2015
GAO Jiaxiang	Independent non-executive Director	April 2016
LIU Chuandong	Former non-executive Director	Resigned in October 2019
LIU Guangming	Former non-executive Director	Resigned in October 2019
LI Yi	Former non-executive Director	Resigned in October 2019
DENG Xiandong	Former non-executive Director	Resigned in October 2019
	Former general manager	Resigned in March 2019
SHEN Zhen	Former non-executive Director	Resigned in October 2019
	Former deputy general manager	Resigned in July 2019
Supervisors		
WANG Yuanchun	Chairman of the Supervisory Committee	June 2015(1)
LIU Liming	Supervisor	October 2019
CHEN Li	Former employee representative Supervisor	January 2018
MIAO Shihai	Former Supervisor	Resigned in October 2019

Note:

(1) Mr. WANG Yuanchun resigned as Supervisor and chairman of the Supervisory Committee on 27 December 2019, with effect from the date on the appointment of the new candidate for Supervisor considered and approved at the next general meeting.

Name	Position in the Company	Date of appointment/resignation as a Director/Supervisor/Senior Management
Senior Management (1)		
LIU Weihua	Deputy general manager	August 2018
CHEN Song	Chief accountant	July 2019
WANG Haijie	Deputy general manager	April 2019
MAO Hui	Deputy general manager	March 2017
ZHOU Ce	Secretary of the Discipline Inspection Committee	March 2020
LIANG Xiuguang	Deputy general manager	March 2018
ZHU Mei	Deputy general manager	July 2018
	Secretary of Board, Joint Company Secretary and authorised representative	August 2018
Wang Guanghui	Former chief accountant	Resigned in July 2019
ZENG Bing	Former secretary of the Discipline Inspection Committee	Resigned in March 2020

Note:

(1) The list of Senior Management excludes those who are also serving as Directors or Supervisors.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers that each of the independent non-executive Directors is independent of the Company.

XX. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From 1 January 2019 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out as follows:

- Mr. LIU Quancheng served as a non-executive Director with effect from October 2019.
- Mr. LIU Chuandong resigned as a non-executive Director with effect from October 2019.
- Mr. LIU Guangming resigned as a non-executive Director with effect from October 2019.
- Mr. LIU Ruixiang served as a non-executive Director with effect from October 2019.
- Mr. LI Zhenyu served as a non-executive Director with effect from October 2019.
- Mr. LI Yi resigned as a non-executive Director with effect from October 2019.

- Mr. DENG Xiandong was re-designated as non-executive Director from executive Director from March 2019, and resigned as a non-executive Director with effect from October 2019.

- Mr. SHEN Zhen was re-designated as non-executive Director from executive Director from March 2019, and resigned as a non-executive Director with effect from October 2019.

From 1 January 2019 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Supervisors are set out as follows:

- Mr. MIAO Shihai resigned as a Supervisor with effect from October 2019.

- Mr. LIU Liming served as a Supervisor with effect from October 2019.

From 1 January 2019 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Senior Management are set out as follows:

- Mr. HOU Guoli served as the general manager of the Company with effect from March 2019.

- Mr. DENG Xiandong resigned as the general manager of the Company with effect from March 2019.

- Mr. WANG Haijie served as a deputy general manager of the Company with effect from April 2019.

- Mr. CHEN Song served as the chief accountant of the Company with effect from July 2019.

- Mr. WANG Guanghui resigned as the chief accountant of the Company with effect from July 2019.

- Mr. WANG Yanwen served as a deputy general manager of the Company with effect from July 2019.

- Mr. SHEN Zhen resigned as a deputy general manager of the Company with effect from July 2019.

- Mr. ZENG Bing resigned as the secretary of the Discipline Inspection Committee of the Company with effect from March 2020.

- Mr. ZHOU Ce served as the secretary of the Discipline Inspection Committee of the Company with effect from March 2020.

For details, please refer to the announcements of the Company dated 22 March 2019, 26 April 2019, 26 July 2019 and 31 October 2019 with respect to the changes in Directors, Supervisors and Senior Management respectively.

XXI. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and Senior Management are set out in the section headed "Profile of Directors, Supervisors and Senior Management" on pages 91 to 105 of this annual report.

XXII. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. According to the Articles of Association, the term of office is three years. The principal particulars of these service contracts comprise (a) the term of office commencing from the effective date of their appointments to the date of the next Shareholder's general meeting for the re-election of Directors, and (b) termination provisions in accordance with their respective terms. Service contracts can be renewed in accordance with the Articles of Association and applicable regulations.

Each of the Supervisors has entered into a contract with the Company in respect of provisions, among other things, in compliance with relevant laws and regulations, and on observations of the Articles of Association and arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

XXIII. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors, Supervisors and Senior Management during the Reporting Period are set out in Notes 8 and 32(d) to the financial statements and in the section headed "Remuneration of Directors, Supervisors and Senior Management" on page 82 of this annual report.

XXIV. INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

As at 31 December 2019, no transaction, arrangement or contract of significance to which the Company was involved in its establishment either directly or indirectly, in which a Director or Supervisor or an entity connected with a Director or Supervisor had material interests, and with which the Company's business is connected, subsisted during or at the end of the Reporting Period.

XXV. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2019, Mr. LIU Quancheng, Mr. LIU Ruixiang and Mr. LI Zhenyu, three non-executive Directors also acted as Directors of Datang Huayin (a subsidiary of China Datang and listed on the Main Board of the Shanghai Stock Exchange, stock code: 600744). None of Mr. LIU Quancheng, Mr. LIU Ruixiang and Mr. LI Zhenyu was involved in daily operations of Datang Huayin. As at 31 December 2019, Datang Huayin held partial interests in EMC business and energy conservation EPC business that competes with our principal business. For details, please refer to the section headed "Relationship with Our Controlling Shareholder" in the Prospectus.

Mr. LIU Quancheng, Mr. LIU Ruixiang and Mr. LI Zhenyu will abstain from voting for decision making involving any competing business with Datang Huayin. Even if all of them simultaneously abstain from voting, there will still remain six Directors (including one non-executive Director, two executive Directors and three independent non-executive Directors) in the Board which will enable effective decision makings.

Save as disclosed above, the Directors confirm that, as of 31 December 2019, none of them had any direct or indirect interest in any business which competes or might compete with our principal business.

XXVI. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, none of the Directors, Supervisors or chief executive of the Company had any interest or 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 would 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") stated in Appendix 10 to the Listing Rules.

XXVII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, to the best of the Directors' knowledge, having made all reasonable enquiries, the following person (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and, which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO:

	As at 31 December 2019				
Name of Substantial Shareholder	Class of Shares	Capacity	Number of Shares/ underlying Shares directly or indirectly held *(Share)*	Percentage in the relevant class of share capital[1] *(%)*	Percentage in the total share capital[2] *(%)*
China Datang	Domestic Shares	Beneficial owner	2,343,245,800 (Long position)	100	78.96
Anbang Investment Holdings Co., Limited (安邦投資控股有限公司)[3]	H Shares	Beneficial owner	120,540,000 (Long position)	19.31	4.06
Anbang Group Holdings Co. Limited (安邦集團控股有限公司)[3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Anbang Life Insurance Co., Ltd. (安邦人壽保險股份有限公司)[3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Anbang Insurance Group Co., Ltd. (安邦保險集團股份有限公司)[3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
China Chengtong Investment Company Limited [4]	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
China Chengtong Holdings Group Ltd.[4]	H Shares	Interest in controlled corporation	61,557,000 (Long position)	9.86	2.07
China Energy Engineering Corporation Limited (中國能源建設集團有限公司)	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
State Grid International Development Limited (國家電網國際發展有限公司)[5]	H Shares	Beneficial owner	61,467,000 (Long position)	9.85	2.07
State Grid Corporation of China (國家電網公司)[5]	H Shares	Interest in controlled corporation	61,467,000 (Long position)	9.85	2.07
Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限責任公司)[6]	H Shares	Beneficial owner	59,506,000 (Long position)	9.53	2.01
China Three Gorges Corporation (中國長江三峽集團公司)[6]	H Shares	Interest in controlled corporation	59,506,000 (Long position)	9.53	2.01

Name of Substantial Shareholder	Class of Shares	Capacity	As at 31 December 2019 Number of Shares/ underlying Shares directly or indirectly held *(Share)*	Percentage in the relevant class of share capital[1] *(%)*	Percentage in the total share capital[2] *(%)*
China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司)[7]	H Shares	Beneficial owner	49,002,000 (Long position)	7.85	1.65
China Huaneng Group (中國華能集團公司)[7]	H Shares	Interest in controlled corporation	49,002,000 (Long position)	7.85	1.65
China Huadian Hong Kong Company Limited (中國華電香港有限公司)[8]	H Shares	Beneficial owner	48,628,000 (Long position)	7.79	1.64
China Huadian Corporation (中國華電集團公司)[8]	H Shares	Interest in controlled corporation	48,628,000 (Long position)	7.79	1.64
Taiping General Insurance Co., Ltd. (太平財產保險有限公司)[9]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司)[9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance (HK) Company Limited (中國太平保險集團(香港)有限公司)[9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Group Ltd. (中國太平保險集團有限責任公司)[9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Franklin Asset Management Co., Limited (中國人壽富蘭克林資產管理有限公司)[10]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Life Asset Management Company Limited (中國人壽資產管理有限公司)[10]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance Company Limited (中國人壽保險股份有限公司)[10]	H Shares	Beneficial owner	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance (Group) Company (中國人壽保險(集團)公司)[10]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
		Interest in controlled corporation	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38

Notes:

(1) The calculation is based on the percentage of shareholding in a total of 2,343,245,800 Domestic Shares and a total of 624,296,200 H Shares respectively as at 31 December 2019.

(2) The calculation is based on the percentage of shareholding in a total of 2,967,542,000 Shares as at 31 December 2019.

(3) Anbang Investment Holdings Co., Limited is a wholly-owned subsidiary of Anbang Group Holdings Co. Limited. Anbang Group Holdings Co. Limited is a wholly-owned subsidiary of Anbang Life Insurance Co., Ltd., which is wholly owned by Anbang Insurance Group Co., Ltd..

(4) China Chengtong Investment Company Limited is a wholly-owned subsidiary of China Chengtong Holdings Group Ltd..

(5) State Grid International Development Limited is a wholly-owned subsidiary of State Grid Corporation of China.

(6) Three Gorges Capital Holdings Co., Ltd. is the wholly-owned subsidiary of China Three Gorges Corporation.

(7) China Huaneng Group Hong Kong Limited is a wholly-owned subsidiary of China Huaneng Group.

(8) China Huadian Hong Kong Company Limited is a wholly-owned subsidiary of China Huadian Corporation.

(9) Taiping General Insurance Co., Ltd. is a subsidiary of China Taiping Insurance Holdings Company Limited. China Taiping Insurance Holdings Company Limited is a subsidiary of China Taiping Insurance (HK) Company Limited, which is a wholly-owned subsidiary of China Taiping Insurance Group Ltd.

(10) China Life Asset Management Company Limited is a controlling shareholder of China Life Franklin Asset Management Co., Limited. China Life Asset Management Company Limited is a subsidiary of China Life Insurance Company Limited, which is controlled by China Life Insurance (Group) Company.

Save as disclosed above, as at 31 December 2019, to the best knowledge of the Directors, the Directors were not aware of any persons who had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

XXVIII. DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire the Shares or debentures of the Company or any other corporate body, or had exercised any such right.

XXIX. FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2019, there is no financial, business or family relationship among the Directors, Supervisors and Senior Management.

XXX. DIRECTORS' INSURANCE

As at 31 December 2019, the Company maintained effective Directors' insurance for the Directors.

XXXI. MANAGEMENT CONTRACTS

For the year ended 31 December 2019, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted.

XXXII. CONNECTED TRANSACTIONS

During the Reporting Period, the Group has conducted the following connected transactions:

1. Exempt Continuing Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, the continuing connected transaction of the Group as set out below is exempt from the requirements of reporting, annual review, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules.

Trademark Licensing Agreement

The Company and China Datang renewed a trademark licensing agreement on 27 July 2018 (the "**Trademark Licensing Agreement**"), in accordance with which China Datang agreed to grant the Group a non-exclusive license to use any of certain registered trademarks owned by China Datang for purposes of the Group's production equipment, products, services and profile documents, as well as using such licensed trademarks in the Company's business names, trade names or domain names. The term of the Trademark Licensing Agreement is three years, which can be renewed upon agreement by the parties. The trademark license is granted by China Datang at nil consideration.

During the Reporting Period, the Group did not pay any royalty fees to China Datang for the use of the licensed trademarks.

China Datang will remain as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. The transaction above is entered into on normal commercial terms. The Directors currently expect that the applicable percentage ratios of the above transaction for the respective years are nil. By virtue of Rule 14A.76(1)(a) of the Listing Rules, the continuing connected transaction above is exempt from the requirements of reporting, annual review, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules.

2. Non-exempt Continuing Connected Transactions

Continuing Connected Transactions Exempt from Circular and Shareholders' Approval Requirements

Framework agreement under which China Datang Group leases properties to the Group

The Company and China Datang entered into a property leasing framework agreement on 1 December 2015 (the "**Property Leasing Framework Agreement**"), pursuant to which China Datang Group will lease certain properties to the Group. The Property Leasing Framework Agreement is for a term of 20 years and will take effect upon the Listing and is subject to renewal.

The rental of any leased property shall be ascertained through negotiation between the Group and China Datang Group primarily based on the actual costs of the property and taking into consideration the market price of similar properties in the same region where applicable and the relevant depreciation cost. The rental shall be provided as a fixed amount in the separate lease agreement to be executed in writing and between the Group and China Datang Group under the Property Lease Framework Agreement, the initial term of which shall be five years and can be renewed in writing by both parties. If, due to any change of national policies or market fluctuations that affects the fairness and reasonableness of the rental of a lease property under any lease agreement, the Group and China Datang Group may adjust the rental based on arm's length negotiations with reference to the new market price. However, the rental amount or any adjustment to the rental amount is subject to the independent non-executive Directors' review and approve to ensure that the rental amount is fair, reasonable and in the interest of the Company and our Shareholders as a whole.

The transactions under the Property Leasing Framework Agreement were negotiated on normal commercial terms. China Datang remained as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Therefore, the Property Leasing Framework Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The exempt cap for the year of 2019 for the aforementioned property rent paid by the Group to China Datang Group and its associate(s) as approved by the Board was RMB100 million. The actual total amount of property rent paid by the Group to China Datang Group and its associate(s) under the aforesaid agreement in 2019 was RMB34.32 million.

For details of the information with respect to the connected transactions mentioned above, please refer to the disclosure as set out in the section headed "Connected Transactions" of the Prospectus.

Non-exempt Continuing Connected Transactions subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

The following transactions are or will be conducted on normal commercial terms in the daily operations of the Group. The Directors currently expect that, each of the applicable percentage ratios of relevant transactions calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5% on an annual basis, and the annual transaction amount will exceed HK$10 million. Accordingly, each of such transactions will constitute a non-exempt continuing connected transaction of the Company subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Integrated Product and Service Framework Agreement between the Group and China Datang Group

The Company renewed an integrated product and service framework agreement (the "**Integrated Product and Service Framework Agreement**") with China Datang Group on 27 July 2018, which was approved at the general meeting and took effect on 30 November 2018 with a term of three years and can be renewed by agreement by the parties. Either party may terminate this agreement by a three-month prior written notice to the other party. The Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance with the rules regarding the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, on condition that the aggregate amount of non-exempt continuing connected transactions in each of the year of 2019, 2020 and 2021 would not exceed the respective annual caps. For further details, please refer to the announcement and the supplemental circular of extraordinary general meeting issued by the Company dated 15 November 2018.

Pursuant to the Integrated Product and Service Framework Agreement and Supplement Agreement, (a) the products and services to be provided by the Group to China Datang Group include environmental protection and energy conservation solutions, renewable energy engineering services, EPC for thermal power plants and other businesses, and (b) the products and services to be procured by the Group from China Datang Group include water and power supply, ancillary services under the business model of concession operations (desulfurization and denitrification), logistics services and procurement of equipment. In respect of all the products and services under the Integrated Product and Service Framework Agreement, the Company and/or its subsidiaries and China Datang Group and/or its subsidiaries can enter into separate contracts under and in line with the Integrated Product and Service Framework Agreement. If the terms and conditions of similar products and services offered by an independent third party to such party are no more favorable than those provided by one party, priority shall be accorded in the provision of products and services to the other party.

The pricing policies of various products and services are as follows:

- For products and services to be provided by the Group to China Datang Group, in most circumstances, bidding procedures shall apply for the determination of such prices, and only in exceptional circumstances, bidding procedures can be skipped by China Datang Group. These exceptional circumstances primarily include reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent purchase by China Datang Group that does not allow the bidding procedure to be completed.

  (a) The price for the products, primarily denitrification catalysts, and services other than the concession operations (desulfurization and denitrification), to be provided by the Group to China Datang Group will be determined based on the bidding results, or if no bidding procedure is conducted, China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable products. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable products can be found in its database, China Datang Group will make reference to prices of products of the similar nature published on official bidding websites operated by the PRC's government to ascertain the price.

  (b) The tariff for desulfurized and denitrified electricity under the concession operations services shall be determined based on government-prescribed price. The price of by-products shall be determined based on market price.

- For products and services to be procured by the Group from China Datang Group, in most circumstances, bidding procedures shall apply for determination of the price, and only in exceptional circumstances, bidding procedures can be skipped by the Group. These circumstances primarily include reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent purchase by the Group that does not allow the bidding procedure to be completed.

  (a) The products, primarily water and power supplied by power plants under China Datang Group to the Group, will be determined based on the government-prescribed prices, which are actual costs of water and power for the supply of water and power by power plants to third-party desulfurization and denitrification concession operations service providers.

  (b) The price for ancillary services under the concession operations (desulfurization and denitrification) services shall be determined based on cost of human resources involved, the relevant management expenses and the maintenance fees of the equipment of relevant power plants after taking into account the average level of the industry.

(c) For procurement of equipment, in most circumstances, bidding procedures shall apply for determination of the price, and only in exceptional circumstances, such as urgent purchase by the Group, bidding procedures can be skipped by the Group where the purchasing price shall be determined by experts of the Group based on fair market value and historical records of procurement price.

(d) The price of the services other than the ancillary services under the concession operations (desulfurization and denitrification) to be provided by the Group to China Datang Group in accordance the Integrated Product and Service Framework Agreement shall be determined based on the following policies: Prices for bidding services shall be determined pursuant to the fee standards prescribed by the PRC government. Prices for other services, including conference services and training shall be determined based on market prices by making reference to recent prices for comparable services archived in the Group's database; if no comparable services can be found, the Group will make reference to prices of services of similar nature published on official bidding websites operated by the government to ascertain the price.

The transactions under the Integrated Product and Service Framework Agreement were negotiated on normal commercial terms. China Datang remained as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Therefore, the Integrated Product and Service Framework Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The exempt cap for the year of 2019 for products and services provided by the Group to China Datang Group as approved by the Stock Exchange and independent Shareholders was RMB11,581 million. The actual total amount of products and services provided by the Group to China Datang Group under the aforesaid agreement in 2019 was RMB5,917 million.

The exempt cap for the year of 2019 products and services procured by the Group from China Datang Group as approved by the independent Shareholders was RMB5,173 million. The actual total amount of products and services procured by the Group from China Datang Group under the aforesaid agreement in 2019 was RMB1,487 million.

Financial Services Agreement between the Group and Datang Finance

The financial services agreement entered into between the Company and Datang Finance (the "**Financial Services Agreement**") on 24 April 2017 became effective after being approved by the Shareholders at the 2016 annual general meeting, and valid until 31 December 2019, pursuant to which Datang Finance will provide the Group with loan services, deposit services and other financial services.

Datang Finance has undertaken to provide the aforesaid deposit services to the Group based on the following pricing principles:

Deposit services – within the range for the floating deposit and loan interest rates published by the PBOC and by reference to the benchmark interest rates published by the PBOC, the interest rate for the Group's deposits with Datang Finance shall not be lower than the equivalent deposit interest rate as provided by other financial institutions in the PRC.

Loan services – within the range for the floating deposit and loan interest rates published by the PBOC and by reference to the benchmark interest rates published by the PBOC, the interest rate for loans granted to the Group by Datang Finance shall not be higher than the equivalent loan interest rate as charged by other financial institutions in the PRC.

The fees charged by Datang Finance for the provision of financial services to the Group other than deposit services and loan services shall not be higher than the rate charged by other financial institutions in the PRC for the same or similar type of services.

Datang Finance was the subsidiary of China Datang, and China Datang remained as the Controlling Shareholder. Therefore, Datang Finance was a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Therefore, the Financial Services Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The proposed caps of the deposit services for the Group's maximum daily deposit balance (including any interest accrued therefrom) in Datang Finance for the year 2019 was RMB4,000 million after being approved by the independent Shareholders. For the year of 2019, the Group's actual maximum daily deposit balance (including any interest accrued therefrom) in Datang Finance according to the aforesaid agreement was RMB1,478 million.

Renewal of Financial Services Agreement between the Group and Datang Finance

The financial services agreement entered into between the Company and Datang Finance (the "**Financial Services Agreement**") on 15 October 2019 became effective after being approved by the Shareholders at the 2019 first extraordinary general meeting, and valid from 1 January 2020 to 31 December 2021, pursuant to which Datang Finance will provide the Group with loan services, deposit services and other financial services. For details, please refer to the announcement of the Company dated 15 October 2019 and the supplementary circular of the extraordinary general meeting of the Company dated 16 October 2019.

Financial Services Agreement between the Group and Datang Capital

On 14 June 2018, the Company and China Datang Group Capital Holding Co., Ltd. ("**Datang Capital**") entered into a financial services agreement ("**Financial Services Agreement**") with effect until 31 December 2020, pursuant to which Datang Capital provided the Company with finance lease and commercial factoring services. These services are provided by Datang Financial Lease Co., Ltd. and Datang Commercial Factoring Co., Ltd., respectively.

Datang Capital has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

Financial leasing service – the rent paid by the Group to Datang Capital includes (i) procurement costs and (ii) interests. The relevant interests are determined based on the benchmark interest rates for borrowings as implemented by the PBOC;

Commercial factoring service – the comprehensive interest rate relating to the commercial factoring services provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

China Datang is the Controlling Shareholder while Datang Capital is a wholly owned subsidiary of China Datang, and, therefore, is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Financial Services Agreement and the transactions constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps of financial lease service as approved independently in 2019: maximum daily balance of leasing principal is RMB910 million; outstanding interest fee and handling fee are RMB90 million; the annual caps of commercial factoring services are RMB500 million.

For the year of 2019, the Group's actual maximum daily balances of leasing principal in Datang Capital according to the aforesaid agreement was RMB135 million, the outstanding interest fee and handling fee RMB19 million and commercial factoring services fee RMB106 million.

3. Confirmation by Independent Non-executive Directors

The independent non-executive Directors have reviewed each of the above mentioned continuing connected transactions and confirmed that:

(1) the transactions stated in the section headed "– Exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole; and

(2) the transactions and proposed annual caps stated in this section headed "– Non exempt Continuing Connected Transactions" in this annual report have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

4. Auditor's Letter

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditors of the Company, Ernst & Young, to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on its work, Ernst & Young has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Group;

(2) transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap of each of the above disclosed continuing connected transactions set by the Company.

5. Related Party Transactions

Please refer to Note 32 to the financial statements in this annual report for details of the significant related party transactions prepared in accordance with the IFRSs. For the connected transactions and continuing connected transactions pursuant to the requirements of the Listing Rules, please refer to the disclosure as set out in the above section headed "Connected Transactions" in this report of Directors. Except for those disclosed in the section headed "Connected Transactions" in this report of Directors, the other related party transactions as disclosed in Note 32 are not considered as connected transactions, or are exempt from reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

XXXIII. COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the non-competition agreement with China Datang on 1 December 2015 (the "**Non-Competition Agreement**"). Under the Non-Competition Agreement, China Datang irrevocably undertook that, other than the Retained Business (as defined in the Prospectus), China Datang and its subsidiaries (excluding the Group and listed entities under China Datang and their respective subsidiaries) did not, during the term of the Non-Competition Agreement, and would procure their close associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with Our Principal Business (as defined in the Prospectus). Furthermore, China Datang undertook to grant an option to the Company to acquire new business opportunities that may compete, directly or indirectly, with Our Principal Business, an option to acquire and a right of first refusal with regard to the retained business and/or the new competing business in the future (as defined in the Prospectus).

The independent non-executive Directors are responsible for reviewing and determining whether to accept such new business opportunity provided by China Datang or its associates by taking into consideration factors such as geography and compatibility of business nature of such new business opportunity to the Group's strategy and prospect.

During the Reporting Period, there was no new business opportunity provided by China Datang or its associate(s) in accordance with the Non-Competition Agreement.

The Company has received the confirmation letter from China Datang, which confirmed that, in 2019, China Datang was in compliance with all undertakings and provisions under the Non-Competition Agreement.

The independent non-executive Directors have reviewed the implementation of the Non-Competition Agreement and confirmed that China Datang has been in full compliance with the Non-Competition Agreement and there was no breach by China Datang.

XXXIV. RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Company's retirement and employees benefit scheme are set out in Note 7 to the financial statements in this annual report.

XXXV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company strives to maintain a high standard of corporate governance practices. Save as disclosed in this annual report, for the year ended 31 December 2019, the Company has complied with the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules. Please refer to the corporate governance report as set out on pages 59 to 81 of this annual report for details.

XXXVI. PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, 21.04% of the issued share capital of the Company was held by the public as at the Latest Practicable Date, which was in compliance with the requirements and public float waiver approved by the Stock Exchange under the Listing Rules. For details of the public float waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in the Prospectus.

XXXVII. MATERIAL LITIGATION

As at 31 December 2019, the Group was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

XXXVIII. AUDIT COMMITTEE

The Group's 2019 annual results and the consolidated financial statements for the year ended 31 December 2019 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company (the "**Audit Committee**").

XXXIX. AUDITORS

On 27 June 2019, Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international and domestic auditors of the Company, respectively for the year 2019 at the Shareholders' meeting of the Company, with a term of one year.

Ernst & Young and Ernst & Young Hua Ming LLP were appointed to audit the financial statements for the year ended 31 December 2019 prepared in accordance with IFRSs and PRC GAAP, respectively.

Ernst & Young and Ernst & Young Hua Ming LLP will retire at the 2019 AGM and the resolutions for the re-appointments of auditors of the Company will be proposed at the 2019 AGM.

XL. FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2019 is set out on pages 9 to 11 of this annual report.

XLI. CHANGES IN ACCOUNTING POLICIES

Except for the disclosure in Note 2.2 to the financial statements of this annual report, there were no other changes in accounting policies of the Company during the Reporting Period. Details of the accounting policies are set out in Notes 2 and 3 to the financial statements in this annual report.

XLII. MATERIAL CONTRACTS

The financial services agreement entered into between the Company and Datang Finance (the "**Financial Services Agreement**") on 15 October 2019 became effective after being approved by the Shareholders at the 2019 first extraordinary general meeting, and valid from 1 January 2020 to 31 December 2021, pursuant to which Datang Finance will provide the Group with loan services, deposit services and other financial services. Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions calculated with reference to the revised annual cap is more than 5%, the Financial Services Agreement, the transactions and the revised annual cap are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Financial Services Agreement and relevant transactions contemplated thereunder constitute discloseable transaction under Chapter 14 of the Listing Rules. The Financial Services Agreement was approved by independent Shareholders at the extraordinary general meeting held on 31 October 2019. For details, please refer to the announcement of the Company dated 15 October 2019 and the supplemental circular of the extraordinary annual general meeting dated 16 October 2019.

Save as the above and as disclosed in the section headed "Connected Transactions" in this report of Directors, none of the Company or any of its subsidiaries entered into material contracts with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2019.

XLIII. EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered by the Company for the year ended 31 December 2019.

XLIV. SIGNIFICANT SUBSEQUENT EVENT

The COVID-19 outbreak has spread across the PRC since January 2020, the prevention and control of COVID-19 has been ongoing nationwide. According to the current situation, this outbreak will have certain impact on the business operations of the Group. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group. As of the date of this annual report, this assessment is still under way.

On 28 March 2020, the Board proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.0338 per Share (before tax) in cash to the Shareholders. The proposal is subject to the approval of the Shareholders at the 2019 AGM.

Other than the above, as of the date of the report of Directors, the Group had no significant events after the Reporting Period that needs to be disclosed.

By order of the Board

JIN Yaohua
Chairman

I. CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to improving corporate governance since its establishment. According to provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules, it has established a modern corporate governance structure comprising a number of independently operated bodies including the general meetings, the Board, the Supervisory Committee and the Senior Management in order to provide an effective check and balance. The Company has also adopted the Code as its own corporate governance practices.

As at the Latest Practicable Date, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for the Directors.

As at the Latest Practicable Date, the Company had been in compliance with the principles and code provisions contained in the Code. Corporate governance practices adopted by the Company are outlined as follows:

II. BOARD

The Board carries out its duties and exercises its powers in accordance with the Articles of Association and in the best interest of the Company and its Shareholders. It reports and is held accountable to the general meetings, and implements the resolutions thereof.

1. Composition of the Board

As at the Latest Practicable Date, the Board consisted of nine Directors, including four non-executive Directors, two executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the Latest Practicable Date are set out on pages 91 to 97 of this annual report. There are no relationships (including financial,business, family or other material or relevant relationships) between members of the Board. The structure of the Board is well balanced, with each Director equipped with profound knowledge, experience and expertise relevant to the Company's business operation and development. All Directors are well aware of their joint and individual responsibilities toward the Shareholders.

As at the Latest Practicable Date, the Board had always been abiding by the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors and that independent non-executive Directors shall represent at least one-third of the Board.

The qualifications of the three independent non-executive Directors are in full compliance with the requirements under Rules 3.10(1), 3.10(2), 3.10A and 19A.18(1) of the Listing Rules. In addition, the Company has received annual confirmations dispatched by each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules as to their respective independence. Therefore, the Company is of the view that each independent non-executive Director is independent as provided in the Listing Rules.

Current members of the Board are listed in the following table:

Name	Position	Date of appointment as the Director
JIN Yaohua	Chairman of the Board and non-executive Director	June 2015
LIU Quancheng	non-executive Director	October 2019
LIU Ruixiang	non-executive Director	October 2019
LI Zhenyu	non-executive Director	October 2019
HOU Guoli	Executive Director and general manager	October 2019
WANG Yanwen	Executive Director and deputy general manager	October 2019
YE Xiang	Independent non-executive Director	June 2015
MAO Zhuanjian	Independent non-executive Director	June 2015
GAO Jiaxiang	Independent non-executive Director	April 2016

2. Board meetings

According to the Articles of Association, the Board is required to hold Board meetings at least 4 times each year to be convened by the Chairman of the Board. Notices of regular Board meetings shall be dispatched at least 14 days in advance. A quorum for the Board meeting can be formed by half or more than half of the Directors attending the meeting. Directors may attend the Board meeting in person or appoint another Director as his proxy pursuant to certain requirements. Except where a Board meeting is convened to consider connected transactions as provided in the Articles of Association, resolutions of the Board shall be passed by more than half of all the Directors. The secretary of the Board is responsible for preparing and keeping minutes of Board meetings and making sure that such minutes are available for reference by any Director.

During the Reporting Period, the Board held nine meetings, details of which are set out as follows:

- The seventh meeting of the second session of the Board was held on 10 January 2019, at which, resolution regarding the commitments for the Company to bid in India was considered and approved.

- The eighth meeting of the second session of the Board was held on 22 March 2019, at which, resolutions, among others, regarding (1)appointment of the general manager of the Company; (2)work report on the Board of the Company for 2018; (3) work report on the general manager of the Company for 2018; (4)in relation to the independent auditor's report, audited financial statements, results announcement and the annual report for 2018 of the Company; (5)report on the final financial accounts for 2018 of the Company; (6) financial budget report of the Company for 2019; (7) report on remuneration policy and structure of Directors and Senior Management members of the Company for 2018; (8)in relation to the investment plan of the Company for 2019; (9)in relation to the banks' comprehensive credit of the Company for 2019; (10)in relation to the report on the use of raised fund of the Company; (11) regarding the amendment to the rules of procedures of the Audit Committee; (12)in relation to the dividend policy of the Company; (13)regarding the nomination policy for Directors of the Company; (14)in relation to the board diversity policy of the Company; (15)regarding the convening of the annual meeting of the Company for 2018 were considered and approved.

- The ninth meeting of the second session of the Board was held on 17 April 2019, at which, resolutions, regarding (1)in relation to the amendment to the Articles of Association; (2)regarding the formulation of the Implementation Methods of Datang Environment Industry Group Co., Ltd.* to adhere to implement the"Three Importance and One Large" Decision-making System; (3)in relation to the convening of the first extraordinary general meeting of Datang Environment Industry Group Co., Ltd.* for 2019 were considered and approved.

- The tenth meeting of the second session of the Board was held on 26 April 2019, at which, resolutions, regarding (1)in relation to the profit distribution plan for 2018 and the proposed distribution of 2018 final dividend of the Company; (2) in relation to the appointment of the deputy general manager of the Company were considered and approved.

- The 11th meeting of the second session of the Board was held on 13 June 2019, at which, resolutions, regarding (1)in relation to the issuance of equity financing products in the PRC; (2)in relation to the re-appointments of the international and domestic auditors of the Company for 2019 and grant of the Board to determine their remuneration were considered and approved.

- The 12th meeting of the second session of the Board was held on 26 July 2019, at which, resolutions, regarding (1)in relation to the issuance of ESG Report of the Company for 2018; (2) in relation to the appointment of the chief accountant of the Company and appointment of the deputy general manager of the Company; and (3) in relation to the amendment to the Management System of Information Disclosure were considered and approved.

- The 13th meeting of the second session of the Board was held on 28 August 2019, at which, resolutions, regarding (1) in relation to the 2019 interim financial statements,results announcement and interim report of the Company; (2) in relation to the nomination for candidates for Directors; and (3) in relation to the convening of the first extraordinary general meeting of the Company for 2019 were considered and approved.

- The 14th meeting of the second session of the Board was held on 15 October 2019, at which, resolutions, regarding (1) in relation to the 2019 interim financial statements, results announcement and interim report of the Company; (2) in relation to the nomination for candidates of the Board; and (3) in relation to the convening of the first extraordinary general meeting of the Company for 2019 were considered and approved.

- The 15th meeting of the second session of the Board was held on 31 October 2019, at which, resolutions, regarding (1) in relation to the adjustment for the establishment and composition of Special Committees of the Board; (2) in relation to the appointment of the authorized representative of the Company were considered and approved.

Name	Position	Attendance/number of meetings held
JIN Yaohua	Chairman of the Board and non executive Director	9/9
LIU Quancheng(1)	Non-executive Director	0/1
LIU Ruixiang	Non-executive Director	1/1
LI Zhenyu(2)	Non-executive Director	0/1
HOU Guoli	Executive Director and general manager	1/1
WANG Yanwen	Executive Director and deputy general manager	1/1
LIU Chuandong(3)	Former non-executive Director	0/8
LIU Guangming(4)	Former non-executive Director	7/8
LI Yi(5)	Former non-executive Director	7/8
	Former non-executive Director and former general manager	5/8
SHEN Zhen(7)	Former non-executive Director and former deputy general manager	6/8
YE Xiang(8)	Independent non-executive Director	8/9
MAO Zhuanjian(9)	Independent non-executive Director	8/9
GAO Jiaxiang	Independent non-executive Director	9/9

Notes:

(1) Mr. LIU Quancheng did not attend one of the meetings as he was on a business trip and he authorised Mr. LIU Ruixiang as his proxy to attend and vote at such meeting.

(2) Mr. LI Zhenyu did not attend one of the meetings as he was on a business trip and he authorised Mr. LIU Ruixiang as his proxy to attend and vote at such meeting.

(3) Mr. LIU Chuandong did not attend eight of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at one of the meetings.

(4) Mr. LIU Guangming did not attend one of the meetings as he was on a business trip and he authorised Mr. MAO Zhuanjian as his proxy to attend and vote at such meeting.

(5) Mr. LI Yi did not attend one of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at such meeting.

(6) Mr. DENG Xiandong did not attend three of the meetings as he was on a business trip and he authorised Mr. SHEN Zhen as his proxy to attend and vote at such meeting.

(7) Mr. SHEN Zhen did not attend two of the meetings as he was on a business trip.

(8) Mr. YE Xiang did not attend one of the meetings as he was on a business trip and he authorised Mr. MAO Zhuanjian as his proxy to attend and vote at such meeting.

(9) Mr. MAO Zhuanjian did not attend one of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at such meeting.

3. Powers and responsibilities of the Board and the management

The powers and responsibilities of the Board and the management of the Company are specified in the Articles of Association, providing a sufficient balanced and restrained mechanism for corporate governance and internal controls.

The Board shall be responsible for and shall have general power to manage and develop the Company's business. Pursuant to the Articles of Association, the functions and duties of the Board include, among other things, convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings, implementing the resolutions of Shareholders' general meetings, determining business plans and investment plans and detailed annual business objectives of the Company and financing plans other than by ways of issue of corporate debentures or other securities and of listing, formulating annual budget, final accounts, profit distribution plan and plan for recovery of losses, proposals for increase or reductions of the Company's registered capital and the issue of corporate debentures or other securities and listing.

The Board is responsible for the Company's corporate governance. The Company has formulated its corporate governance policy pursuant to the requirements of Appendix 14 to the Listing Rules. For the year ended 31 December 2019, the Board performed its duties according to the corporate governance policy of the Company. In 2019, the Board mainly reviewed the Company's corporate governance policy and practices, reviewed and monitored the training and continuous professional development of Directors and Senior Management, reviewed and monitored the Company's policy and practices in respect of compliance with laws and regulatory regulations, developed, reviewed and monitored the code of conduct and compliance manual for employees and Directors, and reviewed the Company's compliance with the Code and the disclosures made in the Corporate Governance Report.

All Directors have full and timely access to all relevant information as well as the advice and services of the Joint Company Secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense,upon making request to the Board.

The management of the Company, led by the general manager of the Company, is responsible for implementing all the resolutions issued by the Board and organising management of the Company's day-to-day operation.

4. Chairman and the General Manager

The positions of the Chairman of the Board and the general manager of the Company(i. e. chief executive officer under the terms of the Listing Rules) of the Company are held by different persons in order to ensure independence, accountability of their respective functions and balanced distribution of power and authority between them. Mr. JIN Yaohua and Mr. HOU Guoli served as the Chairman and the general manager of the Company respectively, whose powers and responsibilities were clearly divided.

In 2019, the Chairman of the Board, Mr. JIN Yaohua, who led the Board, decided on the Company's overall development strategies, ensured the effective operation of the Board, performed his bounden duties, and brought all important matters to discussion in a timely manner, ensuring that the Company had in place good corporate governance practices and procedures and that the Board acted in the best interests of the Company and its Shareholders as a whole. In 2018, the general manager of the Company, Mr. DENG Xiandong was mainly responsible for the overall business operation and management of the Company who was resigned in March 2019. On the same date, the Company appointed Mr. HOU Guoli as the general manager of the Company.

5. Appointment, removal and re-election of Directors

As provided in the Articles of Association, Directors are elected by general meetings for a term of three years and are eligible for re-election and re-appointment. The Company has implemented a set of effective procedures regarding the appointment of new Directors in the Articles of Association. The nomination of new Directors is firstly discussed by the nomination committee of the Company (the "**Nomination Committee**") which then submits its recommendation to the Board, and is subject to approval via the election in general meeting.

The Company has entered into service contracts with all its Directors (including non-executive Directors) for a term commencing from the date of appointment to the date of the next Shareholder's general meeting for the re-election of Directors and subject to termination in accordance with the terms under respective service contracts.

6. Board diversity

The Company believes that the increasing diversity at the Board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company formulated board diversity policy in October 2016 (the "**Board Diversity Policy**"). While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including,without limitation, gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision of the Board will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will report the composition of the Board at a diversity level in the annual report each year, and monitor the implementation of this policy. The Nomination Committee will review this policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

7. Remuneration of Directors

Remuneration of Directors is reviewed by the remuneration and evaluation committee of the Company (the "**Remuneration and Evaluation Committee**") and determined by the Board based on criteria such as qualification, working experience, working performance, positions and market conditions.

8. Training for Directors and Joint Company Secretaries

(1) Training for Directors

All Directors always attend to the Directors' duties and personal integrity, and the business activities and developments of the Company. In 2019, the Directors had been updated on a monthly basis with information relating to the performance, state of affairs and prospects of the Company. In addition, the Company provided Directors with the latest developments in the Listing Rules and other applicable regulatory regulations, to make sure the Directors were able to keep making contribution to the Board with extensive information and appropriate expertise.

Compliance training for Hong Kong listed company provided by Herbert Smith Free hills LLP, the legal advisor of the Company as to Hong Kong laws, to Directors and management of the Company during the Reporting Period (the "**Compliance Training**").

In 2019, all Directors attended the continuous professional development programme,developed and refreshed their knowledge and skills to ensure that they continue contributing to the Board with complete information and as needed.

Trainings received by all Directors during the year 2019 are as follows:

Name	Position	Training topics
JIN Yaohua	Chairman of the Board and non executive Director	Compliance Training
LIU Chuandong	Former non-executive Director	Compliance Training
LIU Guangming	Former non-executive Director	Compliance Training
LI Yi	Former non-executive Director	Compliance Training
DENG Xiandong	Former non-executive Director and former general manager	Compliance Training
SHEN Zhen	Former non-executive Director and former deputy general manager	Compliance Training
LIU Quancheng	Non-executive Director	Compliance Training
LIU Ruixiang	Non-executive Director	Compliance Training
LI Zhenyu	Non-executive Director	Compliance Training
HOU Guoli	Executive Director and general manager	Compliance Training
WANG Yanwen	Executive Director and deputy general manager	Compliance Training
YE Xiang	Independent non-executive Director	Compliance Training
MAO Zhuanjian	Independent non-executive Director	Compliance Training
GAO Jiaxiang	Independent non-executive Director	Compliance Training

(2) Training for Joint Company Secretaries

The Company appointed Ms. ZHU Mei as the Joint Company Secretary in August 2018. In compliance with Rule 3.29 of the Listing Rules, Ms. ZHU Mei, the Joint Company Secretary, had undertaken relevant profession trainings of not less than 15 hours for the year ended 31 December 2019.

The Company appointed Ms. WONG Sau Ping (associate director of the listing services department of TMF Hong Kong Limited) as another Joint Company Secretary since August 2015. In compliance with Rule 3.29 of the Listing Rules, Ms. WONG Sau Ping had undertaken no less than 15 hours of relevant profession training for the year ended 31 December 2019. Her primary internal contact in the Company is Ms. ZHU Mei.

9. Directors' liability insurance and the permitted indemnity provisions

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 31 December 2019, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for Directors.

The permitted indemnity provisions of the Company are also set out in article 158 of the Articles of Association. The Directors, Supervisors, general manager of the Company and other Senior Management member may be relieved of liability for specific breaches of his duty with the informed consent of Shareholders given at a general meeting except for certain circumstances set out under article 58 of the Articles of Association.

III. PROFESSIONAL COMMITTEES UNDER THE BOARD

There are four professional committees under the Board, including the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee and Strategy and Investment Committee.

1. Audit Committee

As at the Latest Practicable Date, the Audit Committee consisted of three Directors, including two independent non-executive Directors, Mr. GAO Jiaxiang and Mr. YE Xiang, and one non-executive Director, Mr. LIU Quancheng. Mr. GAO Jiaxiang currently serves as the chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include, among other things, the following:

- To examine the accounting policies and practices regarding the preparation of financial statements of the Company;
- To monitor the preparation process of periodic financial reports and examine the periodic financial reports, financial results and relevant information disclosed in other announcements;
- To evaluate the effectiveness of the risk management and internal control framework, to consult with the management level regarding the scope and quality of the internal control system, and to ensure that the management level has performed its duties for ensuring the internal control system being effective, including whether the following are sufficient: the resources required, qualifications and experiences of such accounting and financial reporting staff, and the training program and budget to relevant employees;

- To examine the internal investigation results and responses from the management with respect to any and all suspected dishonest acts, non-compliance incidents, absence of internal control or suspected violation of laws, regulations and rules;

- To inspect and monitor the scope, effectiveness and results of the functions of internal examination and verification, to ensure the mutual coordination between the internal and the external auditor(s), and to ensure that the functions of internal examination and verification can be provided with sufficient resources and are in appropriate position within the Group;

- To investigate the financial and accounting policies and practices of the Group;

- To consult with the external auditor(s) for examining and verifying any recommendations arising from audit works to review such management proposal regarding the status of examination and verification whereas such proposal was proposed by auditor(s) to the management level; to check any material questions regarding the accounting record, financial account or control system put forward to the management level by the accounting firm, the feedback of the management level or other correspondence documents; and to ensure effective communication between the independent accountants and the management;

- To ensure that the Board can timely response to the issues to be put forward in the management proposal prepared by the external auditor(s);

- To understand the internal control and related process implemented by the management and guarantee that such financial reports and statements obtained from the existing financial system are in compliance with the relevant standards and requirements and are examined, verified and approved by the management;

- To check and examine the following arrangements made by the Company: the employees of the Company may secretly raise concerns in relation to possible occurrence of inappropriate actions in respect of financial reporting, internal control or other aspects; to ensure that appropriate arrangements will be made to conduct fair and independent investigation and appropriate action will be adopted regarding such matters; and

- To report the Board regarding the matters concerning the provisions of the Code.

During the Reporting Period, the Audit Committee held two meetings, details of which are set out as follows:

- The second meeting of the second session of the Audit Committee was held on 22 March 2019, at which resolutions, among others, regarding (1) "Resolution regarding the Independent Auditor's Report, Audited Financial Statements, Results Announcement and the Annual Report for 2018 of the Company"; (2)"Report on the Final Financial Accounts of the Company for 2018"; (3)"Report on the Final Budget Report of the Company for 2019" (4)"Resolution on the Connected Transactions of the Company in 2018"; (5)"Evaluation Report on the Internal Control of the Company in 2018";(6)"2018 Corporate Governance Report of the Company" were considered and approved.

- The third meeting of the second session of the Audit Committee was held on 28 August 2019, at which resolutions regarding "Resolution on 2019 interim financial statements, results announcement and interim report of the Company" were considered and approved.

The record of attendance is set out as follows:

Member	Number of attendance/ required number of attendance
GAO Jiaxiang *(Chairman of the Audit Committee)*	2/2
YE Xiang(1)	1/2
LIU Quancheng	0/0
LIU Chuandong(2)	0/2

Notes:

(1) Mr. YE Xiang did not attend one of the meetings as he was on a business trip and he authorised Mr. MAO Zhuanjian as his proxy to attend and vote at such meeting.

(2) Mr. LIU Chuandong did not attend one of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at one of the meetings.

2. Nomination Committee

As at the Latest Practicable Date, the Nomination Committee consisted of three Directors, including two independent non-executive Directors, Mr. GAO Jiaxiang and Mr. MAO Zhuanjian, and one non-executive Director, Mr. JIN Yaohua. Mr. JIN Yaohua currently serves as the chairman of the Nomination Committee.

(1) The main duties of the Nomination Committee include, among other things, the following:

- To put forward a proposal regarding the structure of the Board, its scale and constitution (including technique, knowledge and experience) to the Board based on the Company's operational activities, asset scale and equity structure;
- To study the standards and procedures for the selection of Directors and Senior Management members, and to put forward relevant proposals to the Board;
- To extensively search for candidates qualified for Directors and Senior Management members;
- To investigate the candidates for Directors and the candidates for Senior Management members and propose relevant proposals;
- To review and make recommendations on the appointment of other Senior Management member that needs to be brought to the attention of the Board;
- To evaluate the independence of independent non-executive Directors; and
- To propose proposals regarding the appointment or re-appointment of Directors, and the succession plan of Directors (and in particular the chairman and the chief executive) to the Board.

(2) The selection process of Directors and Senior Management of the Nomination Committee is as follows:

- The Nomination Committee shall communicate with relevant departments of the Company and study the demand for Directors and Senior Management and present such information in writing;
- The Nomination Committee may extensively seek for candidates for Directors and Senior Management from the Company, its holding (associate) enterprises and the human resources market;
- The Nomination Committee shall gather information as to the occupation, academic qualifications, title of the post, detailed work experience and all the concurrent posts of the candidates and present such information in writing;
- The nominee shall not be deemed as the candidate for Director or Senior Management unless his/her consent for nomination is obtained;

- The Nomination Committee shall convene a Nomination Committee meeting to review the qualifications of the candidates in accordance with the requirements for Directors and Senior Management;
- The Nomination Committee shall make suggestion to the Board regarding the candidates for the Director and Senior Management position and submit relevant information to the Board ten days prior to the election of new Directors and appointment of new Senior Management; and
- the Nomination Committee shall carry out other follow-up work according to the decision of and feedback from the Board.

(3) Nomination policy:

The terms of paragraphs (1) and (2) above are the main standards and principles to be considered in the nomination of Directors and constitute the nomination policy of the Company. As at the Latest Practicable Date, the Nomination Committee consists of three Directors, including Mr. JIN Yaohua, the chairman and non-executive Director, and two independent non-executive Directors, namely Mr. GAO Jiaxiang and Mr. MAO Zhuanjian. Currently, Mr. JIN Yaohua serves as the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held two meetings, details of which are set out as follows:

- The second meeting of the second session of the Nomination Committee was held on 22 March 2019, at which the resolutions, among others, regarding(1) "Resolution on the Composition of the Board for 2018 and the Implementation of the Board Diversity Policy"; (2)"Resolution regarding the Independence of Independent Non-executive Directors of the Company"; (3)"Resolution on the Nomination Policy of Directors of the Company"; and (4)"Resolution regarding the Board Diversity Policy of the Company" were considered and approved.
- The second meeting of the third session of the Nomination Committee was held on 22 March 2019, at which the resolution, regarding the"Resolution on the Board Diversity Policy of the Company"was considered and approved.

The record of attendance is set out as follows:

Member	**Member of attendance/ required Number of attendance**
JIN Yaohua *(Chairman of the Nomination Committee)*	3/3
GAO Jiaxiang	3/3
MAO Zhuanjian	3/3

3. Remuneration and Evaluation Committee

As at the Latest Practicable Date, the Remuneration and Evaluation Committee consisted of three Directors, including two independent non-executive Directors, Mr. YE Xiang and Mr. MAO Zhuanjian, and one executive Director, Mr. HOU Guoli. Mr. YE Xiang currently serves as the chairman of the Remuneration and Evaluation Committee.

The main duties of the Remuneration and Evaluation Committee include, among other things, the following:

- With respect to the policy and structure of remuneration regarding the Directors and Senior Management members and the establishment of such official and transparent procedures for formulating such remuneration policies, to propose a proposal to the Board;

- To investigate and approve the proposal on the remuneration of the Senior Management based on the corporate principles and goals set by the Board;

- To determine the specific remuneration of all executive Directors and Senior Management members, including but not limited to basic salary, warrant and non-monetary interests, pension and bonus, and indemnified amount (including the indemnification for the loss or termination of position or appointment);

- To propose proposals to the Board regarding the remuneration of non-executive Directors;

- To take consideration of the remuneration paid by similar companies, such time required to be spent by the Directors, scope of duties of the Directors, employment conditions for other positions within the Group, and whether the remuneration shall be determined based on the performance thereof;

- To investigate and approve such compensation required to be paid to executive Directors and Senior Management members due to the loss or termination of their positions or appointment, in order to ensure that such compensation shall be determined pursuant to the relevant contractual terms. Should such determination fails to be made pursuant to the relevant contractual terms, such compensation should be fair and reasonable and should not be too much;

- To investigate and approve such compensation arrangements involving the termination of employment or dismissal of the relevant Directors due to the inappropriate act of such Directors, in order to ensure that such arrangements shall be determined pursuant to the relevant contractual terms. Should such determination fails to be made pursuant to the relevant contractual terms, such relevant compensation should be fair and appropriate;

- To ensure that no Directors nor any associates would determine their own remuneration by themselves;

- To investigate the performance of duties by Directors (non-independent Directors) and Senior Management members and evaluate the annual performance appraisal regarding such Directors and Senior Management officers; and

- To study Share incentive schemes.

During the Reporting Period, the Remuneration and Evaluation Committee held one meeting, details of which are set out as follows:

- The second meeting of the second session of the Remuneration and Evaluation Committee was held on 22 March 2019, at which the resolution, regarding the"Report on the Remuneration policy and Structure of Directors and Senior Management Members of the Company for 2018"was considered and approved.

The record of attendance is set out as follows:

Member	Number of attendance/ required number of attendance
YE Xiang[1] *(Chairman of the Remuneration and Evaluation Committee)*	0/1
MAO Zhuanjian	1/1
DENG Xiandong[2]	0/1
HOU Guoli	0/0

Note:

(1) Mr. YE Xiang did not attend one of the meetings as he was on a business trip and he authorised Mr. MAO Zhuanjian as his proxy to attend and vote at such meeting.

(2) Mr. DENG Xiandong did not attend one of the meetings as he was on a business trip and he authorised Mr. SHEN Zhen as his proxy to attend and vote at such meeting.

4. Strategy And Investment Committee

As at the Latest Practicable Date, the Strategy and Investment Committee consisted of one non-executive Director, one executive Director and one independent non-executive Director including Mr. LIU Ruixiang, Mr. HOU Guoli and Mr. MAO Zhuanjian. Mr. HOU Guoli currently serves as the chairman of the Strategy and Investment Committee.

The main duties of the Strategy and Investment Committee include, among other things, the following:

- To study the long-term development strategy and planning and propose proposals of the Company;
- To study the material investment financing proposals required to be approved by the Board pursuant to the Articles of Association and to propose proposals;
- To study such material capital operation and asset operational projects that are required to be approved by the Board pursuant to the Articles of Association and to propose proposals;
- To consider the acquisition and investment strategies and the annual investment plans of the Company;
- To consider the Company's project evaluation system,which includes effective evaluation institutions and professionals, complete evaluation procedures, reasonable evaluation criteria, and other factors;
- To consider and determine the project acquisition and disposal within the scope as authorized by the Board;
- To study the material issues that may impact the Company's development and propose proposals;
- To carry out examination and checking over the above-mentioned items; and
- To carry out examination and checking over other matters authorized by the Board.

During the Reporting Period, the Strategy and Investment Committee held two meetings, details of which are set out as follows:

- The first meeting of the second session of the Strategy and Investment Committee was held on 22 March 2019, at which the resolutions regarding (1)"Resolution on the Investment Plan of the Company for the year of 2019"; and (2)"Resolution regarding the Banks' Comprehensive Credit of the Company for 2019"were considered and approved.

- The second meeting of the second session of the Strategy and Investment Committee was held on 15 October 2019, at which the resolutions regarding (1) "Resolution on Entering into the Financial Services Agreement with China Datang Group Finance Co., Ltd."; and (2) "Resolution on the Issuance of Bonds of the Company" were considered and approved.

The record of attendance is set out as follows:

Member	**Number of attendance/ required number of attendance**
HOU Guoli *(Chairman of the Strategy Committee)*	0/0
MAO Zhuanjian	0/0
LIU Ruixiang	0/0
DENG Xiandong (1)	1/2
LIU Guangming (2)	1/2
LI Yi (3)	1/2

Notes:

(1) Mr. DENG Xiandong did not attend one of the meetings as he was on a business trip and he authorised Mr. SHEN Zhen as his proxy to attend and vote at the meeting.

(2) Mr. LIU Guangming did not attend one of the meetings as he was on a business trip and he authorised Mr. MAO Zhuanjian as his proxy to attend and vote at the meeting.

(3) Mr. LI Yi did not attend one of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at the meeting.

IV. SUPERVISORY COMMITTEE

As at the Latest Practicable Date, the Supervisory Committee comprised three Supervisors, one of whom is an employee representative Supervisor, including Mr. WANG Yuanchun, Mr. LIU Liming and Mr. CHEN Li. Mr. WANG Yuanchun currently serves as the chairman of the Supervisory Committee, Mr. LIU Liming is the Supervisor, who replaced the position of Mr. MIAO Shihai, former Supervisor, since 31 October 2019, and Mr. CHEN Li is the employee representative Supervisor.

The functions and duties of the Supervisory Committee include but not limited to reviewing the Company's financial reports, supervising the performance of the Company's duties of the Directors and Senior Management and proposing the dismissal of the Directors and Senior Management who are in breach of laws and regulations, the Articles of Association or the resolutions of the general meeting, requiring Directors, the general manager of the Company and other Senior Management to rectify any actions which impair the interests of the Company,proposing to convene the extraordinary general meetings, convening and presiding over the general meeting in the event that the Board fails to perform its duties to convene and preside over the Shareholders' general meetings, putting forward proposals to the Shareholders' general meetings and reviewing the periodic report formulated by the Board and putting forward written opinions on audit.

Each term of office of a Supervisor is three years and he/she may serve consecutive terms if re-elected. A Supervisor shall continue to perform his/her duties in accordance with the laws,administrative regulations and the Articles of Association until a duly re-elected Supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of Supervisors results in the number of Supervisors being less than the quorum.

During the Reporting Period, the Supervisory Committee held three meetings, details of which are set out as follows:

- The second meeting of the second session of the Supervisory Committee was held on 22 March 2019, at which resolutions, among others, regarding (1) "Work Report of the Supervisory Committee of the Company for 2018"; (2) "Resolution regarding the Independent Auditor's Report, Audited Financial Statements, Results Announcement and the Annual Report of the Company for 2018"; (3) "Report on the Final Financial Accounts of the Company for 2018"; (4) "Final Budget Report of the Company for 2019"; (5) "Resolution regarding the Connected Transactions of the Company for 2018"; (6) "Evaluation Report on the Internal Control of the Company for 2018"; (7) "Report on the Use of Raised Fund of the Company"; and (8) "Resolution regarding the Remuneration of Supervisors of the Company for 2019" were considered and approved.

- The third meeting of the second session of the Supervisory Committee was held on 28 August 2019, at which resolution regarding the"Resolution on Recommendation of Candidates for Supervisors of the Company" was considered and approved.

- The fourth meeting of the second session of the Supervisory Committee was held on 27 December 2019, at which resolution regarding the"Resolution on Recommendation of Candidates for Supervisors of the Company" was considered and approved.

The record of attendance is set out as follows:

Member	**Number of attendance/ required number of attendance**
WANG Yuanchun *(Chairman of the Supervisory Committee)*	2/2
LIU Liming *(Appointed in October 2019)*	1/1
CHEN Li	3/3
MIAO Shihai *(Resigned in October 2019)*(1)	1/2

Note :

(1) Mr. MIAO Shihai did not attend one of the meetings as he was on a business trip and he authorised Mr. WANG Yuanchun as his proxy to attend and vote at the meeting.

V. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board has acknowledged its responsibility for preparing the financial statements of the Group for the year ended 31 December 2019. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future, and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Board is responsible for presenting a clear and understandable assessment of the annual and interim reports, inside information, price sensitive information and other disclosures as required under the Listing Rules and other regulatory requirements. The management of the Company has provided such explanation and information to the Board as necessary to enable the Board to make an assessment of the financial information and status of the Group before giving its approval. The Group is not exposed to any material uncertainty that may exert significant impact on the Group's ability to continue as a going concern.

VI. COMPLIANCE WITH THE MODEL CODE FOR DEALING IN THE SECURITIES OF THE COMPANY BY ITS DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Group has adopted the Model Code as the code of conduct for dealing in the securities of the Company by its Directors, Supervisors and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of all Directors and Supervisors of the Company, the Directors and Supervisors of the Company confirmed that they had strictly complied with the standard set out in the Model Code for the year ended 31 December 2019. The Board will examine the corporate governance practices and operation of the Group from time to time to ensure that the Group is in compliance with relevant requirements under the Listing Rules and that the Shareholders' interests are safeguarded.

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established complete and stable risk management and internal control systems, and has formulated a series of rules to ensure that the Company's risk management and internal control work are institutionalized and systematic. The Company has 10 functional departments responsible for works including financial operation and monitoring, risk management, internal audit and anti-fraud. The Company has set up the comprehensive risk management leading group and office, which are responsible for risk management and internal control related work. The Company also establishes full-time risk management positions. The general manager of the Company holds the post of the group leader.

The Company and its subsidiaries carry out risk assessment at the beginning of each year, set risk prevention and control objectives, revise risk assessment standards, collect risk management information, identify key risk sources, assess risk levels, develop risk prevention strategies and improve measures for significant risks, and carry out by the functional departments. The Company focuses on the prior control of major risks, and actively carried out comprehensive risk management. To strengthen internal control, the Company establishes and improves the normalization mechanism of risk assessment, and establishes special risk assessment system for important matters such as significant domestic and foreign investment, major capital operation and management matters and large amount of capital use. The Company has formulated the "Information Disclosure Management System", which stipulates the duties and obligations of various departments in the process of internal information processing, the procedures for the disclosure of periodic reports and interim reports, and the confidential measures and corresponding responsibilities.

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis. The risk management and internal control systems are designed to identify, assess and report on potential risks and implement control measures, to mitigate rather than to completely eliminate the risks associated with achieving our business objectives. These systems provide a reasonable but not absolute assurance against material misstatement or loss.

During the Reporting Period, the Board, through the Audit Committee, reviewed the effectiveness of the risk management and internal control systems of the Group, including financial control, operation control, compliance control, and risk management systems, and was not aware of any material problems or any material mistakes. The Board believes that the current monitoring systems of the Company are effective and that the qualifications and experience of the staff,performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate.

VIII. AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP (collectively, "**Ernst & Young**") were appointed as international and domestic auditors of the Company to audit the financial statements of the Company for the year ended 31 December 2019 prepared in accordance with IFRSs and the PRC GAAP, respectively. Aggregate fees in respect of audit and audit-related services provided by Ernst & Young payable by the Company for the year ended 31 December 2019 were RMB3.40 million. Non-audit services provided by Ernst & Young include services on continuing connected transactions and bond issue at a charge of RMB0.32 million.

IX. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A formal and transparent procedure for fixing the remuneration packages of individual Directors,Supervisors and Senior Management is in place. The Remuneration and Evaluation Committee is responsible for formulating and reviewing the remuneration policies and plans of the Directors, Supervisors, the general manager of the Company and other Senior Management and shall be accountable to the Board. Details of the remuneration for Directors, Supervisors and top five employees in respect of remuneration are set out in Notes 8, 9 and 32(d) to the financial statements in this annual report. For the year ended 31 December 2019, the scope of remuneration for the Senior Management is set out below:

Scope of remuneration *(RMB'000)*	**Number of member of Senior Management**
0–500	8
500–1,000	7

Note: Numbers disclosed above includes the Senior Management and those who are executive Directors and Supervisors.

X. SHAREHOLDERS' GENERAL MEETING

During the Reporting Period, the Company held a total of two Shareholders' general meetings,with attendance of Directors as follows:

Name	Position	Number of attendance/ number of the meeting
JIN Yaohua	Chairman of the Board and non-executive Directors	2/2
LIU Quancheng(1)	Non-executive Director	0/1
LIU Ruixiang	Non-executive Director	1/1
LI Zhenyu(2)	Non-executive Director	0/1
HOU Guoli	Executive Director and general manager	1/1
WANG Yanwen	Executive Director and deputy general manager	1/1
LIU Chuandong	Former non-executive Director	0/0
LIU Guangming(2)	Former non-executive Director	0/0
LI Yi	Former non-executive Director	0/0
DENG Xiandong(3)	Former non-executive Director and former general manager	0/1
SHEN Zhen	Former non-executive Director and former deputy general manager	1/1
YE Xiang	Independent non-executive Director	2/2
MAO Zhuanjian(4)	Independent non-executive Director	1/2
GAO Jiaxiang	Independent non-executive Director	2/2

Notes:

(1) Mr. LIU Quancheng did not attend one of the meetings as he was on a business trip and he authorised Mr. LIU Ruixiang as his proxy to attend and vote at the meeting.

(2) Mr. LI Zhenyu did not attend one of the meetings as he was on a business trip and he authorised Mr. LIU Ruixiang as his proxy to attend and vote at the meeting.

(3) Mr. DENG Xiandong did not attend one of the meetings as he was on a business trip and he authorised Mr. SHEN Zhen as his proxy to attend and vote at the meeting.

(4) Mr. MAO Zhuanjian did not attend one of the meetings as he was on a business trip and he authorised Mr. GAO Jiaxiang as his proxy to attend and vote at the meeting.

XI. COMMUNICATION WITH SHAREHOLDERS

The Company highly appreciated Shareholders' opinions and advice, actively organised various investor relations activities to maintain connections with Shareholders and made timely responses to the reasonable requests of Shareholders.

The Company has also adopted a set of dividend policy, and the actual dividends declared and paid to Shareholders depend on a series of factors. For specifics of the dividend policy, please refer to the Prospectus.

1. Shareholders' rights

The Board is committed to communicating with Shareholders and makes disclosure in due course about the Company's major developments to Shareholders and investors of the Company. The general meeting of the Company provides Shareholders and the Board with good communication opportunities. Notices on convening general meetings are dispatched to all Shareholders at least 45 clear days prior to the general meeting.

The Company's general meetings include annual general meetings, which are held once each year within 6 months from the close of the preceding financial year, and extraordinary general meetings, which are convened in compliance with the Articles of Association and whenever the Board considers appropriate. Shareholders, individually or jointly, holding a total of more than 10% (inclusive) of the Company's issued and outstanding Shares carrying voting rights are entitled to requests in writing for convening an extraordinary general meeting. And such meetings shall be held within 2 months after the requisition is presented.

Shareholders who wish to put forward proposals during the general meeting may raise their hands and speak in order of registration at any time after the resolutions to be considered at the meeting are announced. The Directors, Supervisors and members of Senior Management shall respond to the questions and suggestions from Shareholders.

The Chairman and the chairmen of all committees under the Board (or, in whose absence,other members of the committees) will answer question(s) at the general meetings. Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Poll results are deemed resolutions of the meeting.

The Board encourages Shareholders to attend general meetings to communicate directly concern(s) they may have with the Board or the management of the Company. Shareholders holding 3% or more of the Company's Shares with voting right have the right to put up ad hoc proposals in writing to the Company, and the Company shall include such ad hoc proposals into the agenda for such general meeting if they are matters falling within the functions and powers of general meeting. The ad hoc proposals raised by Shareholders shall satisfy the following requirements: (i) free of conflicts with the provisions of laws and regulations, and fall into the terms of reference of the general meeting; (ii) with definite topics to discuss and specific matters to resolve; and (iii) submitted or served to the Board in writing 10 days prior to the date of the general meeting.

Detailed voting procedures and resolutions being voted on by way of poll are contained in the circulars dispatched to Shareholders.

2. Shareholders' inquiries

If you have any query in connection with your shareholdings, including Shares transfer, change of address or wish to report loss of Shares or dividend warrant, please write to or contact the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at:

Shops 1712–1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong
Tel: (852) 2862-8555
Fax: (852) 2865-0990
Website: www.computershare.com.hk

3. Investor relations and communications

The Company set up a website at www.dteg.com.cn, as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner. The primary contact of the Company is Mr. WANG Xiaofeng at (email: ir@dteg.com.cn or tel: +86 10 5838 9858).

XII. CHANGE OF CONSTITUTIONAL DOCUMENTS

On 27 June 2019, the Company passed a resolution at the extraordinary general meeting to make amendments to the then applicable Articles of Association. The aforementioned version of Articles of Association has been published on the website of the Stock Exchange. Save for the above, the Company has not made any significant changes to the Articles of Association during the Reporting Period.

XIII. SIGNIFICANT SUBSEQUENT EVENT

The significant subsequent events occurred after 31 December 2019 are set out in Note 36 to the financial statement in this annual report.

I. EVENTS RELATING TO INVESTOR RELATIONS IN 2019

1. Investors' routine visits

During the Reporting Period, the Group always gave detailed answers to the queries raised by investors and analysts in compliance with the information disclosure rules. As at the end of 2019, the Company had adequate communications and exchange of ideas with investors and analysts from a number of institutions via meetings, telephone calls, emails and WeChat.

2. Participation in investment summits

During the Reporting Period, the Group actively participated in major summits and investment forums in the PRC and Hong Kong organised by world-famous investment banks, at which we had one-on-one or group meetings to promote in-depth communication with important global investors.

3. Results briefings

During the Reporting Period, the Company published its 2018 annual results and 2019 interim results. In March 2019, the management of the Company visited Hong Kong to hold a road show for 2018 annual results, organised a press conference, and eleven one-on-one meetings with investors. In August 2019, the management of the Company held the 2019 interim results presentation and the conference call with investors.

II. OUTLOOK FOR MANAGEMENT OF INVESTOR RELATIONS IN 2020

In 2020, the Company will focus more on demands of investors and analysts, pay close attention to important policies of the environmental protection and energy conservation industry,timely make public disclosable information and continuously improve the timeliness an completeness of data disclosure to provide the public with timely access to complete business information.

Report of the Supervisory Committee

In 2019, all members of the Supervisory Committee have earnestly performed their supervisory functions to safeguard the rights and interests of the Group and the Shareholders in accordance with the Company Law, the Articles of Associations, the Rules of Procedures of the Supervisory Committee and the relevant provisions in the Listing Rules.

I. CHANGES IN COMPOSITION

In August 2019, Mr. MIAO Shihai resigned as Supervisor with effect from 31 October 2019 due to work adjustment. Mr. LIU Liming has been elected and appointed as Supervisor at the general meeting of the Company held on 31 October 2019 to replace Mr. MIAO Shihai and as a member of the Supervisory Committee, with effect from 31 October 2019. For details, please refer to the announcement of the Company dated 31 October 2019 with respect to resignation and appointment of Supervisors.

In December 2019, WANG Yuanchun resigned as Supervisor with effect from the date on the appointment of the new candidate for Supervisor considered and approved at the next general meeting due to personal reasons such as discipline inspection and supervision investigation. For details, please refer to the announcement of the Company dated 27 December 2019 with respect to resignation and appointment of Supervisors.

II. MEETINGS OF THE SUPERVISORY COMMITTEE

During the Reporting Period and as at the Latest Practicable Date, the Supervisory Committee held three meetings, details of which are set out as follows:

- The second meeting of the second session of the Supervisory Committee was held on 22 March 2018, at which resolutions, among others, regarding (1) Work report of the Supervisory Committee of the Company for 2018; (2) in relation to the independent auditor's report, audited financial statements, results announcement and the annual report of the Company for 2018; (3) report on the final financial accounts of the Company for 2018;(4) final budget report of the Company for 2019; (5) in relation to the connected transactions of the Company for 2018; (6) evaluation report on the internal control of the Company for 2018; (7) report on the use of raised fund of the Company;and (8) report on the remuneration policy of Supervisors of the Company for 2018 were considered and approved.

- The third meeting of the second session of the Supervisory Committee was held on 28 August 2018, resolution regarding the nomination of candidates for Supervisor of the Supervisory Committee of the Company was considered and approved.

- The fourth meeting of the second session of the Supervisory Committee was held on 27 December 2018, resolution regarding the the nomination of candidates for Supervisor of the Supervisory Committee of the Company was considered and approved.

III. PRINCIPAL INSPECTION AND SUPERVISION WORK OF THE SUPERVISORY COMMITTEE IN 2019

1. Members of the Supervisory Committee carried out supervision and inspection of the financial position of the Company and its risk management and internal control systems such as the financial management system, including regular inspections of the financial reports and financial budgets and irregular reviews of accounting documents and books of the Company.

2. Members of the Supervisory Committee attended all general meetings and Board meetings without voting rights during the Reporting Period, exercising supervision in respect of the lawfulness and compliance of the procedures of the matters considered by the Board meetings.

3. The Supervisory Committee made no objection to the reports and motions tabled at the general meetings and were convinced that the Board had faithfully implemented the resolutions approved by the general meetings.

IV. INDEPENDENT OPINIONS ISSUED BY THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Operation and management of the Company

During the Reporting Period, the Company maintained a stable development in its general operation, and achieved a breakthrough in the business segments such as denitrification catalysts and water treatment. The management of the Company attached great importance to safety management and ensured smooth situation in production safety; actively promoted technological innovation and achieved a series of research outcomes; vigorously developed external markets and expanded client bases significantly; continuously improved the level of management in core business. The management of the Company faithfully fulfilled their duties and responsibilities as stipulated in the Articles of Association and earnestly implemented the resolutions approved by the Board.

2. Financial matters of the Company

Members of the Supervisory Committee monitored and examined the financial management system and the financial condition and reviewed relevant financial information of the Company. Upon examination, the Supervisory Committee concluded that the Company had strictly complied with the relevant financial laws, regulations and financial policies, and that the financial management system was sound and implemented effectively; the accounting treatment was in line with the consistency principles; and the Company's financial reports gave an objective and fair view of the financial position and operating results of the Company.

The Supervisory Committee reviewed the standard and unmodified audit opinion issued by Ernst & Young in respect of the consolidated financial statements of the Group for the year ended 31 December 2019 prepared in accordance with IFRSs, and raised no objection to such reports.

3. Connected transactions

The Supervisory Committee reviewed the connected transactions between the Group and its respective connected persons during the Reporting Period, and was of the opinion that all the connected transactions complied with the relevant requirements of the Stock Exchange and other applicable laws, and that the pricing of the connected transactions was reasonable, open and fair and there was not any matter prejudicial to the interests of the Company or Shareholders as a whole.

4. Implementation of the resolutions of general meetings

The Supervisory Committee considered that the Board earnestly implemented the resolutions approved by the general meetings; the Company further perfected and improved various risk management and internal control mechanisms; that the Company disclosed significant information about the Company in a timely manner pursuant to the securities regulatory requirements such that the information was disclosed in a regulated manner and the securities trading system for the informed parties of insider information was conducted well; that the Directors and Senior Management were able to implement conscientiously and thoroughly relevant laws and regulations, the Articles of Association and the resolutions of the general meetings and the Board during the execution of the duties of the Company in a faithful, pioneering and aggressive manner; and that no Directors or Senior Management were found to have acts which violated laws, regulations or the Articles of Association or harmed the interests of the Company and the rights or interests of Shareholders during the execution of their duties.

5. Internal control of the Company

The Supervisory Committee made a special explanation of the Company's internal control. It was of the view that the Company abode by the basic principle of internal control based on its development strategies and regulatory requirements, and further improved the risk management and internal control systems in line with its own actual situation to so that the Company was able to give a reasonable assurance that the internal control objective would be achieved. In addition, the Company has established a complete internal control organizational structure to ensure that its risk management and internal control systems will be monitored and implemented effectively and its control and management capability will continue to increase.

6. Use of proceeds by the Company

The Supervisory Committee monitored the utilization of the proceeds by the Company. It was of the view that the Company was able to manage and utilize the proceeds in accordance with the applicable laws and regulations as well as the commitments made by it in the Prospectus. The Supervisory Committee will continue to oversee and inspect the utilization of the proceeds.

By order of the Supervisory Committee
Wang Yuanchun
Chairman of the Supervisory Committee

I. NON-EXECUTIVE DIRECTORS

Mr. Jin Yaohua (金耀華)

born in April 1960, is the chairman of the Board and a non-executive Director. Mr. Jin had approximately 40 years of working experience in the power industry. Before joining the Company, Mr. Jin successively served as the technician, engineer, deputy director, director, and secretary of Communist Party Branch at the Thermal Workshop of Huabei Power (華北電力試驗所) from August 1982 to January 1994. He then worked in the Science Research Institute of Huabei Power (華北電力科學研究院) serving successively as the deputy secretary of the Communist Party Committee, vice dean and deputy secretary from January 1994 to September 1996. Mr. Jin was the secretary of the Communist Party Committee and deputy manager of Zhangjiakou Power Plant (張家口發電廠) from September 1996 to February 1998; and he was the manager of Qinghuangdao Thermal Power Plant (秦皇島熱電廠) from February 1998 to November 1999. Between November 1999 and January 2003, Mr. Jin successively served as the deputy chief engineer, chief engineer and deputy general manager of Beijing Datang Power Generation Co., Ltd. (北京大唐發電股份有限公司). Mr. Jin held various positions at China Datang from January 2003 to August 2011, including the director of the safety production department, deputy chief engineer and chief engineer; and he has been serving as the deputy general manager of China Datang commencing from August 2010. Mr. Jin has been serving as the member of Communist Party Committee of China Datang since December 2019. From April 2010 to August 2014, Mr. Jin served as the director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744). Mr. Jin obtained a bachelor's degree in thermal surveying and automation of power plants at the School of Water Resources and Electric Power of Wuhan University (武漢水利電力學院) in 1982. Mr. Jin was recognized as a senior engineer by the North China Electric Power Administration Bureau (華北電業管理局) in October 1992.

Mr. Liu Quancheng (劉全成)

born in October 1963, is a non-executive Director. Mr. Liu has over 30 years of work experience in the power industry. Mr. Liu Quancheng has worked in the Xinxiang Thermal Power Plant (新鄉火電廠) and has successively served as the vice director, director, deputy chief accountant and chief accountant of its finance division from August 1983 to August 2001. He served as the chief accountant of Luoyang Shouyangshan Power Plant (洛陽首陽山電廠) from August 2001 to September 2005, and successively served as the director of the supervision and audit department, the deputy chief accountant and director of the finance and property management department and chief accountant of the Henan branch of China Datang from September 2005 to December 2013, vice director of the finance and management department of China Datang from December 2013 to January 2015, chief accountant of Datang International Power Generation Company Limited from January 2015 to December 2015, and director of the finance and management department of China Datang from December 2015 to March 2020. Mr. Liu Quancheng has been serving as the director of financial business department of China Datang, the chairman and secretary of the Communist Party Committee of Datang Finance. Mr. Liu Quancheng has graduated from Zhongnan University of Finance and Economic in finance and accounting in 1994, graduated from Huazhong University of Technology in philosophy of science and technology in 1998 with a master's degree of philosophy, and was ascertained the qualification of senior accountant by the Central China Electric Power Administration in May 1998. In addition, Mr. Liu Quancheng also held directorship in other listed companies and he served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) since June 2016.

Mr. Liu Ruixiang (劉睿湘)

born in March 1963, is a non-executive Director. Mr. Liu has over 30 years of work experience in the power related industries. Mr. Liu Ruixiang has worked in the Baqiao Thermal Power plant (灞橋熱電廠) and has successively served as its deputy chief engineer, chief engineer, and vice plant manager from August 1982 to July 2000. He served as the deputy general manager of Xi'an Baqiao Thermal Power Co., Ltd. (西安灞橋熱電有限責任公司) from July 2000 to January 2001, the director of the resin plant of Xi'an Power and the deputy general manager of Shaanxi Galaxy Electric Power Co., Ltd(陝西電力銀河有限公司) from January 2001 to March 2002, the deputy general manager of Shaanxi Electric Power Generation Co., Ltd. (陝西電力發電有限公司) from March 2002 to June 2003, the general manager of Xi'an Baqiao Thermal Power Co., Ltd. and the plant manager of the Baqiao Thermal Power plant (灞橋熱電廠) from June 2003 to June 2004, the deputy general manager of Datang Shaanxi Power Generation Co., Ltd. from June 2004 to December 2014, and the general manager and the secretary of the Communist Party Committee of the Ningxia branch of China Datang from December 2014 to December 2016. Mr. Liu also successively held positions as the secretary of the Communist Party Committee, the deputy general manager, the general manager and the deputy secretary of the Communist Party Committee of the China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) from December 2016 to March 2019 and has served as the director of the production and operation department of China Datang from March 2019 to March 2020. Mr. Liu Ruixiang has been serving as the chairman and secretary of the Communist Party Committee of the Tianjin Branch of China Datang since March 2020. Mr. Liu Ruixiang has graduated from the Correspondence Institute of the Party School of the CPC Central Committee (中共中央黨校函授學院) in economics in 1994 and was granted the qualification of senior engineer by the Northwest Electric Power Administration in December 1999. In addition, Mr. Liu Ruixiang also held directorship in other listed companies and he served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) since September 2019.

Mr. Li Zhenyu (李震宇)

born in August 1975, is a non-executive Director. Mr. Li has nearly 20 years of work experience in respect to accounting. Mr. Liu Ruixiang has successively served as an accountant, vice director of the audit office of the finance department and vice director of the finance department of Hunan Huayin Electric Power Co., Ltd. (湖南華銀電力股份有限公司) from July 1998 to September 2005. During the period of September 2005 to June 2008, Mr. Li served as the power price comprehensive director of the finance and equity management of China Datang Group, and successively acted as the vice director(presiding over work) and director of the finance and asset management department, and the deputy chief accountant and director of the finance and asset management department of the China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) from June 2008 to December 2013. He served as the chief accountant and a Party member of Datang Shandong Power Generation Co., Ltd. from December 2013 to August 2016, the chief accountant and a Party member of the Company from August 2016 to August 2017 and the vice director of the finance department and the vice director (presiding over work) of the capital operation and equity management department of China Datang from August 2017 to March 2020. Mr. Li Zhenyu has been serving as the deputy director of the investment and cooperation department (capital operation department) of China Datang since March 2020. Mr. Li Zhenyu has graduated from the Changsha Electric Power Technical College in accounting in June 1998 with a bachelor's degree of economics and graduated from the Business School of Wuhan University in economics with a master's degree of economics in June 2001. Mr. Li Zhenyu was ascertained the qualification of senior accountant in December 2011. In addition, Mr. Li Zhenyu also held directorship in other listed companies and he served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) since June 2019.

II. EXECUTIVE DIRECTORS

Mr. Hou Guoli (侯國力)

born in December 1962, served as the general manager and deputy secretary of the Communist Party Committee of the Company since March 2019 and the executive Director since October 2019. Mr. Hou Guoli possessed over 30 years of work experience in the power industry and used to be responsible for the business operation and management of various electric power enterprises. Before joining the Company, Mr. Hou Guoli successively worked as a specialized technician, deputy director and director of the biotechnology division in the Liangzihe Power Plant (亮子河發電廠) from August 1984 to April 1993. He served successively as the deputy chief engineer, chief engineer, deputy plant manager and plant manager in Jiamusi No. 2 Power Plant (佳木斯第二發電廠) from April 1993 to July 1997. He served successively as the secretary of the Communist Party Committee and general manager of Qitaihe No.1 Power Generation Co., Ltd. (七台河第一發電有限責任公司) from July 1997 to August 2004. He served as the deputy director of production safety department of China Datang from August 2004 to April 2008. He worked for Datang Shaanxi Power Generation Co., Ltd. (大唐陝西發電有限公司) from April 2008 to July 2013, serving successively as the secretary of the Communist Party committee and general manager, and the general manager and deputy secretary of the Communist Party Committee. From July 2013 to December 2016, he served successively as the general manager and secretary of the Communist Party Committee, and the general manager and deputy secretary of the Communist Party Committee in the Hunan Branch of China Datang (中國大唐湖南分公司) and Datang Huayin. From December 2016 to March 2019, he served successively as the general manager and deputy secretary of the Communist Party Committee, and chairman and secretary of the Communist Party Committee in China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司). Mr. Hou Guoli graduated from Power Engineering Department of Northeast Electric Power University (東北電力學院) and obtained the Bachelor of Engineering in thermal power engineering for power plants in July 1984. Mr. Hou Guoli received special governmental allowance granted by State Council of the People's Republic of China in December 2016. He was accredited as a professor level senior engineer by the assessment centre for talents of China Datang in January 2018.

Mr. Wang Yanwen (王彥文)

born in November 1964, has been serving as the secretary of the Party Committee and deputy general manager of the Company since July 2019 and the executive Director since October 2019. Mr. Wang has over 30 years of extensive experience in the power industry. Prior to joining the Company, Mr. Wang served as an electrical technician of the engineering department, the head of the microwave office, specialized engineer and deputy director of the Communication Branch, as well as director of the communication engineering office of the repair and maintenance engineering division, the Party branch secretary of the heating ventilation department and head of the fuel management department of Shuangyashan Power Plant (雙鴨山發電廠) from February 1985 to July 1998, head of the general office of Heilongjiang Power Fuel Corporation (黑龍江省電力燃料總公司) from July 1998 to February 2004, head of the Heilongjiang transportation office of Datang Power Fuel Co., Ltd. (大唐電力燃料有限公司) from February 2004 to December 2004, deputy director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. (大唐黑龍江發電有限公司) and deputy general manager of Datang Heilongjiang Power Fuel Co., Ltd. (大唐黑龍江電力燃料有限公司) from December 2004 to October 2006, director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. and general manager of Datang Heilongjiang Power Fuel Co., Ltd. from October 2006 to March 2010, vice chief economist and director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. and general manager of Datang Heilongjiang Power Fuel Co., Ltd. from March 2010 to August 2010, vice chief economist, vice chief economist and director of the ideological and political department as well as deputy secretary of the party committee directly administered by the company and director of the labor union office of Datang Heilongjiang Power Generation Co., Ltd. from August 2010 to January 2015, a member of party committee, head of the discipline inspection committee, chairman of the labor union and head of the discipline inspection committee of Datang Jilin Power Generation Co., Ltd. (大唐吉林發電有限公司) from January 2015 to December 2016, deputy director of the fuel management department of China Datang from December 2016 to December 2017, secretary of the party committee, deputy general manager, chairman and secretary of the party committee of Datang Power Fuel Co., Ltd. from December 2017 to July 2019. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) in July 1996 majoring in computer and application.

III. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ye Xiang (叶翔)

born in January 1964, is an independent non-executive Director. Mr. Ye possessed over 20 years of extensive work experience in the industries relating to finance, banking and regulation. Mr. Ye was an economist of the PBOC from August 1994 to July 1998, and he worked for Hong Kong Monetary Authority (香港金融管理局) as a senior analyst from August 1998 to July 2000. Mr. Ye served as the executive director of the Bank of China International Holdings Limited (中銀國際控股有限公司) from August 2000 to July 2001. During the period from August 2001 to October 2007, he served successively as the director of China affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye has been acting as the managing director of Vision Gain Capital limited (匯信資本有限公司) since November 2007; an independent director of UBS Securities LLC (瑞銀證券有限責任公司) since March 2010; and a member of the Public Shareholders Group of the SFC since April 2015. In addition, Mr. Ye has held directorship in other listed companies, including the position of independent non-executive director of Wuling Motors Holdings Limited (五菱汽車集團控股有限公司) (a company listed on the Stock Exchange, stock code: 0305) since October 2008 and the position of independent director of Shenzhen Shenxin Taifeng (Group) Co., Ltd. (深圳市深信泰豐(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000034) since June 2011, and has been serving as an independent non-executive director of 51 Credit Card Inc. (a company listed on the Stock Exchange, stock code: 2051) since February 2018 and an independent non-executive director of Jinshang Bank Co., Ltd. (晉商銀行股份有限公司) (a company listed on the Stock Exchange, stock code: 2558) since December 2018. Mr. Ye obtained a doctoral degree in economics at the Financial Research Institute of the PBOC (中國人民銀行總行金融研究所) in 1995. Mr. Ye was accredited as a chartered financial analyst by the CFA Institute (特許金融分析師學會) in September 2004.

Mr. Mao Zhuanjian (毛專建)

Born in June 1953, is an independent non-executive Director. Mr. Mao possessed extensive experience in the environmental protection, energy conservation and clean production of the power industry. Mr. Mao currently serves as the senior expert of the energy conservation and environmental protection division of CEC (中電聯節能環保分會), member of the specialized committee for energy and environment of China Energy Research Society (中國能源研究會能源與環境專業委員會), member of the specialized committee for electric power and environmental protection of the Chinese Society for Electrical Engineering (中國電機工程學會電力環保專業委員會) and member of the low-carbon economics taskforce of the China Association of Plant Engineering Consultants (中國設備監理協會低碳經濟工作委員會). Before joining the Company, Mr. Mao was the engineer and deputy head of the environmental protection office of the planning department of the Ministry of Water and Power Industry (國家水電部) from February 1986 to November 1988. Between November 1988 and November 1993, Mr. Mao served as the deputy head of the Environmental Protection and Management Division (環境保護管理處) under the environmental protection center for CEC (中電聯環境保護中心). From November 1995 to September 2005, he served as director of the consulting division of CEC Electric Power Construction Technical Center (中電聯電力建設技術中心) under the State Power Corporation. From October 2005 to June 2017, he served successively as the manager of environmental protection division and the manager of climate change response division under the CEC, the vice secretary for the National Collaborative Network for Desulfurization and Denitrification Technologies for the Power Industry (全國電力行業脱硫脱硝技術協作網), and the deputy secretary and deputy secretary general for the energy conservation and environmental protection sub-division under the CEC. Mr. Mao graduated from Guizhou Industrial College (貴州工學院) in 1976, majoring in inorganic chemistry. Mr. Mao was accredited as a professor-level senior engineer by the Ministry of Power Industry in April 1999 and was engaged by the energy conservation and environmental protection sub-division under CEC as a core professional for CEC (中電聯核心專家) in June 2014. Mr. Mao was twice accredited as an expert in the expert reserves for environmental protection and energy conservation professionals for the power industry (電力行業環保節能專家庫專家) by CEC in October 2013 and August 2014, respectively.

Mr. Gao Jiaxiang (高家祥)

Born in January 1974, is an independent non-executive Director. Mr. Gao has considerable work experience in internal and external corporate audit, investment, merger and acquisition, restructuring and corporate valuation. Before joining the Company, Mr. Gao served as an audit manager at Xinxiang Juzhongyuan Certified Public Accountants (新鄉巨中元會計師事務所有限責任公司) from May 1996 to July 2003. He then worked at the Beijing branch of Nanfang Minhe Certified Public Accountants (南方民和會計師事務所北京分所) as the manager of audit department from August 2003 to June 2006. He worked as the manager at Beijing Zhonghe Dingxin Certified Public Accountants (北京中和鼎信會計師事務所) from July 2006 to August 2007 and the manager at Beijing Tianyuanquan Certified Public Accountants (北京天圓全會計師事務所) from September 2007 to February 2009. He then served as the chief financial officer of Beijing Guanshi Foundation International Investment Management Company Limited (北京管氏基業國際投資管理有限公司) from March 2009 to June 2017. Mr. Gao served as the chief financial officer of Risun Chemical Co., Ltd. (旭陽化工有限公司) during the period from June 2017 to October 2017, and has been serving as an executive director and the general manager of Beijing Huamai Huizhong Technology Co., Ltd. (北京華麥惠眾科技有限公司) since October 2017. Mr. Gao graduated from Central University of Finance and Economics (中央財經大學) in January 2009 and obtained a bachelor's degree in accounting. He then obtained an MBA from Central University of Finance and Economics (中央財經大學) in June 2016. He was accredited as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2003 and as a certified tax agent by Henan Certified Tax Agent Management Center (河南省註冊稅務師管理中心) in June 2002.

IV. SUPERVISORS

Mr. Wang Yuanchun (王元春)

born in November 1963, is the chairman of the Supervisory Committee. He had approximately 30 years of working experience in the power related industries. Prior to joining the Company, Mr. Wang served successively as the director of the boiler department, specialized technician of the biotechnology division manager of the biotechnology division, and deputy plant manager and the engineer of Hancheng Power Plant (韓城發電廠) under Datang Shaanxi Power Co., Ltd. (大唐陝西發電有限公司) from July 1986 to September 1999. Mr. Wang worked as the deputy head of Baoji Power Plant (寶鷄發電廠) from September 1999 to April 2001, the deputy general manager at the North West Power Development Co., Ltd. (西北電力開發有限責任公司) from April 2001 to October 2001, and the general manager at Xi'an Baqiao Thermal Power Co., Ltd. (西安灞橋熱電有限責任公司) from October 2001 to June 2003. From June 2003 to November 2006, he successively served as the deputy general manager, general manager, member of and secretary of the Communist Party Committee at Hancheng No. 2 Power Co., Ltd. (韓城第二發電有限責任公司). From November 2006 to July 2013, he successively served as the deputy manager of the engineering management department of China Datang, the member of the Communist Party Committee, vice secretary and secretary of the Communist Party Committee, deputy general manager and general manager at the Shanxi Branch of China Datang (中國大唐山西分公司). Mr. Wang has been serving as the deputy director of the disciplinary team of the Communist Party Committee of China Datang and the director of monitoring division (the office of disciplinary team) of the Communist Party Committee of China Datang since July 2013, and the director of inspection office of China Datang (中國大唐巡視工作辦公室) since February 2015, and the director and secretary of Communist Party Committee of China Datang Techno-Economic Research Institute (中國大唐集團技術經濟研究院) since June 2017 but he has ceased to serve as the director of monitoring division (the office of disciplinary team of the Communist Party Committee) of China Datang since October 2017, the director and secretary of Communist Party Committee of China Datang Techno-Economic Research Institute from December 2017, and deputy director of disciplinary inspection group of the Party committee of China Datang from November 2019. Mr. Wang obtained a bachelor's degree in thermal power engineering fo power plants in 1986 from Xi'an Jiaotong University (西安交通大學), where he further obtained a master's degree in electronic and information engineering from the same university in 2001. Mr. Wang was accredited as a senior engineer by the Northwest Electric Power Administration (西北電業管理局) in December 1997. Mr. Wang Yuanchun has resigned as the Supervisor and the chairman of the Supervisory Committee on 27 December 2019 due to personal reasons of receiving disciplinary review and supervisory investigation, with effect from the date on the appointment of the new candidate for Supervisor considered and approved at the next general meeting.

Mr. Liu Liming (柳立明)

born in February 1972, a Supervisor. Mr. Liu has over 20 years of extensive work experience in auditing of the power related industries. He has worked in the audit office of Beijing Power Supply Company(北京供電公司) form December 1996 to March 2003. He has successively served as a member and a vice director of the audit division I, a vice director and director of the audit division III of the audit department, and a deputy manager of the audit department of China Datang Group from March 2003 to April 2018. During the period from April 2018 to July 2019, Mr. Liu held the positions of vice schoolmaster and chief accountant of China Datang Corporation Cadre Training College(中國大唐集團幹部培訓學院). He served as a vice director of the legal affairs department of China Datang Corporation Ltd. from July 2019 to March 2020, and has served as director of China Datang Guangzhou Audit Centre and Guangzhou Legal Affair Centre since March 2020. Mr. Liu Liming has graduated from Changsha Electric Power Technical College(長沙電力學院) with accounting profession in 1996 and was granted the qualification of intermediate accountant by the Ministry of Finance in May 2002.

Mr. Chen Li (陳利)

born in August 1966, an employee representative Supervisor. Mr. Chen has 29 years of work experience in the power industry. He has served as a director of the ideological and political work department of the Company since October 2017. Before joining the Company, from July 1989 to April 2008, Mr. Chen worked for Beijing General Power Equipment Plant (北京電力設備總廠) and successively served as the assistant engineer for product design of the research institute, a deputy plant manager of the closed busbars plant, a deputy plant manager and the division head of sales and marketing division, plant manager, deputy chief engineer of the plant management office, deputy chief engineer and director of the information center, deputy chief engineer and the manager of the quality assurance department, deputy chief engineer and deputy general manager of grinding mill division and director of sales and marketing technical division. From April 2008 to February 2009, Mr. Chen served as the deputy general manager of mechanical transportation division of China Datang Technologies and Engineering Co., Ltd. (中國大唐集團科技工程有限公司) ("**Technologies & Engineering Company**"). From February 2009 to September 2009, he served as a deputy general manager of Beijing Datang Hengtong Mechanical Transport Co., Ltd. (北京大唐恒通機械輸送技術有限公司). From September 2009 to February 2012, he served as the deputy head of the production preparation team for denitrification catalyst of Technologies & Engineering Company. From February 2012 to October 2012, he served as the deputy general manager (in charge) of Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限公司). From October 2012 to June 2014, he served as the executive deputy general manager of Beijing Datang Hengtong Mechanical Transport Co., Ltd. From June 2014 to January 2015, he served as the deputy general manager (in charge) of Beijing Datang Hengtong Mechanical Transport Co., Ltd. Mr. Chen served successively as the deputy director (in charge) of the general manager's office (international cooperation department), the director of the general manager's office (international cooperation department), the director of inspection audit unit, the director of ideological and political work department, the deputy chief economist and director of ideological and political work department from January 2015 to present. Mr. Chen graduated from Xi'an Jiaotong University (西安交通大學) majoring in electrical appliances of electrical engineering and obtained a bachelor's degree in engineering in 1985. Mr. Chen was accredited as a senior engineer by the State Power Corporation on 31 December 1999.

V. SENIOR MANAGEMENT

Mr. Liu Weihua (劉維華)

born in March 1961, served as the deputy general manager of the Company since August 2018. Prior to joining the Company, Mr. Liu Weihua served as a soldier of Unit 87401 of People's Liberation Army of China from November 1979 to December 1980. From December 1980 to June 1988, he served as a worker and technician of Electric Power Division of Jilin Thermal Power Plant (吉林熱電廠電氣分場). From June 1988 to November 2006, he worked at Changchun No. 2 Thermal Power Plant (長春熱電二廠) (renamed subsequently as Changchun No. 2 Cogeneration Power Co., Ltd. (長春第二熱電有限責任公司)), where he served successively as a special worker, an inspector of the inspection office, the deputy secretary of the Youth League Committee, Party branch secretary of the party and mass department, vice president and president of the Labor Union, deputy general manager and secretary of the Party Committee of the Electric Power Division. He served as the director of Datang Changshan Power Plant (大唐長山電廠) from November 2006 to September 2009, served concurrently as the director of Preparation Team of Datang Da'an Power Generation Project (大唐大安發電項目籌建處) and head of Party Committee Preparation Team (黨委籌備組) from January 2008 to September 2009, and served concurrently as the director of Preparation Team of Datang Songyuan Power Generation Project (大唐松原發電項目籌建處) from March 2008 to September 2009. From September 2009 to July 2018, he worked at Datang International Power Generation Co., Ltd. Guangdong Branch (大唐國際發電股份有限公司廣東分公司), where he served successively as a member of the Party Organization, the deputy general manager, a member of the Party Organization, the managing deputy general manager, general manager, secretary to the Party Organization, general manager and deputy secretary of the Party Organization. He served concurrently as the general manager of Guangdong Fengsheng Shantou Power Generation Co., Ltd. (廣東豐盛汕頭發電有限公司) from September 2009 to December 2012, the director of the preparation office of Guangdong Datang International Fengsheng Power Plant (廣東大唐國際豐盛電廠) from February 2010 to December 2012, the managing deputy general manager of Guangdong Datang International Chaozhou Power Generation Company Limited (廣東大唐國際潮州發電有限公司) from January 2011 to December 2012, and the general manager and deputy secretary of the Party Committee of China Datang Guangdong Branch (中國大唐集團有限公司廣東分公司) from December 2017 to July 2018. Mr. Liu took undergraduate correspondence courses on power plant and power system automation from the School of Power Engineering of Northeast China Institute of Electric Power (東北電力學院) from September 1981 to July 1987, and majored in project management at Northeast Electric Power University (東北電力大學) from December 2004 to March 2008 and obtained a master's degree in engineering. In December 2002, he was granted the qualification of senior engineer by Senior Specialised Technique Qualification Evaluation Committee of State Power Corporation of China (國家電力公司高級專業技術資格評審委員會).

Mr. Chen Song (陳崧)

born in May 1968, has been serving as the chief accountant and a member of the Party Committee of the Company since July 2019. Mr. Chen has nearly 30 years of experience in power industry. Prior to joining the Company, Mr. Chen consecutively served as an accountant of financial department of North China Power Institute (華北電力設計院) from July 1991 to January 1993, an accountant of North China Power Group Co., Ltd. (華北電力集團公司) from January 1993 to January 1998, senior head of financial department, vice director of the funds division and director of property funds division of the financial department of Beijing Datang Power Generation Company Limited (北京大唐發電股份有限公司) from January 1998 to December 2004, plant manager assistant, deputy plant manager and concurrently chief accountant of Beijing Gao Jing Thermal Power Plant (北京高井熱電廠) from December 2004 to December 2006, vice manager, vice general manager and vice director of the financial department of Datang International Power Co., Ltd. (大唐國際發電股份有限公司) from December 2006 to November 2009, general manager and director of phase II construction preparation department of Yunnan Datang International Honghe Power Generation Company Limited (雲南大唐國際紅河發電有限責任公司) from November 2009 to December 2012, director of the financial department of Datang International Power Co., Ltd. from December 2012 to December 2013, and chief accountant and a party committee member of Datang Renewable from December 2013 to July 2019.

Mr. Wang Haijie (王海傑)

Born in November 1962, served as the deputy general manager of the Company since April 2019. Mr. Wang Haijie has over 30 years of experience in the power industry and has been in charge of the business operation and management of a number of electric power enterprises. Prior to joining the Company, Mr. Wang Haijie served as a worker at the thermal heat workshop of Xiahuayuan Power Plant (下花園發電廠) during December 1982 and July 1988, and a team head of the thermal heat workshop of Shalingzi Power Plant (沙嶺子發電廠) during July 1988 and June 1992; he successively served as a team head and deputy supervisor at the thermal heat division, the chief engineer at the production technology division of the maintenance and repairs department, and a supervisor at the production technology division of Qinhuangdao Thermal Power Plant (秦皇島熱電廠) during June 1992 and May 2004, the person-in-charge of the production preparation team, the chief engineer and the deputy head of the equipment and engineering department, the head of the equipment department, and the deputy chief engineer and the head of the equipment department of Guangdong Datang International Chaozhou Power Generation Co., Ltd. (廣東大唐國際潮州發電有限責任公司) during May 2004 and April 2007, an assistant to general manager and the deputy general manager of Fujian Datang International Ningde Power Generation Co., Ltd. (福建大唐國際寧德發電有限責任公司) during April 2007 and August 2009, the general manager of Shanxi Datang International Linfen Thermal Power Co., Ltd. (山西大唐國際臨汾熱電公司) during August 2009 and January 2011, the secretary to the party committee, deputy general manager, and general manager of Liaoning Datang International Fuxin Coal to Gas Co., Ltd. (遼寧大唐國際阜新煤製天然氣有限責任公司) during January 2011 and November 2016, a consultant at the expert work station of Zhongxin Energy and Chemical Technology Company Limited (中新能化科技有限公司) during November 2016 and January 2018, and the deputy general manager and a member of the party committee of China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) during January 2018 and April 2019. Mr. Wang graduated from Zhangjiakou Vocational College (張家口市職工大學) in July 1988 and obtained a college degree. He obtained the qualification as senior engineer from Senior Specialized Technique Titles Evaluation Committee of China Datang Group in December 2009.

Mr. Mao Hui (毛輝)

born in February 1975, has been serving as a deputy general manager of the Company since 10 March 2017, being responsible for the Company's overseas market development, international cooperation, foreign affairs and informatization management. He has approximately 20 years of experience in power industry. From January 2005 to February 2012, Mr. Mao served several positions in Technologies & Engineering Company including chief assistant of its general manager office, a deputy director of its science and technology management department and director of its human resource department. From February 2012 to January 2015, Mr. Mao served as director of human resource department of the Company, during which, Mr. Mao also served as general manager of Technology & Engineering Company from January 2014 to January 2015 and secretary to the Communist Party Committee of Technology & Engineering Company from March 2014 to January 2015. From January 2015 to December 2016, Mr. Mao continued to serve as general manager and secretary to the Communist Party Committee of Technology & Engineering Company. Prior to joining the Group, he served as an engineer of auxiliary power division of Hunan Thermal Power Construction Corporation (湖南省火電建設公司) from August 1997 to March 1999, as an engineer of power transmission and transformation department of China Huadian Engineering Co., Ltd. (中國華電工程(集團)有限公司) ("**China Huadian**") from April 1999 to December 2000, and chief information manager of general manager office of China Huadian from January 2001 to December 2004. Mr. Mao graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in engineering in July 1997, majoring in electrical appliance. He further obtained an MBA degree from Tsinghua University (清華大學) in July 2009. Mr. Mao was accredited as a senior engineer by China Datang in December 2009.

Mr. Zhou Ce (周策)

born in September 1969, has been serving as a member of the Party Committee, the secretary of the Discipline Inspection Committee and chairman of the labor union of the Company since March 2020. Mr. Zhou possessed approximately 17 years of work experience in the power industry. Before joining the Company, Mr. Zhou worked as an intern, technician and assistant engineer in the power workshop of Shandong Heze Second Woolen Textile Factory (山東菏澤第二毛紡織廠) from July 1991 to March 1993. He served as the deputy general manager of Shandong Heze Modern Office Equipment Company (山東菏澤現代辦公設備公司) from March 1993 to June 1995. Mr. Zhou served as the secretary, judge of the fourth rank, judge of the third rank and chief judge of Shandong Heze Intermediate People's Court (山東菏澤中級人民法院) from June 1995 to September 2000. He studied for master of law (international economic law) in China University of Political Science and Law (中國政法大學) from September 2000 to August 2003. He served as the fourth-class employee of economic and law department of State Grid Corporation of China (國家電網公司) from August 2003 to December 2006. Mr. Zhou served as the deputy director and director of economic and law department of State Grid Corporation of China from December 2006 to June 2013.He served as the head of integrated administrative team, head of party committee working group, director of office and director of legal office of State Grid Integrated Energy Service Group Co, Ltd. (國網節能服務有限公司) from June 2013 to August 2017. Mr. Zhou served as the deputy director of corporate management and legal affairs department, the deputy director of monitoring division (the office of disciplinary team of the Communist Party Committee and inspection office) and the deputy director of inspection office of the Communist Party Committee of China Datang Group from August 2017 to March 2020. Mr. Zhou studied in Shandong University (山東大學) with the major of Law from December 1997 to June 2002 and obtained the university degree. Mr. Zhou obtained master's degree in law of China University of Political Science and Law in August 2003.

Mr. Liang Xiuguang (梁秀廣)

born in January 1979, has served as deputy general manager of the Company since 23 March 2018 and was responsible for material management and market development. He has approximately 18 years of experience in power industry. Before joining the Company, Mr. Liang served successively as watch keeper of boiler operation, office secretary, deputy director of the office and director of ideological and political department of Shandong Huangdao Power Plant (山東黃島發電廠) from July 2000 to September 2009. He served successively as director of the general economics department, deputy chief economist, vice general manager and a member of the party committee of Datang Shandong New Energy Co., Ltd. (大唐山東新能源有限公司) from September 2009 to March 2012. Mr. Liang concurrently served as vice general manager of Datang Shandong Clean Energy Development Co., Ltd. (大唐山東清潔能源開發有限公司) from November 2010 to March 2012, served as vice general manager and a member of the party committee of Shandong Clean Energy Development Co., Ltd. from March 2012 to March 2013, and served as a member of the party committee and vice general manager of China Creative Wind Energy Co., Ltd. (瀋陽華創風能有限公司) from March 2013 to November 2013. Mr. Liang served successively as vice general manager of the automation department, deputy director of the material management department (was in charge of the overall work) and director of the material management department of the Company from November 2013 to January 2017. He served as the general manager and a member of the party committee of Technologies & Engineering Company from January 2017 to March 2018. Mr. Liang graduated from power department of Shandong Electric Power College (山東省電力高等專科學校) in July 2000, majoring in thermal power, and studied undergraduate correspondence course in School of Continuing Education, Harbin Institute of Technology (哈爾濱工業大學繼續教育學院) from March 2010 to July 2012, majoring in thermal energy and power engineering. He obtained a master of engineering in Xi'an University (西安電子科技大學) in June 2017. Mr. Liang was qualified as senior politic official by China Datang in December 2016.

Ms. Zhu Mei (朱梅)

born in February 1967, has served as the Joint Company Secretary and authorized representative of the Company since 17 August 2018. Prior to joining the Company, Ms. Zhu has served successively as a teacher at North China Power Administration Bureau University for Staff (華北電管局職工大學) and an economist of comprehensive planning department of North China Power Group Company (華北電力集團公司) from August 1988 to August 1999. From August 1999 to August 2000, she served as a specialist of capital market department of Beijing Datang Power Generation Co., Ltd. (北京大唐發電股份有限公司). From March 2004 to June 2018, she acted successively as an investment planning director of the comprehensive planning department of North China Grid Company Limited (華北電網有限公司), an employee of the capital operation office of the development and planning department of China Datang Group, an employee of the capital operation office of the planning, investment and financing department of China Datang Group, a deputy director at the capital operation office of the planning, investment and financing department of China Datang Group, the deputy director of the capital operation office of capital operation and assets management department of China Datang Group, the director of the capital operation office of capital operation and assets management department of China Datang Group, and the director at securities finance first office of capital operation and assets management department of China Datang. Ms. Zhu obtained a bachelor degree of engineering in industrial management and engineering profession of management engineering department in the School of Management of Xi'an Jiaotong University (西安交通大學) in July 1988, a master's degree of economics in investment economics profession of investment department of Renmin University of China (中國人民大學) in January 1999, a master's degree of applied science of information system management profession in the faculty of engineering of University of Waterloo in Canada (加拿大滑鐵盧大學) in October 2003. She was granted the qualification of senior economist from the Senior Economist Review Committee of North China Power Administration Bureau (華北電業管理局高級經濟師評審委員會) under the Ministry of Electric Power Industry in August 1999.

Human Resources

I. PROFILE OF HUMAN RESOURCES

As at 31 December 2019, we had 1,115 employees, substantially all of whom were based in the PRC. The Group have individually established labor union branches. Currently, the Group have entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 31 December 2019 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	312	27.98%
Engineering and technical personnel	210	18.83%
Sales personnel	99	8.88%
Research and development personnel	368	33.0%
Administrative and management personnel	83	7.44%
Manufacture personnel	25	2.24%
Others	18	1.63%
Total	1,115	100%

II. STAFF INCENTIVES

According to the development requirements, the Company further established and improved the overall responsibility management system and the whole staff performance evaluation system on the basis of clear position objectives. In order to inspire the potential and work enthusiasm of employees, to fully embody the incentive and constraint behavior, and to laid a solid foundation for the career orderly development of all the employees, the Company divides the specific task in development planning into each department and position, objectively and accurately evaluates the job targets completing performance of employees by building position performance targets and performance standard, and realizes awards and punishments according to the score that is formed by evaluation results quantification.

III. STAFF REMUNERATION POLICY

The remuneration package of our employees includes salaries, bonuses and allowances. Our employees also receive welfare benefits, including medical care, housing subsidies, retirement and other benefits. We carry out employee performance appraisals, establish diversified and dynamic appraisal mechanisms. The department heads' salaries and remunerations will be adjusted corresponding to the results of their performance appraisals. Pursuant to applicable PRC regulations, we have contributed to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing funds for our employees.

IV. STAFF TRAINING

In order to attract and retain high-quality employees and further improve their knowledge, skill level and professional attainments, we place a strong emphasis on the training of our employees. We offer in-service education, training and other opportunities to our managers and employees to improve their professional skills and knowledge.

In 2019, the Group provided 51 training programs on business management, professional techniques and production skills, with 100% employees attending the trainings.

V. GUARANTEE OF STAFF RIGHTS

The Group complies with the Labour Law of the PRC and the Labour Contract Law of the PRC in all material respects and makes contributions to social insurance and housing provident fund for our employees according to the above laws, among which the social insurance includes basic pension insurance, medical insurance, occupational injury insurance, unemployment insurance and maternity insurance.

Independent Auditor's Report

To the shareholders of Datang Environment Industry Group Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Datang Environment Industry Group Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 114 to 238, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
Approximately 43% of the Group's total revenue was related to construction contracts for the year of 2019, which had a significant impact on the Group's consolidated financial statements. Revenue from these fixed price construction contracts was recognised over time, measured by reference to the completion percentage of individual contracts of construction works which requires estimation to be made by management. The completion percentage is estimated by reference to the actual costs incurred up to the end of the reporting period over the total budgeted costs. Significant management's estimation is involved in estimating the completion percentage and the total budgeted costs. The accounting policy, significant accounting judgements and estimates and disclosures about construction contracts are included in notes 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES and 5 REVENUE, OTHER INCOME AND GAINS to the consolidated financial statements.	Our audit procedures included, among others, understanding and evaluating the revenue recognition process related to construction contracts and testing the relevant controls that the Group has put in place over its processes to record construction costs, total budgeted costs and construction contract revenue and to calculate the completion percentage. Besides, we gained an understanding of the construction progress based on examination of the associated project documentation and discussion on the status of projects with finance and project managers of the Group. We also discussed with management to gain an understanding of their estimates for the total budgeted costs and the changes, checked the nature and components of the costs, such as the sub-contracts, and took into account the historical accuracy of such estimates. Furthermore, we performed tests of details, such as reviewing the key contract terms of significant projects, checking to the major construction projects, including actual costs and tax invoices, and reviewing the calculation worksheets for the completion percentage of the construction works. We also evaluated the adequacy of the disclosures of the Group's construction contracts.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Useful lives and residual values of property, plant and equipment	
The net book value of property, plant and equipment of the Group at 31 December 2019 was RMB7,617 million. In determining the useful lives and residual values of property, plant and equipment, the Group periodically reviews the changes in market conditions, physical wear and tear, and maintenance of the assets. The estimation of the useful life and residual value of an asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the year end, based on changes in circumstances. Thus, significant management's estimation is involved in this process. The accounting policy, significant accounting judgements and estimates and disclosures about the balance of property, plant and equipment are included in notes 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES and 13 PROPERTY, PLANT AND EQUIPMENT to the consolidated financial statements.	Our audit procedures included, among others, understanding the design and testing the internal controls of the property, plant and equipment cycle, including the controls related to useful lives and residual values; comparing and assessing the accounting estimation over the useful lives and residual values based on our knowledge of the business and comparable companies; identifying the physical wear and tear by site-visiting regarding significant items, discussing with the project manager and testing the frequency and quantity of the maintenance of the assets. We also evaluated the adequacy of the disclosures of the Group's property, plant and equipment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**6,414,621**	8,588,070
Cost of sales		**(5,334,656)**	(7,238,113)
Gross profit		**1,079,965**	1,349,957
Selling and distribution expenses		**(36,898)**	(42,237)
Administrative expenses		**(549,695)**	(279,419)
Other income and gains	5	**132,290**	169,414
Finance costs	6	**(252,841)**	(200,518)
Impairment losses on financial and contract assets		**(69,678)**	(59,775)
Profit before tax	7	**303,143**	937,422
Income tax expense	10	**(57,766)**	(154,199)
PROFIT FOR THE YEAR		**245,377**	783,223
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**553**	(1,566)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**553**	(1,566)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**487**	2,734
Income tax effect		**(73)**	(410)
		414	2,324
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**414**	2,324
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**967**	758
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**246,344**	783,981

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Profit attributable to:			
Owners of the parent		**218,942**	766,736
Non-controlling interests		**26,435**	16,487
		245,377	783,223
Total comprehensive income attributable to:			
Owners of the parent		**219,666**	768,183
Non-controlling interests		**26,678**	15,798
		246,344	783,981
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	12	**0.07**	0.26

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,617,283**	7,675,153
Intangible assets	14	**238,333**	208,615
Right-of-use assets	15(b)	**356,043**	–
Prepaid land lease payments	15(a)	**–**	19,066
Equity investments designated at fair value through other comprehensive income	16	**7,658**	7,171
Deferred tax assets	17	**70,086**	45,395
Other non-current assets		**422,254**	331,608
Total non-current assets		**8,711,657**	8,287,008
CURRENT ASSETS			
Inventories	18	**169,920**	153,520
Contract assets	19	**883,839**	982,436
Trade and bills receivables	20	**8,541,243**	8,398,505
Prepayments, other receivables and other assets	21	**1,241,554**	888,860
Restricted cash	22	**42,179**	36,928
Time deposit	22	**–**	35,000
Cash and cash equivalents	22	**1,580,367**	1,677,724
Total current assets		**12,459,102**	12,172,973
CURRENT LIABILITIES			
Trade and bills payables	23	**4,989,275**	6,481,262
Other payables and accruals	24	**1,852,722**	1,663,401
Interest-bearing bank borrowings and other loans	25	**3,723,311**	2,023,848
Income tax payable		**9,471**	27,110
Total current liabilities		**10,574,779**	10,195,621
NET CURRENT ASSETS		**1,884,323**	1,977,352
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,595,980**	10,264,360

Consolidated Statement of Financial Position (Continued)

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings and other loans	25	**3,322,567**	2,906,048
Other non-current liabilities		**39,532**	38,990
Total non-current liabilities		**3,362,099**	2,945,038
Net assets		**7,233,881**	7,319,322
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**2,967,542**	2,967,542
Reserves	27	**4,047,101**	4,153,865
		7,014,643	7,121,407
Non-controlling interests		**219,238**	197,915
Total equity		**7,233,881**	7,319,322

Jin Yaohua
Director

Hou Guoli
General Manager

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent								
	Share capital RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	**2,967,542**	**1,315,483**	**350,104**	**1,846**	**(317)**	**2,486,749**	**7,121,407**	**197,915**	**7,319,322**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**218,942**	**218,942**	**26,435**	**245,377**
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**414**	**–**	**–**	**414**	**–**	**414**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**310**	**–**	**310**	**243**	**553**
Total comprehensive income for the year	**–**	**–**	**–**	**414**	**310**	**218,942**	**219,666**	**26,678**	**246,344**
Appropriation to statutory surplus reserve	**–**	**–**	**18,208**	**–**	**–**	**(18,208)**	**–**	**–**	**–**
Final 2018 dividend declared *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**(326,430)**	**(326,430)**	**–**	**(326,430)**
Dividends paid by a subsidiary to its non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,355)**	**(5,355)**
At 31 December 2019	**2,967,542**	**1,315,483**	**368,312**	**2,260**	**(7)**	**2,361,053**	**7,014,643**	**219,238**	**7,233,881**
At 1 January 2018	2,967,542	1,315,483	278,050	(478)	560	2,177,847	6,739,004	184,318	6,923,322
Profit for the period	–	–	–	–	–	766,736	766,736	16,487	783,223
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	2,324	–	–	2,324	–	2,324
Exchange difference on translation of foreign operations	–	–	–	–	(877)	–	(877)	(689)	(1,566)
Total comprehensive income for the year	–	–	–	2,324	(877)	766,736	768,183	15,798	783,981
Appropriation to statutory surplus reserve	–	–	72,054	–	–	(72,054)	–	–	–
Final 2017 dividend declared *(Note 11)*	–	–	–	–	–	(385,780)	(385,780)	–	(385,780)
Dividends paid by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(2,201)	(2,201)
At 31 December 2018	2,967,542	1,315,483	350,104	1,846	(317)	2,486,749	7,121,407	197,915	7,319,322

* These reserves accounts comprise the consolidated reserves of RMB4,047,101,000 (31 December 2018: RMB4,153,865,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**303,143**	937,422
Adjustments for:			
Finance costs		**259,141**	200,518
Interest income		**(11,073)**	(9,739)
Depreciation of property, plant and equipment	13	**490,646**	485,703
Amortization of intangible assets	14	**13,873**	12,455
Depreciation of right-of-use assets/recognition of prepaid land lease payments	15	**24,522**	465
Amortization of other non-current assets		**248,064**	74,272
Loss on disposal of items of property, plant and equipment	5	**177**	-
Amortisation of government grants		**(1,872)**	(5,461)
Impairment loss on trade receivables	20	**69,959**	57,910
Impairment loss on other receivables	21	**(1,380)**	(133)
Impairment loss on property, plant and equipment	13	**113,263**	-
Impairment loss on contract assets	19	**1,099**	1,998
Increase in inventories		**(16,400)**	(29,593)
Decrease/(Increase) in contract assets		**97,498**	(623,317)
Increase in trade and bills receivables		**(207,855)**	(1,244,610)
(Increase)/Decrease in prepayments and other assets		**(314,825)**	76,058
(Decrease)/Increase in trade and bills payables		**(1,474,902)**	885,774
Increase/(Decrease) in other payables and accruals		**328,514**	(130,123)
Increase in restricted cash		**(5,251)**	(19,085)
Cash generated from operations		**(83,659)**	670,514
Income tax paid		**(99,566)**	(182,732)
Net cash flows (used in)/from operating activities		**(183,225)**	487,782

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**11,073**	9,739
Purchase of items of property, plant and equipment and intangible assets	**(1,095,971)**	(827,814)
Proceeds from disposal of items of property, plant and equipment	**10**	–
Decrease/(increase) in a time deposit	**35,000**	(35,000)
Receipt of government grants for property, plant and equipment	**3,955**	13,486
Net cash flows used in investing activities	**(1,045,933)**	(839,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**5,697,711**	3,984,550
Repayments of bank borrowings and other loans	**(4,530,491)**	(3,306,536)
Proceeds from issue of bonds	**600,000**	–
Principal portion of lease payments	**(20,183)**	–
Share issue expenses	**(641)**	(11,088)
Dividends paid to shareholders	**(329,476)**	(83,650)
Dividends paid to non-controlling interests	**(5,355)**	(2,201)
Interest paid	**(278,123)**	(210,780)
Net cash flows from financing activities	**1,133,442**	370,295
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(95,716)**	18,488
Cash and cash equivalents at beginning of year	**1,677,724**	1,666,080
Effect of foreign exchange rate changes, net	**(1,641)**	(6,844)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,580,367**	1,677,724

1. CORPORATE AND GROUP INFORMATION

Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司) (the "**Company**") was established on 25 July 2011 in the People's Republic of China (the "**PRC**") with limited liability. On 26 June 2015, the Company was converted into a joint stock company with limited liability from a limited liability company. The shares of the Company have been listed on the Main board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 15 November 2016. The address of its registered office is No.120 Zizhuyuan Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (together the "**Group**") are involved in the following principal activities: environmental protection facilities concession operation, the manufacture and sale of denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business.

In the opinion of the directors of the Company ("**Directors**"), the immediate holding company and ultimate holding company of the Company is China Datang Corporation Ltd. ("**China Datang Corporation**"), a company established and domiciled in the PRC and wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name #	Place of incorporation/ registration	Issued and fully paid-up capital/ registered capital	Percentage of equity attributable to the Company *(%)* Direct	Indirect	Principal activities
China Datang Technologies & Engineering Co., Ltd. (中國大唐集團科技工程有限公司) ("**Technologies & Engineering Company**")	Beijing, the PRC	RMB180,000,000	56.00	–	Development of environmental protection technology and provision of engineering services in the PRC
Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限責任公司) ("**Nanjing Environmental Protection**")	Nanjing, the PRC	RMB124,630,000	92.11	–	Development and sale of catalysts; and provision of testing services in the PRC
Beijing Datang Hengtong Science & Technology Co., Ltd. (北京大唐恒通科技有限公司) ("**Hengtong Company**")	Beijing, the PRC	RMB42,000,000	100.00	–	Development of environmental protection technology and provision of engineering services in the PRC
Jiangsu Nanjing Thermal Electricity Engineering Design Institute Co., Ltd. (江蘇南京熱電工程設計院有限責任公司) ("**Nanjing Design Institute**")	Nanjing, the PRC	RMB50,000,000	100.00	–	Provision of engineering design services in the PRC
Datang Technologies & Engineering India Private Limited (大唐科技工程印度有限公司) ("**Technologies & Engineering India**")	Mumbai, India	Rupees 1,000,000	–	100.00	Provision of engineering services in India
Datang Beijing Energy Saving & Technology Co., Ltd. (大唐(北京)節能技術有限公司) ("**Energy Saving & Technology**")	Beijing, the PRC	RMB10,000,000	65.00	–	Project management, engineering and technology services in the PRC
Datang Beijing Water Engineering & Technology Co., Ltd. (大唐(北京)水務工程技術有限公司) ("**Water Engineering & Technology**")	Beijing, the PRC	RMB187,976,000	100.00	–	Technology services and water engineering services in the PRC

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name #	Place of incorporation/ registration	Issued and fully paid-up capital/ registered capital	Percentage of equity attributable to the Company (%) Direct	Indirect	Principal activities
Zhejiang Datang Tiandi Environmental Technology Co., Ltd. (浙江大唐天地環保科技有限公司) ("**Tiandi Environment**")	Ningbo, the PRC	RMB60,000,000	65.00	–	Development of pollution improvement environmental protection technology and provision of technology services in the PRC
Datang (Beijing) Energy Management Co., Ltd. (大唐(北京)能源管理有限公司) ("**Energy Management Company**")	Beijing, the PRC	RMB150,000,000	100.00	–	Provision of engineering services; and provision of energy saving technology promotion services in the PRC

\# The names of these companies referred to in this report represent management's best effort at translating the Chinese names of the companies, as no English names have been registered.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interests; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle* – Amendments to IFRS 3, IFRS 11 and IAS 12, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and other infrastructure, machinery, transportation vehicles and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank borrowings and other loans. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under prepaid land lease payments of RMB19,066,000.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019;
- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	389,194
Decrease in prepaid land lease payments	(19,066)
Increase in total assets	370,128
Liabilities	
Increase in interest-bearing bank borrowings and other loans	371,814
Decrease in trade and bills payables	(1,686)
Increase in total liabilities	370,128
Decrease in retained earnings	–

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

Financial impact at 1 January 2019 (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	51,123
Add:	
Payments for optional extension periods not recognised as at 31 December 2018	464,700
Other adjustments	1,686
Lease commitments as at 1 January 2019 under IFRS 16	517,509
Weighted average incremental borrowing rate as at 1 January 2019	4.41%
Lease liabilities as at 1 January 2019	371,814

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Group.

(c) Amendments under *Annual Improvements to IFRSs 2015-2017 Cycle*

IAS 23 Borrowing Costs: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IFRS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and clarify the situations that are considered settlement of a liability. The Group expects to adopt the amendments retrospectively from 1 January 2022 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its certain trade and bills receivables and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings and other infrastructure	3.17%
Machinery	5.59%-6.47%
Transportation vehicles	15.83%
Office equipment and others	9.50%-19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plants under construction and equipment being installed, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 10 years.

Patents

Purchased patents are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years.

Non-patent technology

Non-patent technology is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Development expenditures that have been recorded in profit or loss in previous periods will not be recognised as assets in subsequent periods. Capitalized development expenditures are included in intangible assets as appropriate according to their nature.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 to 47 years
Buildings and other infrastructure	15 to 30 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank borrowings and other loans.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Purchased land use rights are accounted for as prepaid land lease payments. For self-development and constructed plants and buildings, the expenditures of land use rights and construction costs of plant and buildings are accounted for as prepaid land lease payments and fixed assets, respectively. For acquired plant and buildings, the consideration shall be allocated between land use rights and plant and buildings. If the consideration cannot be allocated reasonably, the consideration shall be accounted for as fixed assets. Purchased lands are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 30-47 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for section "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(iii) *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are generally within one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables by the Group as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowings and other loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within six months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the date of the consolidated statement of financial position of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of industrial products*

The Group is engaged in the manufacture and sale of denitrification catalysts.

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Construction contracts

The Group provides construction services with respect to the engineering projects in relation to desulfurization and denitrification facilities at coal-fired power plants, wind power plants, solar power plants, coal-fired power plants and coal yards.

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportions of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Rendering of desulfurization and denitrification services

The Group is engaged in providing desulfurization and denitrification services to power plants under the concession operation contracts for a period of the life cycle of the power plants.

Revenue from the rendering of desulfurization and denitrification services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

The service revenues are recognised at an on-grid tariff of a certain amount per kWh for the electricity generated by the power plants.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Other income (Continued)

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.90% and 7.50% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and the consolidated statements of profit or loss and other comprehensive income of these subsidiaries are translated into RMB at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates.

Employee benefits

Employee benefits mainly include salaries, bonuses, allowances and subsidies, pension insurance, social insurance and housing funds, labour union fees, employees' education fees and other expenses related to the employees for their services. The Group recognises employee benefits as liabilities during the accounting period when employees render the services and allocates the related cost of assets and expenses based on different beneficiaries.

(a) Bonus plans

The expected cost of bonus plans is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(b) Retirement benefit obligations

The Group primarily pays contributions on a monthly basis to participate in a pension plan organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under these plans. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their current and past services.

(c) Other social insurance and housing funds

The Group provides other social insurance and housing funds to the qualified employees in the PRC based on certain percentages of their salaries. These percentages are not to exceed the upper limits of the percentages prescribed by the Ministry of Human Resources and Social Security of the PRC. These benefits are paid to social security organizations and the amounts are expensed as incurred. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their current and past services.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for leases of buildings and other infrastructure due to the significance of these assets to its operations. These leases have a normally five-year non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets and trade receivables is disclosed in note 20 and note 21 to the financial statements, respectively.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of the reporting period, based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was nil (2018: Nil). The amount of unrecognised tax losses at 31 December 2019 was RMB61.4 million (2018: RMB21.5 million). Further details are contained in note 17 to the financial statements.

Percentage of completion of construction contracts

Revenue from individual contracts is recognised to the progress of completion of the project. The determination of the progress of the construction service involves estimation. The Group recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Due to the nature of the activity undertaken in construction works, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods, hence, the Group reviews and revises the percentage of completion of construction works. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to their nature. Each of the Group's operating segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(a) Environmental protection and energy conservation solutions

The environmental protection and energy conservation solutions business mainly includes flue gas desulfurization and denitrification facilities concession operation for coal-fired power plants; the manufacture and sale of denitrification catalysts; engineering for coal-fired power plants, including the engineering of denitrification, desulfurization, dust removal, ash and slag handling and other environmental protection facilities and industrial site dust management related engineering; water treatment; and energy conservation including energy conservation facilities engineering and energy management contracting ("**EMC**").

(b) Renewable energy engineering

The renewable energy engineering business mainly includes the engineering general contracting for newly-built wind power plants, biomass power plants and photovoltaic power plants.

(c) Thermal power engineering

The thermal power engineering business mainly includes the engineering procurement construction ("**EPC**") services for thermal power plants.

(d) Other businesses

Other businesses currently mainly include various businesses such as fiberglass chimney anti-corrosion, air cooling system engineering general contracting and coal yard monitoring system upgrades.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, non-lease-related finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets exclude unallocated intangible assets, unallocated deferred tax assets, unallocated prepayments, other receivables and other assets, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings and other loans (other than lease liabilities) for daily operation purposes, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2019	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*					
Sales to external customers	5,385,382	763,880	113,597	151,762	6,414,621
Intersegment sales	155	–	–	19,147	19,302
	5,385,537	763,880	113,597	170,909	6,433,923
Reconciliation:					
Elimination of intersegment sales					(19,302)
Revenue					6,414,621
Segment results	654,139	3,599	1,159	(59,884)	599,013
Reconciliation:					
Other income and gains					132,290
Corporate and other unallocated expenses					(189,809)
Finance costs (other than interest on lease liabilities)					(238,351)
Profit before tax					303,143

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Segment assets	17,639,061	1,802,470	131,392	275,483	19,848,406
Reconciliation:					
Elimination of intersegment receivables					(1,153,989)
Corporate and other unallocated assets					2,476,342
Total assets					21,170,759
Segment liabilities	10,792,731	1,740,899	197,187	163,235	12,894,052
Reconciliation:					
Elimination of intersegment payables					(1,153,989)
Corporate and other unallocated liabilities					2,196,815
Total liabilities					13,936,878
Other segment information					
Impairment losses recognised in profit or loss, net	163,045	21,720	–	(1,824)	182,941
Impairment losses reversed in profit or loss	(3,844)	–	–	(3,592)	(7,436)
Depreciation and amortisation	758,897	69	57	18,082	777,105
Capital expenditure*	882,382	–	–	1,638	884,020

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue ***(note 5)***					
Sales to external customers	6,479,870	1,284,967	494,237	328,996	8,588,070
Intersegment sales	14,895	–	–	63,994	78,889
	6,494,765	1,284,967	494,237	392,990	8,666,959
Reconciliation:					
Elimination of intersegment sales					(78,889)
Revenue					8,588,070
Segment results	1,175,956	17,756	27,590	(109,358)	1,111,944
Reconciliation:					
Other income and gains					169,414
Corporate and other unallocated expenses					(143,418)
Finance costs					(200,518)
Profit before tax					937,422

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	16,655,926	1,905,751	154,122	652,381	19,368,180
Reconciliation:					
Elimination of intersegment receivables					(882,220)
Corporate and other unallocated assets					1,974,021
Total assets					20,459,981
Segment liabilities	8,118,872	1,931,100	206,970	579,394	10,836,336
Reconciliation:					
Elimination of intersegment payables					(882,220)
Corporate and other unallocated liabilities					3,186,543
Total liabilities					13,140,659
Other segment information					
Impairment losses recognised in profit or loss	55,492	8,123	–	1,379	64,994
Impairment losses reversed in profit or loss	(4,847)	–	–	(372)	(5,219)
Depreciation and amortisation	554,585	69	57	18,184	572,895
Capital expenditure*	821,465	–	–	116,342	937,807

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

The majority of the non-current assets are located in the PRC, and the majority of revenue is generated from Mainland China. Therefore, no geographical information is presented.

Information about major customers

Revenue of approximately RMB5,917 million (2018: RMB6,709 million) was derived from sales of goods and the rendering of services to China Datang Corporation and its subsidiaries (excluding the Group)("**China Datang Group**").

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue from contracts with customers	**6,413,519**	8,585,395
Revenue from other sources		
Gross rental income from operating leases		
Other lease payments, including fixed payments	**1,102**	2,675
	6,414,621	8,588,070

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Type of goods or services					
Sale of industrial products	331,465	–	–	20,889	352,354
Construction services	1,779,590	763,880	113,597	129,771	2,786,838
Desulfurization and denitrification services	3,274,327	–	–	–	3,274,327
Total revenue from contracts with customers	5,385,382	763,880	113,597	150,660	6,413,519
Timing of revenue recognition					
Goods transferred at a point in time	331,465	–	–	20,889	352,354
Services transferred over time	5,053,917	763,880	113,597	129,771	6,061,165
Total revenue from contracts with customers	5,385,382	763,880	113,597	150,660	6,413,519

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

Segments	Environmental protection and energy conservation solutions	Renewable energy engineering	Thermal power engineering	Other businesses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods or services					
Sales of industrial products	333,899	–	–	20,856	354,755
Construction services	2,938,323	1,284,967	494,237	305,465	5,022,992
Desulfurization and denitrification services	3,207,648	–	–	–	3,207,648
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395
Timing of revenue recognition					
Goods transferred at a point in time	333,899	–	–	20,856	354,755
Services transferred over time	6,145,971	1,284,967	494,237	305,465	8,230,640
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers					
External customers	**5,385,382**	**763,880**	**113,597**	**150,660**	**6,413,519**
Intersegment sales	**155**	**–**	**–**	**19,147**	**19,302**
	5,385,537	**763,880**	**113,597**	**169,807**	**6,432,821**
Intersegment adjustments and eliminations	**(155)**	**–**	**–**	**(19,147)**	**(19,302)**
Total revenue from contracts with customers	**5,385,382**	**763,880**	**113,597**	**150,660**	**6,413,519**

For the year ended 31 December 2018

Segments	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers					
External customers	6,479,870	1,284,967	494,237	326,321	8,585,395
Intersegment sales	14,895	–	–	63,994	78,889
	6,494,765	1,284,967	494,237	390,315	8,664,284
Intersegment adjustments and eliminations	(14,895)	–	–	(63,994)	(78,889)
Total revenue from contracts with customers	6,479,870	1,284,967	494,237	326,321	8,585,395

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**1,616**	3,267
Construction services	**207,250**	367,081
	208,866	370,348

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within one year from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 are as follows:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue		
Within one year	**1,375,131**	3,547,379
After one year	**–**	913,967
	1,375,131	4,461,346

The amounts of transactions prices allocated to the remaining performance obligations which are expected to be recognised after one year related to construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	**17,667**	9,739
Government grants	**112,151**	144,244
	129,818	153,983
Gains		
Loss on disposal of items of property, plant and equipment	**(177)**	–
Exchange gains *(Note a)*	**2,649**	15,431
	2,472	15,431
	132,290	169,414

Note a: Included an exchange loss of RMB2 million arising from the conversion of the Hong Kong dollars into RMB during the year ended 31 December 2019.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Interest on lease liabilities	**14,490**	–
Interest expenses on bank borrowings and other loans	**264,426**	214,785
Less: interest capitalised	**(26,075)**	(14,267)
	252,841	200,518

The Group's capitalisation rate for the year ended 31 December 2019 was 4.90% to 7.50% (for the year ended 31 December 2018: 4.41% to 7.50%).

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of goods sold		**257,718**	266,658
Cost of services provided		**5,076,938**	6,971,455
Cost of sales		**5,334,656**	7,238,113
Depreciation of property, plant and equipment	13	**490,646**	485,703
Amortization of intangible assets	14	**13,873**	12,455
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	15(a),15(b)	**24,522**	465
Amortisation of other non-current assets		**248,064**	74,272
Research and development expenses		**28,180**	6,438
Provision for warranties		**(664)**	(2,149)
Minimum lease payments under operating leases		**–**	33,522
Lease payments not included in the measurement of lease liabilities	15(d)	**16,471**	–
Auditor's remuneration		**3,400**	4,240
Employee benefit expense (excluding Directors' and Supervisors' remuneration *(note 8)*):			
Wages, salaries and allowances, social securities and benefits		**343,222**	326,377
Pension scheme contributions (defined contribution scheme) *(Note a)*		**45,658**	49,464
		388,880	375,841
Impairment of financial and contract assets, net:			
Impairment of contract assets	19	**1,099**	1,998
Impairment of trade receivables	20	**69,959**	57,910
Impairment of financial assets included in prepayments, other receivables and other assets	21	**(1,380)**	(133)
		69,678	59,775
Impairment of property, plant and equipment	13	**113,263**	–
Bank interest income	5	**(17,667)**	(9,739)
Government grants	5	**(112,151)**	(144,244)
Loss on disposal of items of property, plant and equipment, net	5	**177**	–
Exchange gains	5	**(2,649)**	(15,431)

7. PROFIT BEFORE TAX (CONTINUED)

Note a:

Pension scheme contribution

The Group is required to make specific contributions to the state-sponsored retirement plan at rates ranging from 14% to 20% (2018: 14% to 20%) of the specified salaries of the employees in the PRC. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

In addition, the Group has implemented a supplementary defined contribution retirement scheme in accordance with China Datang's policy. Under this scheme, the Group is required to make specified contributions at a rate of 8% (2018: 5%) of the total salaries of qualified employees. These employees will receive the total contributions and any returns thereon upon their retirements.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The aggregate amounts of remuneration of the Directors and Supervisors of the Company during the year are as follows:

	2019 **RMB'000**	2018 RMB'000
Fees	**300**	300
Other emoluments:		
– Salaries, housing benefits, other allowances and benefits in kind	**2,145**	2,439
– Pension scheme contributions (defined contribution scheme)	**150**	170
Total	**2,595**	2,909

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of each director and supervisor of the Company for the year ended 31 December 2019 is set out below:

	Notes	Fees *RMB'000*	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Pension scheme contributions (defined contribution scheme) *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
Mr. Hou Guoli	(i)	–	298	36	334
Mr. Wang Yanwen	(i)	–	155	19	174
Mr. Deng Xiandong	(ii)	–	528	14	542
Mr. Shen Zhen	(iii)	–	540	31	571
		–	1,521	100	1,621
Non-executive directors:					
Mr. Jin Yaohua		–	–	–	–
Mr. Liu Quancheng	(iv)	–	–	–	–
Mr. Liu Ruixiang	(iv)	–	–	–	–
Mr. Li Zhenyu	(iv)	–	–	–	–
Mr. Shen Zhen	(iii)	–	–	–	–
Mr. Deng Xiandong	(ii)	–	–	–	–
Mr. Liu Chuandong	(iv)	–	–	–	–
Mr. Liu Guangming	(iv)	–	–	–	–
Mr. Li Yi	(iv)	–	–	–	–
		–	–	–	–
Independent non-executive directors:					
Mr. Ye Xiang		100	–	–	100
Mr. Mao Zhuanjian		100	–	–	100
Mr. Gao Jiaxiang		100	–	–	100
		300	–	–	300
Supervisors:					
Mr. Wang Yuanchun		–	–	–	–
Mr. Liu Liming	(v)	–	–	–	–
Mr. Miao Shihai	(v)	–	–	–	–
Mr. Chen Li		–	624	50	674
		–	624	50	674
		300	2,145	150	2,595

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of each director and supervisor of the Company for the year ended 31 December 2018 is set out below:

	Fees *RMB'000*	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Pension scheme contributions (defined contribution scheme) *RMB'000*	Total remuneration *RMB'000*
Executive directors:				
Mr. Deng Xiandong	–	804	55	859
Mr. Lu Shengli	–	794	55	849
Mr. Shen Zhen	–	32	5	37
	–	1,630	115	1,745
Non-executive directors:				
Mr. Jin Yaohua	–	–	–	–
Mr. Liu Chuandong	–	–	–	–
Mr. Liang Yongpan	–	–	–	–
Mr. Liu Guangming	–	–	–	–
Mr. Li Yi	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Ye Xiang	100	–	–	100
Mr. Mao Zhuanjian	100	–	–	100
Mr. Gao Jiaxiang	100	–	–	100
	300	–	–	300
Supervisors:				
Mr. Wang Yuanchun	–	–	–	–
Mr. Liu Liming	–	–	–	–
Mr. Miao Shihai	–	–	–	–
Mr. Liu Jianxiang	–	147	–	147
Mr. Chen Li	–	662	55	717
	–	809	55	864
	300	2,439	170	2,909

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes:

(i) Mr. Hou Guoli and Mr. Wang Yanwen were appointed as executive directors with effect from 31 October 2019.

(ii) Mr. Deng Xiandong was re-designated from an executive director to a non-executive director with effect from 22 March 2019 and resigned the position from 31 October 2019.

(iii) Mr. Shen Zhen was re-designated from an executive director to a non-executive director with effect from 26 July 2019 and resigned the position from 31 October 2019.

(iv) Mr. Liu Chuandong, Mr. Liu Guangming and Mr. Li Yi resigned the position of non-executive directors with effect from 31 October 2019 while Mr. Liu Quancheng, Mr. Liu Ruixiang and Mr. Li Zhenyu were appointed as non-executive directors on the same date.

(v) Mr. Liu Liming resigned as a supervisor from 29 June 2018 and was re-appointed as the position with effect from 31 October 2019 while Mr. Miao Shihai resigned the position on the same date.

In 2018, the remuneration of Mr. Jin Yaohua, Mr. Liu Chuandong, Mr. Liu Guangming, Mr. Liang Yongpan, Mr. Li Yi, Mr. Wang Yuanchun, Mr. Liu Liming and Mr. Miao Shihai was paid by China Datang, and no remuneration was paid by the Company.

In 2019, the remuneration of Mr. Jin Yaohua, Mr. Liu Quancheng, Mr. Liu Ruixiang, Mr. Li Zhenyu, Mr. Liu Chuandong, Mr. Liu Guangming, Mr. Li Yi, Mr. Wang Yuanchun, Mr. Liu Liming and Mr. Miao Shihai was paid by China Datang, and no remuneration was paid by the Company.

There was no arrangement under which the Directors waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director (Mr. Shen Zhen), one supervisor (Mr. Chen Li) and three senior executives during the year ended of 31 December 2019 (2018: two directors and three senior executives). Details of directors' and supervisors' remuneration are set out in note 8 above. Details of the remuneration of the highest paid senior executives who are not a director or a supervisor of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, housing benefits, other allowances and benefits in kind	**1,980**	2,069
Pension scheme contributions (defined contribution scheme)	**150**	166
Total	**2,130**	2,235

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**3**	3
Total	**3**	3

10. INCOME TAX EXPENSE

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the PRC Enterprise Income Tax Law Implementation Regulations (中華人民共和國企業所得法實施條例), the Company and its certain subsidiaries have been recognised as high-technology enterprises and are subject to a preferential corporate income tax rate of 15%.

Certain branches of the Company are engaged in qualified environmental protection and resources or water conservation projects and income derived from such activities is tax exempted for the first 3 years followed by a 50% exemption from the fourth to the sixth years starting from the first year in which the project generates operating profit.

Under the above tax law and regulations, except for preferential treatments available to certain branches and subsidiaries of the Company as mentioned above, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25%.

The subsidiary of the Company in India is subject to corporate income tax at a rate of 27.82% during the period from 1 January 2019 to 31 December 2019 (27.55% during the period from 1 January 2018 to 31 March 2018, and 27.82% during the remaining period in 2018).

The components of income tax expense for the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Current – PRC	**82,530**	161,597
Current – other country	**–**	1,572
Deferred *(note 17)*	**(24,764)**	(8,970)
	57,766	154,199

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate applicable in the PRC to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**303,143**	937,422
Income tax at the statutory income tax rate of 25% (2018 25%)	**75,786**	234,356
Effect of a different tax rate applicable in another country	**(197)**	(285)
Effect of the preferential income tax rate	**(31,480)**	(91,880)
Expenses not deductible for tax	**4,281**	2,432
Additional deduction of research and development expenses	**(1,402)**	(837)
Adjustments in respect of current tax of previous periods	**1,892**	7,827
Effect of utilisation of unrecognised tax losses in prior years	**–**	(228)
Deductible temporary differences and tax losses not recognised	**8,886**	2,814
Income tax charge for the year	**57,766**	154,199
The Group's effective rate	**19.1%**	16.4%

11. DIVIDENDS

The dividends during the years ended 31 December 2019 and 2018 are set out below:

	2019	2018
	RMB'000	*RMB'000*
Dividends declared to owners of the parent	**326,430**	385,780

(i) During 2019, the final dividend of RMB326,430,000 at RMB0.11 per ordinary share (before tax) in respect of the year of 2018, based on the issued shares of the Company of 2,967,542,000 shares, was declared to owners of the parent.

On 28 March 2020, the Board of Directors proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.0338 per share (before tax) of the Company in cash to the shareholders. The proposal is subject to the approval of the shareholders at the 2019 annual general meeting of the Company.

(ii) Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividends to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules as well as the Tax Notice, the Company will withhold and pay individual income tax at the rate ranging from 10% to 20% on behalf of individual holders of H shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2019 and 2018. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

The calculations of basic and diluted earnings per share are based on:

Earnings	**2019**	2018
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculations *(RMB)*	**218,942,041**	766,736,934

	Number of shares	
Shares	**2019**	2018
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings per share calculations *(share)*	**2,967,542,000**	2,967,542,000

	2019	2018
Basic/diluted earnings per share *(RMB)*	**0.07**	0.26

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and other infrastructure RMB'000	Machinery RMB'000	Transportation vehicles RMB'000	Office equipment and others RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:						
At 1 January 2019	987,868	7,377,949	34,086	122,330	1,391,245	9,913,478
Addition	22,562	63,761	–	5,076	745,178	836,577
Transfer from CIP	71,213	568,372	–	323	(639,908)	–
Disposals	–	–	(3,752)	–	–	(3,752)
Other adjustment	41,860	(463,691)	–	–	(43,899)	(465,730)
At 31 December 2019	1,123,503	7,546,391	30,334	127,729	1,452,616	10,280,573
Accumulated depreciation:						
At 1 January 2019	(211,883)	(1,940,260)	(29,336)	(56,846)	–	(2,238,325)
Provision	(41,273)	(440,608)	(1,371)	(7,394)	–	(490,646)
Disposals	–	–	3,565	–	–	3,565
Other adjustment	–	175,379	–	–	–	175,379
At 31 December 2019	(253,156)	(2,205,489)	(27,142)	(64,240)	–	(2,550,027)
Impairment:						
At 1 January 2019	–	–	–	–	–	–
Provision	(13,508)	(99,755)	–	–	–	(113,263)
At 31 December 2019	(13,508)	(99,755)	–	–	–	(113,263)
Net carrying amount:						
At 1 January 2019	775,985	5,437,689	4,750	65,484	1,391,245	7,675,153
At 31 December 2019	856,839	5,241,147	3,192	63,489	1,452,616	7,617,283

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and other infrastructure *RMB'000*	Machinery *RMB'000*	Transportation vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2018	894,877	6,901,264	34,728	117,887	1,147,932	9,096,688
Addition	–	2,108	–	4,451	866,126	872,685
Transfer from CIP	99,415	474,577	–	1,750	(575,742)	–
Other adjustment	(6,424)	–	(642)	(1,758)	(47,071)	(55,895)
At 31 December 2018	987,868	7,377,949	34,086	122,330	1,391,245	9,913,478
Accumulated depreciation:						
At 1 January 2018	(178,950)	(1,501,612)	(27,633)	(46,827)	–	(1,755,022)
Provision	(32,933)	(438,648)	(2,345)	(11,777)	–	(485,703)
Other adjustment	–	–	642	1,758	–	2,400
At 31 December 2018	(211,883)	(1,940,260)	(29,336)	(56,846)	–	(2,238,325)
Impairment:						
At 1 January 2018	–	–	–	–	–	–
Provision	–	–	–	–	–	–
At 31 December 2018	–	–	–	–	–	–
Net carrying amount:						
At 1 January 2018	715,927	5,399,652	7,095	71,060	1,147,932	7,341,666
At 31 December 2018	775,985	5,437,689	4,750	65,484	1,391,245	7,675,153

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2019, the Group pledged to secure bank borrowings and other loans with buildings and other infrastructure with a net carrying amount of RMB152,531,000 (31 December 2018: Nil).

As at 31 December 2019, the Group has been in the process of applying for the ownership certificates of buildings with a net carrying amount of RMB28,187,000 (31 December 2018: RMB22,720,000).

During the year ended 31 December 2019, an impairment loss of RMB113,263,000 (31 December 2018: Nil) was recognised for buildings and other infrastructure and machinery of environmental protection and energy conservation solutions segment as a result of technical innovation during the year. The Group's management assessed the recoverable amounts of those assets by the fair values less costs of disposal model and recognised the above impairment loss.

14. INTANGIBLE ASSETS

	Patents RMB'000	Non-patented technology RMB'000	Development expenditure RMB'000	Software RMB'000	Total RMB'000
Cost:					
At 1 January 2019	44,477	94,777	116,114	22,107	277,475
Addition	2,279	–	44,512	652	47,443
Reclassification	8,830	10,242	(19,673)	601	–
Recognised in research and development expenses	–	–	(3,852)	–	(3,852)
At 31 December 2019	55,586	105,019	137,101	23,360	321,066
Accumulated amortization:					
At 1 January 2019	(20,277)	(37,940)	–	(9,268)	(67,485)
Provision	(3,555)	(8,519)	–	(1,799)	(13,873)
Reclassification	(192)	192	–	–	–
At 31 December 2019	(24,024)	(46,267)	–	(11,067)	(81,358)
Impairment:					
At 1 January 2019	(1,375)	–	–	–	(1,375)
Provision	–	–	–	–	–
At 31 December 2019	(1,375)	–	–	–	(1,375)
Net carrying amount:					
At 1 January 2019	22,825	56,837	116,114	12,839	208,615
At 31 December 2019	30,187	58,752	137,101	12,293	238,333

14. INTANGIBLE ASSETS (CONTINUED)

	Patents RMB'000	Non-patented technology RMB'000	Development expenditure RMB'000	Software RMB'000	Total RMB'000
Cost:					
At 1 January 2018	88,066	41,197	71,205	18,211	218,679
Addition	–	5	61,743	3,374	65,122
Reclassification	(43,589)	53,575	(10,548)	562	–
Recognised in research and development expenses	–	–	(6,286)	–	(6,286)
Other adjustment	–	–	–	(40)	(40)
At 31 December 2018	44,477	94,777	116,114	22,107	277,475
Accumulated amortization:					
At 1 January 2018	(27,115)	(20,263)	–	(7,692)	(55,070)
Provision	(3,323)	(7,516)	–	(1,616)	(12,455)
Reclassification	10,161	(10,161)	–	–	–
Other adjustment	–	–	–	40	40
At 31 December 2018	(20,277)	(37,940)	–	(9,268)	(67,485)
Impairment:					
At 1 January 2018	(1,375)	–	–	–	(1,375)
Provision	–	–	–	–	–
At 31 December 2018	(1,375)	–	–	–	(1,375)
Net carrying amount:					
At 1 January 2018	59,576	20,934	71,205	10,519	162,234
At 31 December 2018	22,825	56,837	116,114	12,839	208,615

As at 31 December 2019 and 2018, there were no intangible assets of the Group pledged to secure bank borrowings and other loans.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and other infrastructure, machinery, transportation vehicles and office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 47 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and other infrastructure generally have lease terms between 1 and 5 years. Machinery, transportation vehicles and office equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	19,531
Recognised in profit or loss during the year	(465)
Carrying amount at 31 December 2018	19,066

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments *RMB'000*	**Buildings and other infrastructure** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	19,066	370,128	389,194
Additions	–	3,309	3,309
Other adjustment	–	(11,938)	(11,938)
Depreciation charge	(465)	(24,057)	(24,522)
As at 31 December 2019	18,601	337,442	356,043

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 Lease liabilities *RMB'000*
Carrying amount at 1 January	**371,814**
New leases	**3,309**
Other adjustment	**(11,938)**
Accretion of interest recognised during the year	**14,490**
Payments	**(34,673)**
Carrying amount at 31 December	**343,002**
Analysed into:	
Current portion	**32,218**
Non-current portion	**310,784**

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (continued)

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 *RMB'000*
Interest on lease liabilities	**14,490**
Depreciation charge of right-of-use assets	**24,522**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales, administrative expenses and selling and distribution expenses)	**16,399**
Expense relating to leases of low-value assets (included in administrative expenses)	**72**
Total amount recognised in profit or loss	**55,483**

(e) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessor

The Group leases its buildings and other infrastructure in China under operating lease arrangements. Rental income recognised by the Group during the year was RMB1,102,000 (2018: RMB2,675,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019
	RMB'000
Within one year	786

16. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Datang Overseas Technology Co., Ltd. (中國大唐集團海外技術服務有限公司)	**7,658**	7,171

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of financial and contract assets *RMB'000*	Accrued expenses *RMB'000*	Deferred income *RMB'000*	Elimination of unrealized profit *RMB'000*	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2019	**26,573**	**918**	**4,931**	**13,109**	**–**	**190**	**45,721**
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	**26,189**	**(231)**	**312**	**(1,316)**	**–**	**(190)**	**24,764**
Gross deferred tax assets at 31 December 2019	**52,762**	**687**	**5,243**	**11,793**	**–**	**–**	**70,485**
At 1 January 2018	18,282	1,810	2,712	12,959	84	988	36,835
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	8,291	(892)	2,219	150	–	(798)	8,970
Deferred tax charged to other comprehensive income during the year	–	–	–	–	(84)	–	(84)
At 31 December 2018	26,573	918	4,931	13,109	–	190	45,721

17. DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*
At 1 January 2019	**326**	326
Deferred tax charged to other comprehensive income during the year	**73**	73
Gross deferred tax liabilities at 31 December 2019	**399**	399
At 1 January 2018	**–**	–
Deferred tax charged to other comprehensive income during the year	**326**	326
At 31 December 2018	**326**	326

17. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**70,086**	45,395
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	–
Net deferred tax assets	**70,086**	45,395

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2019, the Group has tax losses arising in India of RMB24,780,000 (31 December 2018: RMB21,543,000) that will expire up to eight years for offsetting against future taxable profits of Technologies & Engineering India, an overseas subsidiary of the Group. As at 31 December 2019, the Group had tax losses arising in the PRC of RMB36,572,000 (31 December 2018: Nil).

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**77,248**	76,163
Work in progress	**16,535**	7,995
Finished goods	**76,137**	69,362
	169,920	153,520

19. CONTRACT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract assets arising from construction services	**889,309**	986,807	363,490
Less: Impairment	**(5,470)**	(4,371)	(2,373)
Total	**883,839**	982,436	361,117

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2019 and 2018 was the result of the decrease in the provision of construction services at the end of each of the years.

During the year ended 31 December 2019, RMB1,099,000 (2018: RMB1,998,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**883,839**	**982,436**
After one year	**–**	**–**
Total contract assets	**883,839**	**982,436**

19. CONTRACT ASSETS (CONTINUED)

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 *RMB'000*	2019 *RMB'000*
At beginning of year	**4,371**	**2,373**
Impairment losses, net	**1,099**	**1,998**
At end of year	**5,470**	**4,371**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**0.62%**	0.44%
Gross carrying amount *(RMB'000)*	**889,309**	986,807
Expected credit losses *(RMB'000)*	**5,470**	4,371

20. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**8,033,142**	8,070,157
Less: provision for impairment	**(234,844)**	(164,885)
	7,798,298	7,905,272
Bills receivable	**742,945**	493,233
Total	**8,541,243**	8,398,505

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

(a) Ageing analysis

An ageing analysis of the trade and bills receivables, based on the invoice date and net of loss allowance, at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**4,404,897**	5,148,887
Between 1 and 2 years	**1,751,826**	940,826
Between 2 and 3 years	**750,711**	1,225,560
Over 3 years	**1,868,653**	1,248,117
	8,776,087	8,563,390
Less: provision for impairment	**(234,844)**	(164,885)
	8,541,243	8,398,505

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**164,885**	106,975
Impairment losses, net	**69,959**	57,910
At end of the year	**234,844**	164,885

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

As at 31 December 2019, the Group has assessed that the expected loss rate for trade receivables from related parties was nil since related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Thus, no loss allowance provision for trade receivables from related parties was recognised at 31 December 2019.

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

To measure the expected credit losses of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss model also incorporates forward-looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables from third parties using a provision matrix:

As at 31 December 2019

		Past due				
	Current	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	**0.98%**	**1.62%**	**7.75%**	**19.91%**	**47.04%**	**15.69%**
Gross carrying amount *(RMB'000)*	**219,380**	**113,845**	**652,034**	**221,829**	**289,456**	**1,496,544**
Expected credit losses *(RMB'000)*	**2,153**	**1,841**	**50,509**	**44,167**	**136,174**	**234,844**

As at 31 December 2018

		Past due				
	Current	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	0.95%	1.32%	11.91%	22.38%	40.52%	7.65%
Gross carrying amount *(RMB'000)*	1,266,572	264,335	276,241	133,555	213,759	2,154,462
Expected credit losses *(RMB'000)*	12,002	3,484	32,889	29,886	86,624	164,885

As at 31 December 2019, there were trade and bills receivables amounting to RMB126,272,000 pledged to secure bank borrowings and other loans granted to the Group (31 December 2018: RMB123,630,000).

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Due from related parties	**630,961**	290,542
Prepayments	**149,910**	205,188
Deposits	**27,648**	29,855
Other receivables	**42,683**	45,199
Other current assets	**400,015**	329,119
	1,251,217	899,903
Less: provision of impairment	**(9,663)**	(11,043)
Total	**1,241,554**	888,860

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. The Group expects that the credit risk associated with other receivables due from related parties and deposits is considered to be low, since related parties have a strong capacity to meet their contractual cash flow obligations in the near term and deposits are turned over periodically. Thus, the impairment provision recognised during current year was limited to 12 months' expected losses and the expected loss rate for the such balances was immaterial.

The Group has a large number of counterparties for its other receivables other than those from related parties. There is no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the year end to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the period end. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of a default as at the date of initial recognition.

As at 31 December 2019, the amount of financial assets included in the above assets which were neither past due nor impaired was RMB204,856,000 (31 December 2018: RMB217,066,000). As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS, TIME DEPOSIT AND RESTRICTED CASH

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**1,622,546**	1,749,652
Less: restricted cash *(Note a)*	**(42,179)**	(36,928)
Less: time deposit	**–**	(35,000)
Cash and cash equivalents	**1,580,367**	1,677,724
Cash and bank balances denominated in:		
– RMB	**1,604,065**	1,738,364
– United States dollars	**–**	–
– Hong Kong dollars	**7,130**	7,619
– Indian rupees	**11,351**	3,669
	1,622,546	1,749,652

Note a: Restricted cash mainly represented deposits held for issued notes payable and performance obligations for engineering services.

The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within one year.

	2019 RMB'000	2018 RMB'000
Bills payable	**194,432**	227,910
Trade payables	**4,794,843**	6,253,352
	4,989,275	6,481,262

An ageing analysis of the trade and bills payables, based on the invoice date, at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**2,589,256**	4,273,450
1 year to 2 years	**870,173**	705,233
2 years to 3 years	**452,260**	698,311
More than 3 years	**1,077,586**	804,268
	4,989,275	6,481,262

24. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Contract liabilities	(a)	**520,777**	312,064
Taxes payable, other than income tax		**34,736**	40,083
Interest payables		**9,368**	8,575
Dividends payable		**341,657**	344,704
Other payables	(b)	**946,184**	957,975
		1,852,722	1,663,401

Notes:

(a) Details of contract liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Short-term advances received from customers		
Sale of industrial products	**25,995**	3,699
Construction services	**494,782**	308,365
Total contract liabilities	**520,777**	312,064

Contract liabilities include short-term advances received to deliver industrial products and construction services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

25. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Current					
Bank borrowings – unsecured	3.32%-4.80%	2020	**2,288,499**	1,061,087	1,061,087
Other loans – unsecured	3.92%-5.00%	2020	**330,000**	259,136	259,136
Other loans – secured *(Note a)*	7.50%	2020	**70,000**	100,000	100,000
			2,688,499	1,420,223	1,420,223
Current portion of long term bank borrowings and other loans					
Bank borrowings – unsecured	4.41%-6.62%	2019-2020	**657,671**	579,962	579,962
Bank borrowings – secured *(Note a)*	5.23%	2019-2020	**26,170**	–	–
Bank borrowings – guaranteed	4.28%-5.15%	2019-2020	**23,253**	14,963	14,963
Other loans – unsecured	4.75%-5.15%	2019-2020	**30,500**	8,700	8,700
Other loans – secured *(Note b)*	5.70%	2019-2020	**265,000**	–	–
Lease liabilities *(Note 15c)*	4.41%	2019-2020	**32,218**	34,833	–
			1,034,812	638,458	603,625
			3,723,311	2,058,681	2,023,848

25. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Non-current					
Long term bank borrowings and other loans:					
Bank borrowings – unsecured	4.41%-6.62%	2020-2028	**2,030,491**	2,364,598	2,364,598
Bank borrowings – secured *(Note a)*	5.23%	2024	**73,830**	–	–
Bank borrowings – guaranteed	4.28%-5.15%	2021-2026	**60,367**	83,620	83,620
Other loans – unsecured	4.75%-5.15%	2020-2023	**167,885**	457,830	457,830
Other loans – secured *(Note b)*	5.70%	2020-2021	**79,750**	–	–
Other loans – bonds *(Note c)*	3.65%	2024	**599,460**	–	–
Lease liabilities *(Note 15c)*	4.41%	2020-2038	**310,784**	336,981	–
			3,322,567	3,243,029	2,906,048
			7,045,878	5,301,710	4,929,896
Interest-bearing bank borrowings and other loans denominated in:					
– RMB			**7,045,878**	5,301,710	4,929,896

Note a:

The above secured bank borrowings and other loans are secured by trade and bills receivables with a net carrying value of RMB126,272,000 (31 December 2018: RMB123,630,000) (note 20).

Note b:

The above secured other loans are secured by buildings and other infrastructure with a net carrying value of RMB152,531,000 (31 December 2018: Nil) (note 13).

Note c:

The Company issued a green corporate bond amounting to RMB600,000,000 with a unit par value of RMB100 each for cash and a term of 5 years on 16 December 2019. The annual interest rate for the green corporate bond was 3.65%.

25. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (CONTINUED)

The maturity profile of the interest-bearing bank borrowings and other loans as at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year	**2,995,593**	1,656,012
In the second year	**640,121**	673,463
In the third to fifth years, inclusive	**1,216,339**	1,306,766
Beyond five years	**308,228**	467,989
	5,160,281	4,104,230
Other loans repayable:		
Within one year	**727,718**	367,836
In the second year	**263,067**	309,250
In the third to fifth years, inclusive	**697,103**	145,480
Beyond five years	**197,709**	3,100
	1,885,597	825,666
Total	**7,045,878**	4,929,896

26. SHARE CAPITAL

Shares	**2019** *RMB'000*	2018 *RMB'000*
Issued and fully paid:		
2,967,542,000 (2018: 2,967,542,000) ordinary shares	**2,967,542**	2,967,542

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue *(thousands)*	**Share capital** *RMB'000*
At 1 January 2018	2,967,542	2,967,542
Capital contribution	–	–
At 31 December 2018 and 1 January 2019	2,967,542	2,967,542
At 31 December 2019	**2,967,542**	**2,967,542**

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2018 are presented in the consolidated statement of changes in equity.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interests held by non-controlling interests:		
Technologies & Engineering Company	**44%**	44%
Nanjing Environmental Protection	**7.89%**	7.89%
Tiandi Environmental	**35%**	35%

	2019 *RMB'000*	2018 *RMB'000*
Profit for the year attributable to non-controlling interests:		
Technologies & Engineering Company	**7,055**	20
Nanjing Environmental Protection	**5,954**	4,465
Tiandi Environmental	**13,193**	11,523
Dividends paid to non-controlling interests		
Tiandi Environmental	**5,355**	–
Nanjing Environmental Protection	**–**	2,201
Accumulated balances of non-controlling interests at the reporting date:		
Technologies & Engineering Company	**118,803**	111,505
Nanjing Environmental Protection	**31,348**	25,394
Tiandi Environmental	**65,524**	57,686

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following table illustrates the summarized financial information of Technologies & Engineering Company, Nanjing Environmental Protection and Tiandi Environmental. The amounts disclosed are before any inter-company eliminations:

2019	Technologies & Engineering Company *RMB'000*	Nanjing Environmental Protection *RMB'000*	Tiandi Environmental *RMB'000*
Revenue	1,656,562	513,895	92,175
Total expenses	(1,640,527)	(438,426)	(54,481)
Profit for the year	16,035	75,469	37,694
Total comprehensive income for the year	16,588	75,469	37,694
Current assets	3,998,015	993,726	65,006
Non-current assets	394,251	545,142	178,298
Current liabilities	(4,003,450)	(896,306)	(55,256)
Non-current liabilities	(118,809)	(245,246)	(838)
Net cash flows (used in)/from operating activities	(215,513)	65,498	63,322
Net cash flows used in investing activities	(8,850)	(15,417)	(12,373)
Net cash flows from/(used in) financing activities	239,664	(27,422)	(57,934)
Effect of foreign exchange rate changes, net	(74)	–	–
Net increase/(decrease) in cash and cash equivalents	15,227	22,659	(6,985)

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following table illustrates the summarized financial information of Technologies & Engineering Company, Nanjing Environmental Protection and Tiandi Environmental. The amounts disclosed are before any inter-company eliminations: (Continued)

2018	Technologies & Engineering Company *RMB'000*	Nanjing Environmental Protection *RMB'000*	Tiandi Environmental *RMB'000*
Revenue	3,071,488	480,523	92,559
Total expenses	(3,071,443)	(423,934)	(59,635)
Profit for the year	45	56,589	32,924
Total comprehensive income for the year	(1,521)	56,589	32,924
Current assets	4,495,162	834,543	71,988
Non-current assets	401,199	605,639	184,400
Current liabilities	(4,389,490)	(794,066)	(52,072)
Non-current liabilities	(253,450)	(324,270)	(39,500)
Net cash flows from operating activities	68,709	101,728	73,286
Net cash flows from/(used in) investing activities	13,699	(46,837)	(14,629)
Net cash flows used in financing activities	(140,363)	(36,852)	(44,311)
Effect of foreign exchange rate changes, net	(2,117)	–	–
Net (decrease)/increase in cash and cash equivalents	(60,072)	18,039	14,346

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash reduction to right-of-use assets and lease liabilities of RMB8,629,000 and RMB8,629,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019	Interest-bearing bank borrowings and other loans *RMB'000*	Lease liabilities *RMB'000*	Other payables and accruals *RMB'000*
As At 31 December 2018	4,929,896	–	1,663,401
Effect of adoption of IFRS 16	–	371,814	–
As at 1 January 2019 (restated)	4,929,896	371,814	1,663,401
Changes from financing cash flows	1,766,680	(34,673)	(598,565)
New leases	–	3,309	–
Other adjustment	–	(11,938)	–
Interest expenses	6,300	14,490	264,426
2018 final dividends	–	–	326,430
Dividends paid by a subsidiary to its non-controlling shareholder	–	–	5,355
Changes from operating cash flows	–	–	339,647
Changes from investing cash flows	–	–	(147,972)
As at 31 December 2019	6,702,876	343,002	1,852,722

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

2018	Interest-bearing bank borrowings and other loans *RMB'000*	Other payables and accruals *RMB'000*
As at 1 January 2018	4,250,832	1,110,673
Changes from financing cash flows	678,014	(307,719)
Interest expenses	1,050	214,785
2017 final dividends	–	385,780
Dividends paid by a subsidiary to its non-controlling shareholders	–	2,201
Changes from operating cash flows	–	(66,702)
Changes from investing cash flows	–	324,383
As at 31 December 2018	4,929,896	1,663,401

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 *RMB'000*
Within operating activities	**9,608**
Within financing activities	**34,673**

30. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any significant contingent liabilities.

31. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for	**879,440**	1,446,348

(b) Operating lease commitments as at 31 December 2018

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	33,964
In the second to fifth years, inclusive	17,159
	51,123

32. RELATED PARTY TRANSACTIONS

The Group is part of China Datang Corporation and had significant transactions with China Datang Group during the year.

These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

In addition to the related party transactions disclosed elsewhere in the financial statements, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions

	Notes	2019 RMB'000	2018 RMB'000
Sales of goods and rendering of services to China Datang Group	(i)		
Environmental protection and energy conservation solutions		**5,080,257**	5,755,717
Renewable energy engineering		**677,775**	275,961
Thermal power engineering		**113,597**	494,237
Others		**45,334**	183,421
		5,916,963	6,709,336
Purchases of goods and receiving of services from China Datang Group			
Water supply and electricity supply	(i)	**859,643**	756,548
Ancillary services under the concession operations	(i)	**131,218**	99,613
Logistics services	(i)	**92,758**	154,901
Property leases	(ii)(e)	**-**	33,522
Wind power electricity and other products	(i)	**403,658**	447,229
		1,487,277	1,491,813
Purchase of assets from subsidiaries of China Datang Group	(i)		
Purchase of assets		**56,731**	–

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

	Notes	2019 RMB'000	2018 RMB'000
Loans from subsidiaries of China Datang Group	(iii)		
China Datang Finance Co., Ltd. ("**Datang Finance**") *(Note a)*		**2,730,000**	1,745,000
Datang Financial Lease Co., Ltd. ("**Datang Financial Lease**") *(Note a)*		**135,000**	265,000
Datang Commercial Factoring Co., Ltd. ("**Datang Commercial Factoring**") *(Note a)*		**100,000**	159,136
		2,965,000	2,169,136
Interest expense on loans from subsidiaries of China Datang Group	(iii)		
Datang Finance		**15,048**	7,403
Datang Financial lease		**19,470**	2,230
Datang Commercial Factoring		**5,949**	2,218
		40,467	11,851
Interest income from subsidiaries of China Datang Group	(iii)		
Datang Finance		**8,787**	9,062

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

Note a:

Loans from subsidiaries of China Datang Group	31 December 2018	Proceeds	Repayment	31 December 2019	Duration	Effective interest rate (%)	Type
Datang Finance	335,000	2,730,000	2,708,700	**356,300**	13/9/2017~26/12/2023	3.92-5.15	unsecured
Datang Financial Lease	265,000	85,000	–	**350,000**	1/11/2018~16/5/2021	5.70	secured
Datang Financial Lease	–	50,000	5,995	**44,005**	25/10/2019~24/10/2021	4.75	unsecured
Datang Commercial Factoring	100,000	100,000	130,000	**70,000**	20/11/2018~10/9/2020	7.50	secured
Datang Commercial Factoring	9,136	–	9,136	**–**	13/11/2018~13/11/2019	7.50	unsecured
	709,136	2,965,000	2,853,831	**820,305**			

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

All transactions with related parties were conducted at prices and on terms mutually agreed by the parties involved, which are determined as follows:

(i) Sales of goods and rendering of services to China Datang Group, purchases of goods and receiving of services from China Datang Group (excluding property leases)

a. Pricing policies for products: The pricing policies for products are as follows:

(a) the bidding price where the bidding process is required; or

(b) where no bidding process is involved, the market price.

b. Pricing policies for concession operations (desulfurization and denitrification) services: The desulfurization and denitrification tariffs under the concession operations services are determined based on government-prescribed price, while the prices for by-products are determined based on the market price. In respect of the auxiliary services offered to the Group by China Datang Group under the desulfurization and denitrification concession operations, the price is determined in accordance with the costs of human resources in connection with the auxiliary services and related management expenses as well as relevant maintenance expenses for the equipment of power plants and with reference to the industry average level.

c. Pricing policies for services other than concession operations services: The pricing policies for these kinds of services are as follows:

(a) the bidding price where the bidding process is required; or

(b) where no bidding process is involved, the market price.

d. Pricing policy for procurement of equipment: In respect of equipment procurement from China Datang Group, in most circumstances, bidding procedures shall apply for the determination of the price. Only in exceptional circumstances, such as urgent purchases by the Group, bidding procedures can be skipped by the Group where the purchase price shall be determined by experts of the Group based on the fair market value and historical records of the procurement price.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

(ii) Purchases of lease services from China Datang Group

Pricing policy: The rental for property leases is determined via negotiations between the parties with reference to the market rental for properties with similar conditions.

(iii) Financial services

Datang Finance provides loan services, deposit services and other financial services to the Group.

Pricing policy: The pricing policies for financial services are as follows:

(a) the interest rate for the Group's deposits with Datang Finance shall not be lower than the equivalent deposit interest rate as provided by other financial institutions in the PRC by reference to the benchmark interest rates published by the People's Bank of China ("**PBOC**");

(b) the interest rate for loans granted to the Group by Datang Finance shall not be higher than the equivalent loan interest rate as charged by other financial institutions in the PRC by reference to the benchmark interest rates published by the PBOC; and

(c) the fees charged by Datang Finance for the provision of financial services to the Group other than deposit services and loan services shall not be higher than the rate charged by other financial institutions in the PRC for the same or similar type of services.

China Datang Group Capital Holding Co., Ltd. ("**Datang Capital**") provides financial leasing and commercial factoring services to the group.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

(iii) Financial services (Continued)

Pricing Policy: Datang Capital has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

(a) financial leasing service – the rent paid by the Group to Datang Capital includes (i) procurement costs and (ii) interests. The relevant interests are determined based on the benchmark interest rates for borrowings as implemented by the PBOC;

(b) commercial factoring service – the comprehensive interest rate relating to the commercial factoring services provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

The above services are provided by Datang Financial Lease and Datang Commercial Factoring, the subsidiaries of Datang Capital, respectively.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Other than those disclosed elsewhere in the financial statements, the outstanding balances with related parties at 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents		
Datang Finance	**1,478,236**	1,440,898
Trade and bills receivables		
China Datang Group	**6,667,357**	5,919,857
Prepayments, other receivables and other assets		
China Datang Group		
Prepayments	**486,772**	137,487
Other receivables	**144,189**	153,055
	630,961	290,542
Other non-current assets		
China Datang Group	**61,887**	94,124
Contract assets		
China Datang Group	**773,857**	769,674
Loans		
Datang Finance	**356,300**	335,000
Datang Financial Lease	**394,005**	265,000
Datang Commercial Factoring	**70,000**	109,136
China Datang Group *(Note b)*	**338,497**	–
	1,158,802	709,136
Trade and bills payables		
China Datang Group	**706,488**	684,701
Other payables and accruals		
China Datang Group	**810,974**	592,784

Note b: The Group has initially applied IFRS 16 at 1 January 2019 and recognised leased liabilities of RMB338.50 million as at 31 December 2019.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other government-related entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government and numerous government authorities and agencies (collectively referred to as "**government-related entities**"). China Datang, the parent and ultimate holding company of the Company, is a PRC state-owned enterprise and these government-related entities are also considered the related parties of the Group in this respect.

Apart from the transactions with China Datang Group mentioned above, the Group also conducts some business activities with other government-related entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-government-related entities.

The Group prices its services and products based on commercial negotiations. The Group has also established its approval process for the sale of goods, provision of services, purchase of products and receiving of services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the possibility for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, the Directors are of the opinion that further information about the following transactions that are collectively significant is required for disclosure:

– ***Deposits and borrowings***

Except for the cash and cash equivalents deposited in Datang Finance and Wing Lung Bank in Hong Kong, the Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the PBOC.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short term employee benefits	**6,011**	6,230
Post-employment benefits	**490**	557
Total compensation paid to key management personnel	**6,501**	6,787

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

(e) Property leases

As at 31 December 2018, the Group entered into lease agreements with China Datang Group and the operating lease commitment was RMB50.92 million.

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods, it recognised a depreciation expense of RMB22.29 million from right-of-use assets, and an interest expense of RMB14.34 million from lease liabilities. It also paid RMB34.32 million under lease agreements during the current year.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

	31 December 2019			31 December 2018		
Financial assets	**Financial assets at amortised cost**	**Financial assets at fair value through other comprehensive income**	**Total**	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	**–**	**7,658**	**7,658**	–	7,171	7,171
Financial assets included in other non-current assets	**56,819**	**–**	**56,819**	93,429	–	93,429
Trade and bills receivables	**7,798,298**	**742,945**	**8,541,243**	7,905,272	493,233	8,398,505
Financial assets included in prepayments, other receivables and other assets	**204,856**	**–**	**204,856**	217,066	–	217,066
Cash and cash equivalents	**1,580,367**	**–**	**1,580,367**	1,677,724	–	1,677,724
Time deposit	**–**	**–**	**–**	35,000	–	35,000
Restricted cash	**42,179**	**–**	**42,179**	36,928	–	36,928
	9,682,519	**750,603**	**10,433,122**	9,965,419	500,404	10,465,823

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities	31 December 2019 Financial liabilities at amortized cost RMB'000	31 December 2018 Financial liabilities at amortized cost RMB'000
Trade and bills payables	**4,989,275**	6,481,262
Financial liabilities included in other payables and accruals	**1,297,209**	1,311,254
Interest-bearing loans and borrowings	**7,045,878**	4,929,896
	13,332,362	12,722,412

Transfers of financial assets

Transferred financial assets that are derecognised in their entirety

At 31 December 2019, the Company and its certain subsidiaries endorsed certain bills receivable accepted by banks and China Datang Finance (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,002,142,000. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks or China Datang Finance default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and those carried at fair value, are as follows:

	Carrying amounts		Fair values	
	2019 (RMB'000)	2018 (RMB'000)	**2019 (RMB'000)**	2018 (RMB'000)
Financial assets				
Financial assets included in other non-current assets	**56,819**	93,429	**55,337**	94,099
Financial liabilities				
Long term interest-bearing loans and borrowings (other than lease liabilities) *(note 25)*	**3,011,783**	2,906,048	**2,977,534**	2,874,731

Management has assessed that the fair values of cash and cash equivalents, restricted cash, a time deposit, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing loans and borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The corporate finance team reports directly to management. As at 31 December 2019 and 2018, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the non-current portion of interest-bearing loans and borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risks for interest-bearing loans and borrowings as at 31 December 2019 and 2018 were assessed to be insignificant.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

- The fair values of the financial assets included in other non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/SALES multiple of peers	2019: 2.8x (2018: 2.9x)	10% (2018: 10%) increase/decrease in multiple would result in increase/decrease in fair value by 4% (2018: 6%)
		Discount for lack of marketability	2019: 25% (2018: 25%)	10% (2018: 10%) increase/decrease in discount would result in decrease/increase in fair value by 3% (2018: 3%)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2019				
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**7,658**	**7,658**
Trade and bills receivables	**–**	**742,945**	**–**	**742,945**
As at 31 December 2018				
Equity investments designated at fair value through other comprehensive income	–	–	7,171	7,171
Trade and bills receivables	–	493,233	–	493,233

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Financial assets included in other non-current assets	**–**	**55,337**	**–**	**55,337**
As at 31 December 2018				
Financial assets included in other non-current assets	–	94,099	–	94,099

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Long term interest-bearing loans and borrowings (other than lease liabilities)	**–**	**2,977,534**	**–**	**2,977,534**
As at 31 December 2018				
Long term interest-bearing loans and borrowings	–	2,874,731	–	2,874,731

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and other loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The management of the Company reviews and agrees policies for managing each of these risks and they are summarized below：

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank borrowings, restricted cash, a time deposit and cash and cash equivalents are stated at amortized cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

As at 31 December 2019, if there would be a general increase/decrease in the market interest rates by 10 basis points, with all other variables held constant, the Group's consolidated pre-tax profit would have decreased/increased by approximately RMB3,507,000 (31 December 2018: RMB3,572,000) and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group. The estimated 10 basis points, increase or decrease represents management's assessment of a reasonably possible change in market interest rates over the period until the next annual year end.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

Foreign currency risk primarily arises from certain significant foreign currency deposits, trade receivables, and trade payables denominated in United States Dollars ("**USD**") and Hong Kong Dollars ("**HKD**"). The Group Treasury closely monitors the international foreign currency market on the change of exchange rates and takes this into consideration when depositing foreign currency deposits and borrowing loans. As at 31 December 2019, the Group had significant exposures to USD.

The Group has transactional currency exposures which arise from sales or purchases by operating units in currencies other than the units' functional currencies. The exposure was insignificant for the years ended 31 December 2019 and 31 December 2018.

	Increase/ (decrease) in rate *%*	Increase/ (decrease) in profit after tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2019			
If RMB weakens against USD	5	**7,795**	**7,795**
If RMB strengthens against USD	(5)	**(7,795)**	**(7,795)**
2018			
If RMB weakens against USD	5	7,635	7,635
If RMB strengthens against USD	(5)	(7,635)	(7,635)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

As the Group's major customers are China Datang's subsidiaries or other state-owned enterprises, the Group believes that they are reliable and of high credit quality, and hence, there is no significant credit risk with these customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets*	–	–	–	883,839	883,839
Trade receivables*	–	–	–	7,798,298	7,798,298
Financial assets included in prepayments, other receivables and other assets					
– Normal**	204,856	–	–	–	204,856
– Doubtful**	–	–	–	–	–
Restricted cash and a time deposit					
– Not yet past due	42,179	–	–	–	42,179
Cash and cash equivalents					
– Not yet past due	1,580,367	–	–	–	1,580,367
	1,827,402	–	–	8,682,137	10,509,539

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets*	–	–	–	982,436	982,436
Trade receivables*	–	–	–	7,905,272	7,905,272
Financial assets included in prepayments, other receivables and other assets					
– Normal**	217,066	–	–	–	217,066
– Doubtful**	–	–	–	–	–
Restricted cash and a time deposit					
– Not yet past due	71,928	–	–	–	71,928
Cash and cash equivalents					
– Not yet past due	1,677,724	–	–	–	1,677,724
	1,966,718	–	–	8,887,708	10,854,426

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018, based on the contractual undiscounted payments, is as follows:

	31 December 2019				
	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	**34,165**	**34,165**	**102,494**	**300,825**	**471,649**
Short term interest-bearing loans and borrowings (excluding lease liabilities)	**3,691,093**	**–**	**–**	**–**	**3,691,093**
Long term interest-bearing loans and borrowings (excluding lease liabilities)	**276,968**	**1,014,309**	**2,065,155**	**321,301**	**3,677,733**
Trade and bills payables	**4,989,275**	**–**	**–**	**–**	**4,989,275**
Financial liabilities included in other payables and accruals	**1,297,209**	**–**	**–**	**–**	**1,297,209**
	10,288,710	**1,048,474**	**2,167,649**	**622,126**	**14,126,959**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

	31 December 2018				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Short term interest-bearing loans and borrowings	2,023,848	–	–	–	2,023,848
Long term interest-bearing loans and borrowings	210,502	1,110,558	1,629,053	491,814	3,441,927
Trade and bills payables	6,481,262	–	–	–	6,481,262
Financial liabilities included in other payables and accruals	1,311,254	–	–	–	1,311,254
	10,026,866	1,110,558	1,629,053	491,814	13,285,291

(e) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximize shareholders' value.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, other payables and accruals and interest-bearing loans and borrowings, less cash and cash equivalents and restricted cash and time deposit. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management (Continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary. The gearing ratios as at the end of the reporting periods were as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade and bills payables *(note 23)*	**4,989,275**	6,481,262
Other payables and accruals *(note 24)*	**1,852,722**	1,663,401
Interest-bearing loans and borrowings *(note 25)*	**7,045,878**	4,929,896
Less: cash and cash equivalents *(note 22)*	**(1,580,367)**	(1,677,724)
Less: restricted cash and a time deposit *(note 22)*	**(42,179)**	(71,928)
Net debt	**12,265,329**	11,324,907
Total equity	**7,233,881**	7,319,322
Capital and net debt	**19,499,210**	18,644,229
Gearing ratio	**63%**	61%

36. EVENTS AFTER THE REPORTING PERIOD

The impact from novel coronavirus (COVID-19)

The novel coronavirus (COVID-19) outbreak has spread across the PRC since early January 2020, the prevention and control of COVID-19 has been ongoing nationwide. According to the current situation, this outbreak will have certain impact on the business operations of the Group. The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group. As of the report date, this assessment is still under way.

On 28 March 2020, the Board of Directors proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.0338 per share (before tax) of the Company in cash to the shareholders. The proposal is subject to the approval of the shareholders at the 2019 annual general meeting of the Company.

Apart from above, as of the report date, the Group had no other significant events after the reporting period that needs to be disclosed.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company is as follows:

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**6,212,432**	6,280,881
Intangible assets	**128,385**	102,633
Right-of-use assets	**322,056**	–
Equity investments designated at fair value through other comprehensive income	**7,658**	7,171
Investments in subsidiaries	**687,810**	687,810
Deferred tax assets	**31,530**	7,377
Other non-current assets	**433,758**	299,052
Total non-current assets	**7,823,629**	7,384,924
CURRENT ASSETS		
Inventories	**52,019**	46,399
Contract assets	**424,396**	464,647
Trade and bills receivables	**5,209,428**	4,291,604
Prepayments, other receivables and other assets	**1,168,571**	900,527
Restricted cash	**1,014**	–
Time deposits	**–**	35,000
Cash and cash equivalents	**1,228,683**	1,305,988
Total current assets	**8,084,111**	7,044,165
CURRENT LIABILITIES		
Trade and bills payables	**2,055,238**	2,498,281
Other payables and accruals	**1,060,344**	1,105,540
Interest-bearing bank borrowings	**3,106,391**	1,676,811
Income tax payable	**–**	23,491
Total current liabilities	**6,221,973**	5,304,123
NET CURRENT ASSETS	**1,862,138**	1,740,042
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,685,767**	9,124,966
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,900,672**	2,199,097
Other non-current liabilities	**21,966**	18,800
Total non-current liabilities	**2,922,638**	2,217,897
Net assets	**6,763,129**	6,907,069
EQUITY		
Share capital	**2,967,542**	2,967,542
Reserves *(Note)*	**3,795,587**	3,939,527
Total equity	**6,763,129**	6,907,069

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Fair value reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
As at 1 January 2018	1,299,413	278,050	(478)	2,025,462	3,602,447
Total comprehensive income	–	–	2,324	720,536	722,860
Appropriation to statutory surplus reserve	–	72,054	–	(72,054)	–
Dividends declared to owners of the parent	–	–	–	(385,780)	(385,780)
As at 31 December 2018	1,299,413	350,104	1,846	2,288,164	3,939,527
As at 1 January 2019	**1,299,413**	**350,104**	**1,846**	**2,288,164**	**3,939,527**
Total comprehensive income	**–**	**–**	**414**	**182,076**	**182,490**
Appropriation to statutory surplus reserve	**–**	**18,208**	**–**	**(18,208)**	**–**
Dividends declared to owners of the parent	**–**	**–**	**–**	**(326,430)**	**(326,430)**
As at 31 December 2019	**1,299,413**	**368,312**	**2,260**	**2,125,602**	**3,795,587**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2020.

Definition and Glossary of Terms

"2019 AGM"	the annual general meeting of the Company for the year of 2019, to be held at 3:30 p.m. on Thursday, 18 June 2020 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC
"Articles of Association"	the articles of association of the Company, as amended on 27 June 2019
"Board"	the board of Directors of the Company
"China Datang"	China Datang Corporation Ltd. (中國大唐集團有限公司), a state-owned enterprise established on 9 April 2003 in accordance with the PRC laws and the Controlling Shareholder and a promoter of the Company
"China Datang Group"	China Datang and its subsidiaries (excluding the Group)
"Company"	Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司) was converted to a joint stock limited company on 26 June 2015, unless otherwise stated, including its predecessor China Datang Corporation Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司) (a limited liability company established on 25 July 2011 pursuant to the PRC law and was renamed to Datang Technology Industry Co., Ltd. (大唐科技產業有限公司) in September 2013 and further to Datang Technology Industry Group Co., Ltd. (大唐科技產業集團有限公司) in December 2013)
"Controlling Shareholder"	has the meaning ascribed under the Listing Rules, and in this annual report, refers to the controlling shareholder of the Company, China Datang
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulator responsible for supervising and regulating the Chinese securities market
"Datang Finance"	China Datang Finance Co., Ltd. (中國大唐集團財務有限公司), a company incorporated in the PRC with limited liability, and a non wholly owned subsidiary of China Datang
"Datang Guiguan"	Guangxi Guiguan Electric Power Co., Ltd. (廣西桂冠電力股份有限公司), a join stock limited company established in September 1992 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Main Board of the Shanghai Stock Exchange (stock code: 600236)
"Datang Huayin"	Datang Huayin Electric Power Co., Ltd. (大唐華銀電力股份有限公司), a joint stock limited company established on 22 March 1993 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Shanghai Stock Exchange (stock code: 600744)

"Datang Renewable"	China Datang Corporation Renewable Power Co., Ltd. (中國大唐集團新能源股份有限公司), a joint stock limited company established on 23 September 2004 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Main Board of the Stock Exchange (stock code: 1798)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EMC"	a business model that the energy conservation companies provide energy-conservation services to customers according to the energy conservation service contracts entered into with customers, and recover the investment and gain profit from the energy efficiency achieved upon the completion of energy conservation facilities refurbishment
"EPC"	contracting arrangement whereby the contractor is commissioned by the customer to carry out works, such as design, procurement, construction and trial operations, either through the contractor's own employees or by subcontracting part or all of the works, and be responsible for the quality, safety, timely delivery and cost of the project
"Group", "our Group", "we" or "us	the Company and all or any of our subsidiaries (as the context so requires)
"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed and traded on the Stock Exchange
"Joint Company Secretary" or "Joint Company Secretaries	joint company secretary/secretaries of the Company
"Latest Practicable Date"	21 April 2020, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained in this annual report
"Listing"	listing of our H Shares on the Main Board of the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers

"Nanjing Environmental Protection"	Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限責任公司), a limited liability company established on 14 December 2011 in accordance with the PRC laws and a subsidiary of the Company
"PBOC" or "People's Bank of China"	the People's Bank of China
"PRC"	the People's Republic of China, unless it has specifically specified, it excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"Prospectus"	the prospectus of the Company dated 3 November 2016 with respect to the listing of the Company on the Main Board of the Stock Exchange
"Reporting Period"	the year ended 31 December 2019
"RMB"	Renminbi, the current lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會), responsible for the management of state assets
"Senior Management"	senior management of the Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Shares"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, composed of the Domestic Shares and H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)" or "Supervisory Committee"	supervisor(s) or supervisory committee of the Company
"%"	per cent

Corporate Information

LEGAL NAME OF THE COMPANY

大唐環境產業集團股份有限公司

ENGLISH NAME OF THE COMPANY

Datang Environment Industry Group Co., Ltd.*

DIRECTORS

Non-executive Directors

Mr. Jin Yaohua *(Chairman)*
Mr. Liu Quancheng *(appointed in October 2019)*
Mr. Liu Ruixiang *(appointed in October 2019)*
Mr. Li Zhenyu *(appointed in October 2019)*
Mr. Li Yi *(resigned in October 2019)*
Mr. Deng Xiandong *(resigned in October 2019)*
Mr. Shen Zhen *(resigned in October 2019)*
Mr. Liu Chuandong *(resigned in October 2019)*
Mr. Liu Guangming *(resigned in October 2019)*

Executive Directors

Mr. Hou Guoli *(appointed in October 2019)*
Mr. Wang Yanwen *(appointed in October 2019)*
Mr. Deng Xiandong *(resigned in October 2019)*
Mr. Shen Zhen *(resigned in October 2019)*

Independent non-executive Directors

Mr. Ye Xiang
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

SUPERVISORS

Mr. Wang Yuanchun *(Chairman)*
Mr. Liu Liming *(appointed in October 2019)*
Mr. Miao Shihai *(resigned in October 2019)*
Mr. Chen Li

LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Jin Yaohua

AUTHORIZED REPRESENTATIVES

Mr. Hou Guoli *(appointed in October 2019)*
Mr. Deng Xiandong *(resigned in October 2019)*
Ms. Zhu Mei

JOINT COMPANY SECRETARIES

Ms. Zhu Mei
Ms. Wong Sau Ping *(FCIS; FCS)*

COMMITTEES UNDER THE BOARD

Audit Committee

Mr. Gao Jiaxiang *(Chairman)*
Mr. Ye Xiang
Mr. Liu Quancheng *(appointed in October 2019)*
Mr. Liu Chuandong *(resigned in October 2019)*

Nomination Committee

Mr. Jin Yaohua *(Chairman)*
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

Remuneration and Evaluation Committee

Mr. Ye Xiang *(Chairman)*
Mr. Mao Zhuanjian
Mr. Hou Guoli *(appointed in October 2019)*
Mr. Deng Xiandong *(resigned in October 2019)*

Strategy and Investment Committee

Mr. Hou Guoli *(Chairman) (appointed in October 2019)*
Mr. Liu Ruixiang *(appointed in October 2019)*
Mr. Mao Zhuanjian *(appointed in October 2019)*

REGISTERED OFFICE

No. 120 Zizhuyuan Road, Haidian District,
Beijing, the PRC

HEAD OFFICE IN THE PRC

No. 120 Zizhuyuan Road, Haidian District,
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower, 1 Tim Mei Avenue,
Central, Hong Kong

Ernst & Young Hua Ming LLP
16/F, Ernst & Young Tower, Oriental Plaza,
No. 1 East Chang An Ave., Dong Cheng District,
Beijing, the PRC

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As to Hong Kong law

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23/F, Gloucester Tower,
15 Queen's Road Central, Hong Kong

As to the PRC law

Beijing Rainmaker Law Firm
Room 422, Tower A, Henghua International
Business Center,
No. 26 Yuetan North Street, Xicheng District,
Beijing

PRC PRINCIPAL BANKS

China Development Bank Corporation
China Development Bank 1108B, Fortune
Resource International Center, Taipingqiao
Street, Xicheng District, Beijing, the PRC

China Construction Bank Corporation Beijing
Xuanwu Sub-branch
No. 314 Guang'anmennei Street,
Xicheng District, Beijing, the PRC

Industrial and Commercial Bank of China Limited
Beijing Haidian Sub-branch
No. 100 Zhongguancun East Road,
Haidian District, Beijing, the PRC

Agricultural Bank of China Beijing Xuanwu Sub-branch
No. 1A Xuanwumenwai Avenue, Xicheng
District, Beijing

Bank of Beijing Co., Ltd. Shangdi Sub-branch
No. 1 Shangdi Xinxi Road, Haidian District,
Beijing

Ningbo Bank Corporation Beijing Zhongguancun
Sub-Branch
1st Floor, Dream Laboratory, 1 Haidian Avenue,
Haidian District, Beijing

Agricultural Bank of China Limited Beijing
Luoma City Sub-branch
F1, Block A, Fenghua Haojing,
No. 6–4 Guang'an Men Nei Da Jie,
Xicheng District, Beijing

Huaxia Bank Co., Ltd. Beijing Mentougou Sub-branch
No. 57 Dayu Xinqiao Street, Mentougou District,
Beijing

China Minsheng Bank Wanliu Branch
Block 2, 6 Wanliuzhong Road, Haidian District, Beijing

Post Savings Bank of China Dashanzi Branch
13 Jiuxianqiao Road, Chaoyang District, Beijing

China Merchant Bank Beijing East Third Ring Branch
1 East Third Ring North Road, Chaoyang District, Beijing

Bank of Jiangsu Beijing Branch
1 Building, Guangxi Homeland, Chaoyang District, Beijing

H SHARE REGISTRAR

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

STOCK ABBREVIATION AND STOCK CODE

DATANG ENVIRO (1272)

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* *For identification purpose only*