

BRINGING ENERGY

TO THE WORLD

INTERIM REPORT 2020

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

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

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

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Company Information

Company Information

Chinese Name: 中國能源建設股份有限公司
 English Name: China Energy Engineering Corporation Limited
 Registered Office: Room 01-2706, 1-24/F, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC
 Head Office in the PRC: Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC
 Principal Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
 Company's Website: www.ceec.net.cn
 Tel.: +86 (10)59098818
 Fax: +86 (10)59098711
 E-mail: zgnj3996@ceec.net.cn

Stock Information of the Company

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

Executive Directors

Mr. Wang Jianping
(Chairman, resigned on 31 August 2020)
 Mr. Sun Hongshui
(Vice Chairman, appointed on 30 June 2020)
 Mr. Ma Mingwei *(appointed on 30 June 2020)*
 Mr. Ding Yanzhang *(resigned on 26 May 2020)*
 Mr. Zhang Xianchong *(resigned on 14 January 2020)*

Non-Executive Directors

Mr. Ma Chuanjing *(resigned on 21 August 2020)*
 Mr. Liu Xueshi
 Mr. Si Xinbo

Independent Non-Executive Directors

Mr. Cheung Yuk Ming
 Mr. Zhao Lixin *(appointed on 30 June 2020)*
 Mr. Cheng Niangao *(appointed on 30 June 2020)*
 Mr. Ding Yuanchen *(resigned on 30 June 2020)*

Supervisors

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

Authorized Representatives

Mr. Wang Jianping *(resigned on 31 August 2020)*
 Mr. Duan Qirong

Strategy Committee

Mr. Wang Jianping
(Chairman, resigned on 31 August 2020)
 Mr. Sun Hongshui *(appointed on 30 June 2020)*
 Mr. Ma Chuanjing *(resigned on 21 August 2020)*
 Mr. Si Xinbo
 Mr. Ding Yanzhang *(resigned on 26 May 2020)*

Nomination Committee

Mr. Wang Jianping
(Chairman, resigned on 31 August 2020)
 Mr. Cheung Yuk Ming
 Mr. Cheng Niangao *(appointed on 30 June 2020)*
 Mr. Ding Yuanchen *(resigned on 30 June 2020)*

Remuneration and Assessment Committee

Mr. Cheng Niangao
(Chairman, appointed on 30 June 2020)
 Mr. Cheung Yuk Ming
 Mr. Liu Xueshi

Audit Committee

Mr. Zhao Lixin *(Chairman, appointed on 30 June 2020)*
 Mr. Ma Chuanjing *(resigned on 21 August 2020)*
 Mr. Cheung Yuk Ming
 Mr. Ding Yuanchen *(resigned on 30 June 2020)*

Joint Company Secretaries

Mr. Duan Qirong
 Ms. Leung Suet Wing

H Share Registrar

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

International Auditor

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

Legal Advisers

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

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

Principal Banks

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

Financial Summary

1 Summary of Condensed Consolidated Statement of Profit or Loss

	For the six months ended 30 June		Changes of 2020 over 2019 (%)
	2020 (RMB in million)	2019 (RMB in million)	
Revenue:			
Survey, design and consulting services	4,798.7	5,246.8	(8.54)
Construction and contracting	81,022.0	81,526.9	(0.62)
Industrial manufacturing	10,015.6	10,795.6	(7.23)
Clean energy, environmental protection and water utilities	6,568.1	8,332.6	(21.18)
Investment and other businesses	7,658.5	8,251.6	(7.19)
Inter-segment elimination and adjustment	(4,465.7)	(4,108.9)	8.68
Total	105,597.2	110,044.7	(4.04)
Gross profit	12,445.0	13,707.4	(9.21)
Profit before taxation	3,502.7	5,911.2	(40.74)
Profit for the period	2,238.4	4,327.6	(48.28)
Profit for the period attributable to equity holders of the Company	919.0	2,157.6	(57.41)
Basic earnings per share (RMB cents)	2.88	7.22	(60.11)

2 Summary of Condensed Consolidated Statement of Financial Position

	As at 30 June 2020	As at 31 December 2019	Changes of 30 June 2020 over 31 December 2019
	(RMB in million)	(RMB in million)	(%)
Current assets	268,843.9	264,677.0	1.57
Non-current assets	167,329.8	156,993.3	6.58
Total assets	436,173.7	421,670.3	3.44
Current liabilities	237,284.2	224,982.0	5.47
Non-current liabilities	83,079.1	83,397.9	(0.38)
Total liabilities	320,363.3	308,379.9	3.89
Total equity	115,810.4	113,290.4	2.22
Total equity and liabilities	436,173.7	421,670.3	3.44

Overview of Business Development

1. Overview of Industry Development

Fixed asset investment. In the first half of 2020, the growth rate of fixed asset investment slowed down in China, the growth rate of private investment declined, investment in weak areas such as infrastructure and people's livelihood slowed down, manufacturing industry investment decreased and investment in power, heat, gas, water production and supply industry grew against the trend. Fixed asset investment in China (excluding rural households) amounted to RMB28.2 trillion, down by 3.1% year-on-year. The infrastructure investment (excluding power, heat, gas, water production and supply industry) decreased by 2.7% year-on-year. Among which, investment in water management increased by 0.4%, ecological protection and environmental governance investment decreased by 1.3%, investment in public facilities management decreased by 6.2%, railway transport investment increased by 2.6%, information transmission investment increased by 9.2% and road transport investment increased by 0.8%.

Construction industry. In the first half of 2020, China's construction industry realized a value of output of RMB10.1 trillion, decreased by 0.8% year-on-year, 8 percentage points lower than the same period of the previous year. The Gross Domestic Product (GDP) of the construction industry in the first half of 2020 amounted to approximately RMB2,853.5 billion, decreased by 1.9% year-on-year. As of the end of June 2020, the newly signed contract value of construction enterprises reached RMB12.6 trillion, representing a year-on-year increase of approximately 4.7%, the total signed contract value was RMB39.1 trillion, representing a year-on-year increase of approximately 7.4%.

Power industry. According to statistics from China Electricity Council, in the first half of 2020, the national power consumption in China was 3,354.71 billion KWh, representing a year-on-year decrease of 1.3%. Completed investment in power generation projects has significantly increased while completed investment in power grid projects has slightly increased. The power generation projects of major power enterprises in China completed an investment of RMB173.8 billion, representing a year-on-year increase of 51.5%, among which, the hydropower investment reached RMB39.9 billion, representing a year-on-year increase of 25.3%; the fossil-fuel investment reached RMB18.3 billion, representing a year-on-year decrease of 31.9%; the nuclear power investment reached RMB15.6 billion, representing a year-on-year decrease of 1.5%; the wind power investment reached RMB85.4 billion, representing a year-on-year increase of 152.2%; and solar energy power generation investment reached RMB14.7 billion, representing a year-on-year increase of 132.1%. Power grid projects in China completed an investment of RMB165.7 billion, representing a year-on-year increase of 0.7%.

Overseas contracting. According to statistics from the MOC, in the first half of 2020, Chinese domestic investors have made non-financial direct investments in 159 countries and regions in total around the world, with a total investment of approximately RMB362.14 billion, representing a year-on-year decrease of 0.7%. China's overseas contracting business completed a turnover of RMB425.99 billion, down by 10.6% year-on-year. The newly signed contract value was RMB753.82 billion, representing a year-on-year increase of 5%. The non-financial direct investments of Chinese enterprises in countries along the Belt and Road amounted to US\$8.12 billion, a year-on-year increase of 19.4%. The newly signed contracts of overseas contracted engineering projects increased and the number of newly signed projects with a value of over US\$50 million each reached 381 in the first half of 2020, with a total contract value of US\$89.03 billion, accounting for 83.1% of the value of the newly signed contracts. Among them, projects valued over US\$100 million amounted to 222, achieving an increase of 5 compared to the same period of last year.

Overview of Business Development

1. Overview of Industry Development *(Continued)*

Cement industry. In the first half of 2020, the accumulative cement production in the country showed a slower growth momentum. China's accumulative cement output was 1.00 billion tons, down by 4.8% year-on-year.

Real estate industry. In the first half of 2020, China's real estate development investment was RMB6.3 trillion, representing a year-on-year increase of 1.9%, and the growth rate was down by 9 percentage points compared to the same period of last year. The area of building construction of real estate development enterprises increased by 2.6% year-on-year, new area of building construction decreased by 7.6% year-on-year, land purchase area of real estate development enterprises decreased by 0.9% year-on-year, and the sales gross floor area of commodity properties decreased by 8.4% year-on-year.

In general, China's economy gradually overcome the adverse effects of the epidemic in the first half of 2020, and its economic operations showed a recovery growth and steady recovery trend, and development resilience and vitality were further demonstrated. Some industries related to the Company's main business have experienced slowdown or negative growth, and the epidemic has an obvious impact on the development of the industry. The current global epidemic is still spreading. The huge impact of the epidemic on the world economy will continue to evolve. External risks and challenges will increase significantly, and China's domestic economic recovery is still under pressure.

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

2 Business Review

In the first half of 2020, the Company completed newly signed contracts with a value of RMB305.491 billion, up by 10.61% year-on-year, including a year-on-year increase of 0.59% in the first quarter and a year-on-year increase of 19.14% in the second quarter. The Company recorded revenue of RMB105.597 billion, a year-on-year decrease of 4.04%, including a year-on-year decrease of 23.12% in the first quarter and a year-on-year increase of 10.91% in the second quarter.

Note: The revenue for the first quarter is based on the financial data of the Company which has not been audited or reviewed by the auditor of the Company. The revenue of the second quarter is calculated based on the financial data of the Company in the interim report minus the financial data of the first quarter.

2.1 Survey, Design and Consulting Services Business

(1) The survey, design and consulting services business of the Company primarily provides survey, design and consulting services for power generation projects, power grid projects and non-power projects; plan and the policy consultation for the power industry; and evaluation, assessment and supervision for power projects. The Company takes the lead in the power survey and design technologies and has had the leading advantages in the aspects of advanced survey and design technologies, including the ultra-supercritical coal-fired units at million kilowatts level, nuclear power conventional islands, clean coal-fired power generation, air-cooling units, ultra-high voltage AC power transmission and transformation, and offshore wind farms.

In the first half of 2020, the value of the Company's newly signed contracts for the survey, design, and consulting services business amounted to RMB6.217 billion, up by 3.48% year-on-year, of which representing a year-on-year increase of 12.62% in the second quarter. The revenue before inter-segment elimination of survey, design and consulting services business was RMB4.799 billion, representing a year-on-year decrease of 8.54%. In particular, the second quarter increased by 32.30% year-on-year.

Overview of Business Development

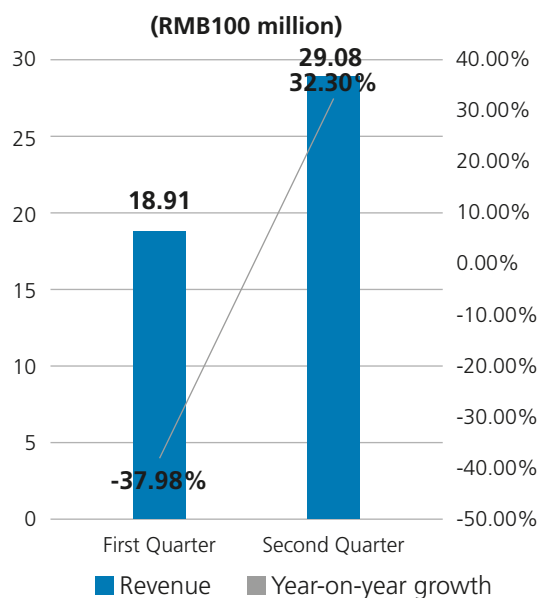
2 Business Review (Continued)

2.1 Survey, Design and Consulting Services Business (Continued)

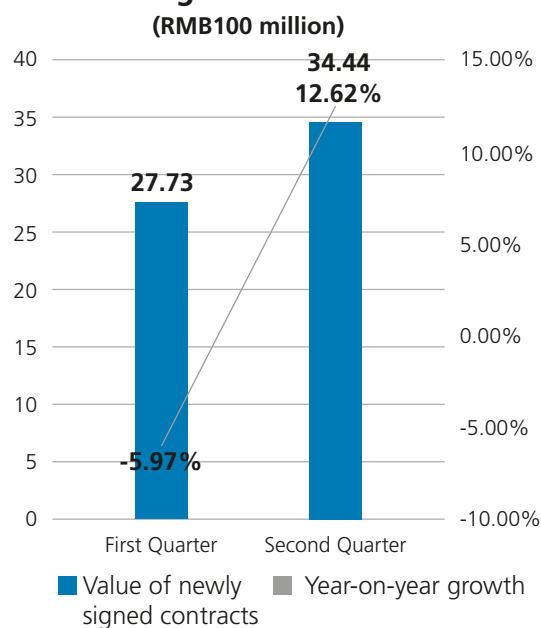
(2) Key operating indicators of survey, design, and consulting services business in the first half of 2020

Name of indicator	First half of 2020	Year-on-year change in the first half	Year-on-year change in the second quarter	Year-on-year change in the first quarter
Revenue of sector (RMB100 million)	47.99	-8.54%	32.30%	-37.98%
Including: Power engineering	43.89	-6.97%	30.35%	-36.13%
Non-power engineering	4.10	-22.50%	63.57%	-50.25%
New contract amount of sector (RMB100 million)	62.17	3.48%	12.62%	-5.97%
Including: Power engineering	55.51	2.98%	5.67%	-0.04%
Non-power engineering	6.66	7.84%	121.20%	-40.32%

Revenue from survey, design and consulting services business



Value of newly signed contract of survey, design and consulting services business



Overview of Business Development

2 Business Review (Continued)

2.1 Survey, Design and Consulting Services Business (Continued)

(3) Some major contracted projects

Name of projects	Type of projects
1. Domestic projects	
Survey and design of the alternative power supply project at the Dongguan Ningzhou Plant	Thermal power
Supplemental agreement to the survey and design contract for Qianwei (Leshan-Yibin Section) Avionics engineering in Minjiang, Sichuan Province	Waterworks and hydropower
Subcontract of design and technical services for conventional islands and the BOP construction drawing of the Works for Phase I of Guangdong Taipingling Nuclear Power Plant	Nuclear power
Survey and design of Huaneng Shantou Haimen (site two, site three) offshore wind power project	New energy
Relocation and reformation project of 330kV overhead transmission line in northeast Xi'an	Power transmission and transformation
Delimitation and right confirmation service for the management of rivers and lakes in Lujiang County and the management and protection of state-owned water conservancy projects (Lunan area)	Non-power
2. International projects	
Survey and design contract for 2*225MW coal-fired power generation project in Meulaboh of Indonesia	Thermal power
300MWp PV and supporting infrastructure project in Cambodia-China Belt and Road Eco-cultural Tourism Development Zone	New energy
Survey and design contract for Ethiopian PPP power transmission and transformation project	Power transmission and transformation
Survey contract for Nanshan industrial park project in Bintan of Indonesia	Non-power

2.2 Construction and Contracting Business

(1) The Company primarily undertakes large-scale power generation projects, power transmission and transformation projects and various infrastructure construction projects both domestically and internationally in its construction and contracting business. The Company possesses strong core competitiveness in the fields of power and large infrastructure investment and construction.

In the first half of 2020, the value of the Company's newly signed contracts for the construction and contracting business amounted to RMB292.851 billion, up by 11.10% year-on-year, of which representing a year-on-year increase of 19.54% in the second quarter. The revenue before inter-segment elimination of construction and contracting business was RMB81.022 billion, representing a year-on-year decrease of 0.62%. In particular, the second quarter increased by 12.34% year-on-year.

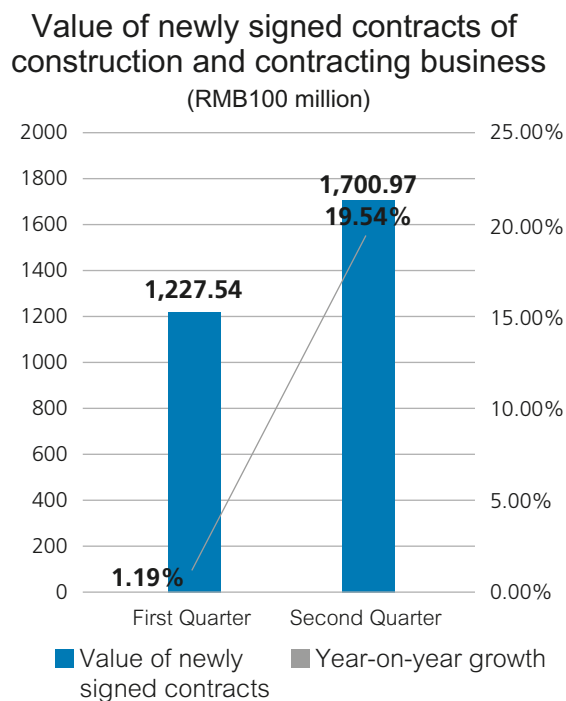
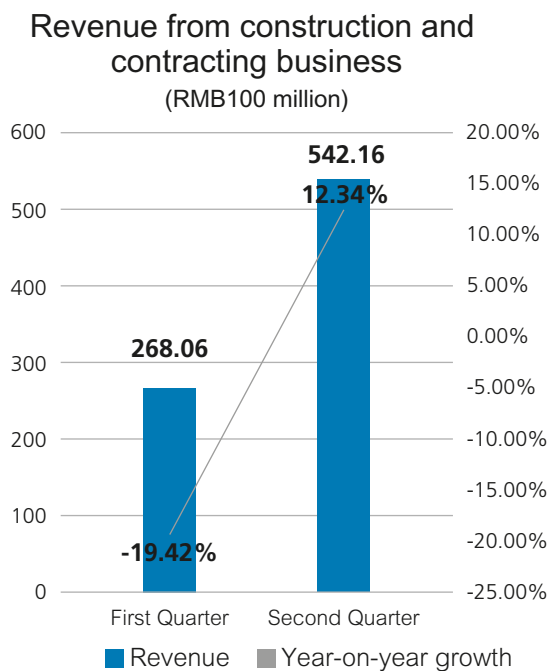
Overview of Business Development

2 Business Review (Continued)

2.2 Construction and Contracting Business (Continued)

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

Name of indicators	First half of 2020	Year-on-year change in the first half	Year-on-year change in the second quarter	Year-on-year change in the first quarter
Revenue of sector (RMB100 million)	810.22	-0.62%	12.34%	-19.42%
Including: Power engineering	581.34	0.48%	13.53%	-14.91%
Non-power engineering	228.88	-3.30%	10.15%	-37.29%
New contract amount of sector (RMB billion)	2,928.51	11.10%	19.54%	1.19%
Including: Power engineering	1,473.56	-2.40%	-14.28%	9.03%
Non-power engineering	1,454.94	29.20%	56.24%	-12.40%



Overview of Business Development

2 Business Review (Continued)

2.2 Construction and Contracting Business (Continued)

(3) Some major contracted projects

Name of projects	Project type
1. Domestic projects	
Shaanxi Fugu Qingshuichuan Coal and Electricity Integration Phase III 2X1,000MW EPC Project	Thermal power
Water Conservancy Main Works General Contracting Project of Maiwan, Nandu River, Hainan Province	Waterworks and hydropower
200MW Affordable PV Grid-Connected Project of Pingdu Anxin Power Investment	New energy
Power Poverty Alleviation Project in Zuoyou River Revolutionary Old Area, Xingyi to Baise Power Transmission Project (Phase 4) 220kV Xiaomei Power Transmission Project General Contract	Power transmission and transformation
Nayong to Qinglong and Liuzhi to Anlong Expressway Project in Guizhou Province	Non-power
2. International projects	
EPC General Contracting of Myanmar Ahlone 151.54MW Gas Turbine Power Plant Project	Thermal power
Egirdir Pumped Storage Power Station Project in Turkey	Waterworks and hydropower
PV Power Station Project in Tijuana and Sonora, Mexico	New energy
Vietnam No. 2 Yard Sinshun 75MW Offshore Wind Power Project	New energy
Chimura-Dondo Power Transmission and Transformation Project in Mozambique	Power transmission and transformation
South Keraniganj Project of Dhaka in Bangladesh	Non-power

2.3 Industrial Manufacturing Business

(1) The industrial manufacturing business of the Company primarily includes cement production, civil explosives and equipment manufacturing businesses. The cement production business of the Company is equipped with a complete industrial chain covering research and development and manufacturing, new construction materials, environmental engineering, gravel aggregates, commercial concrete services, logistics and distribution, and technology consulting services, which plays an important role in the cement industry in China. The Company sticks to optimizing its civil explosives business structure and extending the industrial chain to consolidate the core status of civil explosives integration in the market. The business performance continued to be at the leading level in the country. The equipment manufacturing business of the Company is to design, manufacture, sales and service of equipment, environmental protection equipment and other related equipment covering all sectors in the power industry. It is capable of providing complete sets of equipment and integrated services to large-scale power plants.

In the first half of 2020, the revenue before inter-segment elimination of industrial manufacturing business was RMB10.016 billion, representing a year-on-year decrease of 7.23%. In particular, the second quarter increased by 1.91% year-on-year.

Overview of Business Development

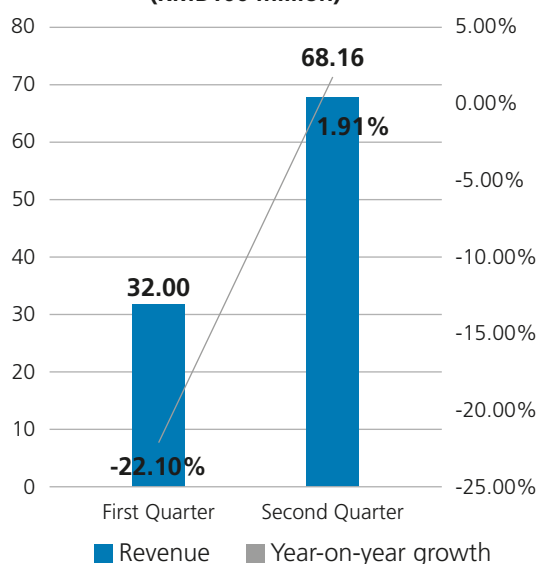
2 Business Review (Continued)

2.3 Industrial Manufacturing Business (Continued)

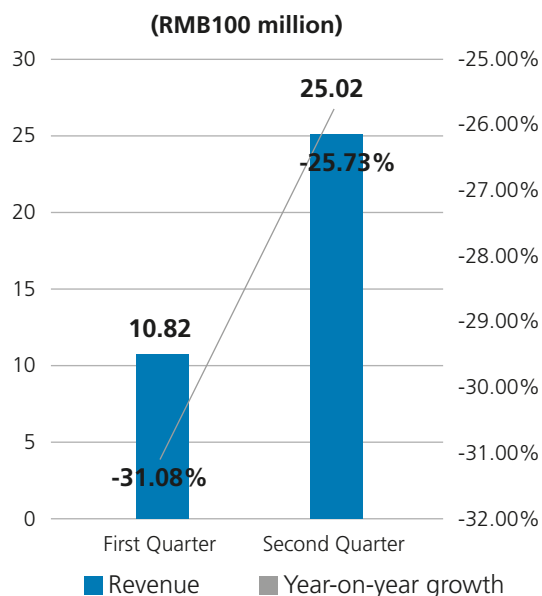
(2) Key operating indicators of industrial manufacturing business in the first half of 2020

	First half of 2020	Year-on-year change in the first half	Year-on-year change in the second quarter	Year-on-year change in the first quarter
Revenue of sector (RMB100 million)	100.16	-7.23%	1.91%	-22.10%
Including: Cement production	35.84	-27.43%	-25.73%	-31.08%
Civil explosives	19.52	10.14%	13.80%	3.51%
Equipment manufacturing	44.80	9.67%	38.50%	-23.13%
New contract amount of sector (RMB100 million)				
Including: Cement production	N/A	N/A	N/A	N/A
Civil explosives	N/A	N/A	N/A	N/A
Equipment manufacturing	64.24	-2.44%	9.47%	-19.22%

Revenue from industrial manufacturing business
(RMB100 million)



Revenue from cement production

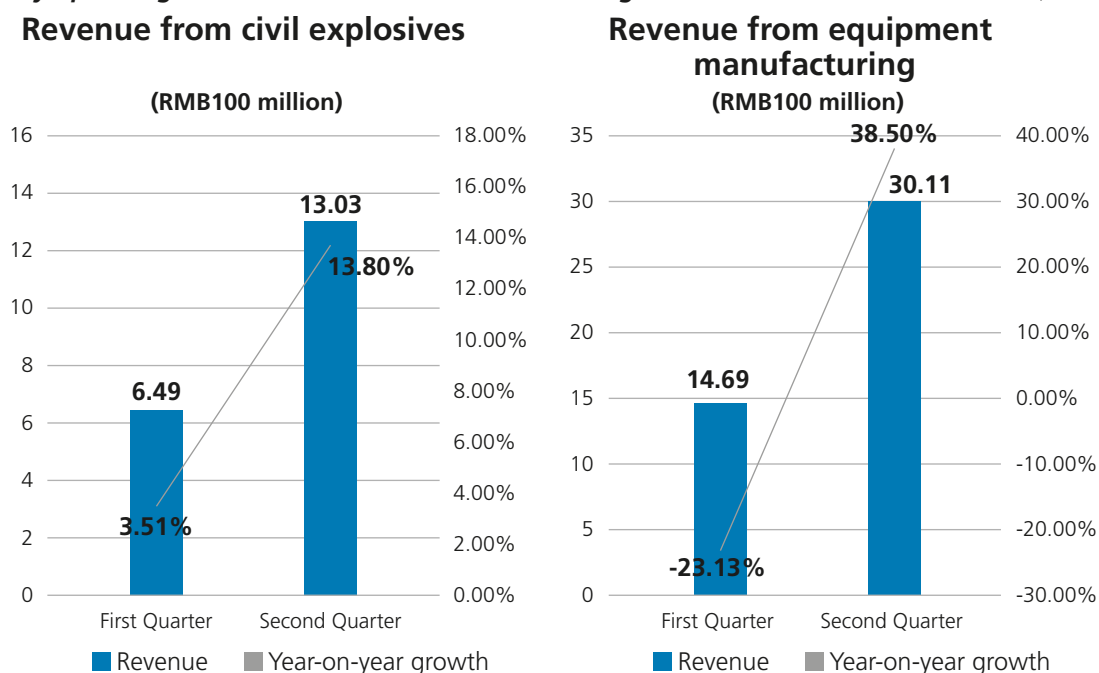


Overview of Business Development

2 Business Review (Continued)

2.3 Industrial Manufacturing Business (Continued)

(2) Key operating indicators of industrial manufacturing business in the first half of 2020 (Continued)



2.4 Clean Energy, Environmental Protection and Water Utilities Business

- (1) The Company's clean energy business includes the investment, construction and operation of clean and efficient thermal power, hydropower, wind power and solar power; the Company's environmental protection business surrounds the themes of renewable resource utilization, hydro-environment treatment, sludge treatment, new road materials and solid waste treatment in a bid to establish an intensive investment layout. Among which, renewable resource utilization was at the forefront of the industry; The Company's water utilities business focuses on water supply, sewage treatment, comprehensive water environment management and other businesses. It has researched and mastered certain key technologies in the fields of advanced sewage treatment, water environment restoration, and smart water utilities, which have been successfully applied in projects in Xiongan New District, Haikou, Hainan, and Tongzhou, Beijing, and have achieved good results.

In the first half of 2020, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company was RMB6.568 billion, representing a year-on-year decrease of 21.18%. Among which, the second quarter increased by 2.13% year-on-year.

Overview of Business Development

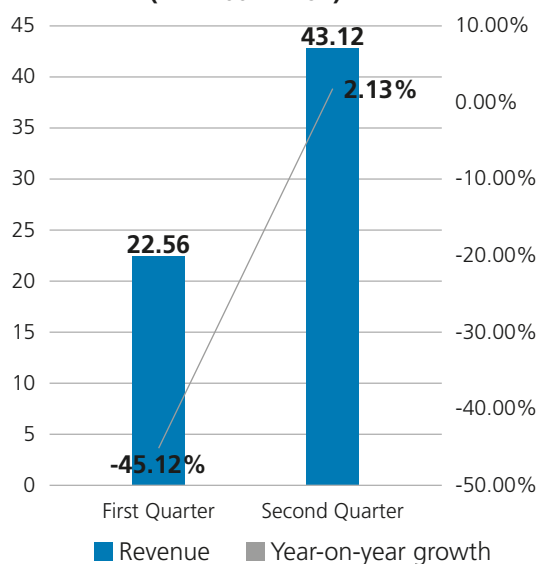
2 Business Review (Continued)

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

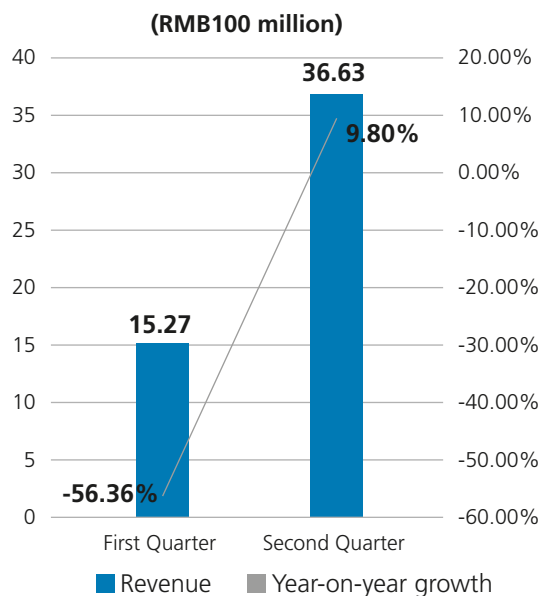
(2) Key operating indicators of clean energy, environmental protection and water utilities business in the first half of 2020

Name of indicators	First half of 2020	Year-on-year change in the first half	Year-on-year change in the second quarter	Year-on-year change in the first quarter
Revenue of sector (RMB100 million)	65.68	-21.18%	2.13%	-45.12%
Including: Clean energy	5.99	-7.64%	-15.05%	3.50%
Environmental protection business	51.90	-25.09%	9.80%	-56.36%
Water utilities business	7.79	3.08%	-36.03%	30.42%

Revenue from clean energy, environmental protection and water utilities business
(RMB100 million)



Revenue from environmental protection business
(RMB100 million)



Overview of Business Development

2 Business Review *(Continued)*

2.5 Investment and Other Businesses

- (1) The Company's investment and other businesses cover real estate investment and development, expressway investment and operation, financial services and property leasing. The real estate business of the Company took the lead to develop a domestically leading "5G technology" system, practised green and technological residence concepts, and founded an international expert committee led by Academicians of the Chinese Academy of Sciences, with its brand image being improved continuously. The Company has advantages in the entire industry chain in expressway investment, construction, operation and capital operation. The total mileage of expressways under construction in the first half of 2020 was 973.05 kilometers and the total mileage in operation was 446.75 kilometers. The financial business of the Company includes the financial business, finance leases and industrial funds business for Finance Company, strengthening centralized management of capital and the development of main business projects of its enterprises for the Company, enriching financing strategies and providing strong support for saving financing costs.

In the first half of 2020, the revenue before inter-segment elimination of investment and other business was RMB7.659 billion, representing a year-on-year decrease of 7.19%. Among which, the second quarter increased by 6.37% year-on-year.

(2) *Key operating indicators of investment and other businesses in the first half of 2020*

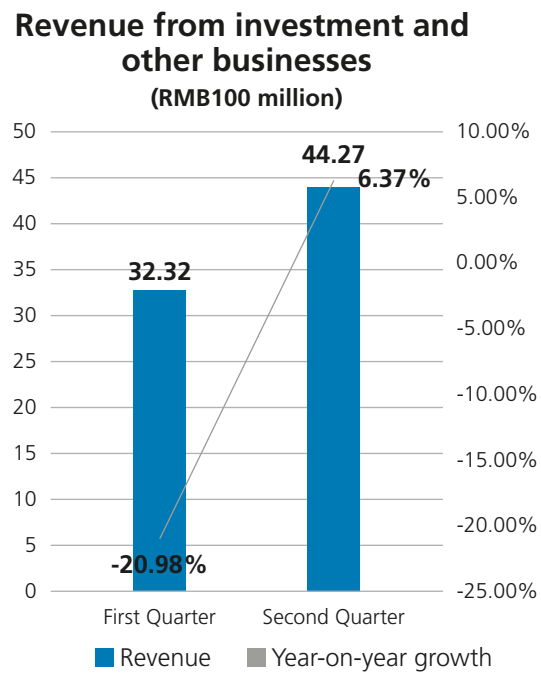
Name of indicators	First half of 2020	Year-on-year change in the first half	Year-on-year change in the second quarter	Year-on-year change in the first quarter
Revenue of sector (RMB100 million)	76.59	-7.19%	6.37%	-20.98%
Including: Real estate business	33.38	-23.24%	-23.77%	-22.91%
Expressway operation business	4.68	-55.90%	-37.86%	-76.10%
Financial services	6.20	7.81%	-13.06%	32.95%
Other businesses	32.33	42.64%	58.48%	6.27%

Overview of Business Development

2 Business Review *(Continued)*

2.5 Investment and Other Businesses *(Continued)*

(2) Key operating indicators of investment and other businesses in the first half of 2020 *(Continued)*



Overview of Business Development

2 Business Review (Continued)

2.6 Summary of Business Development

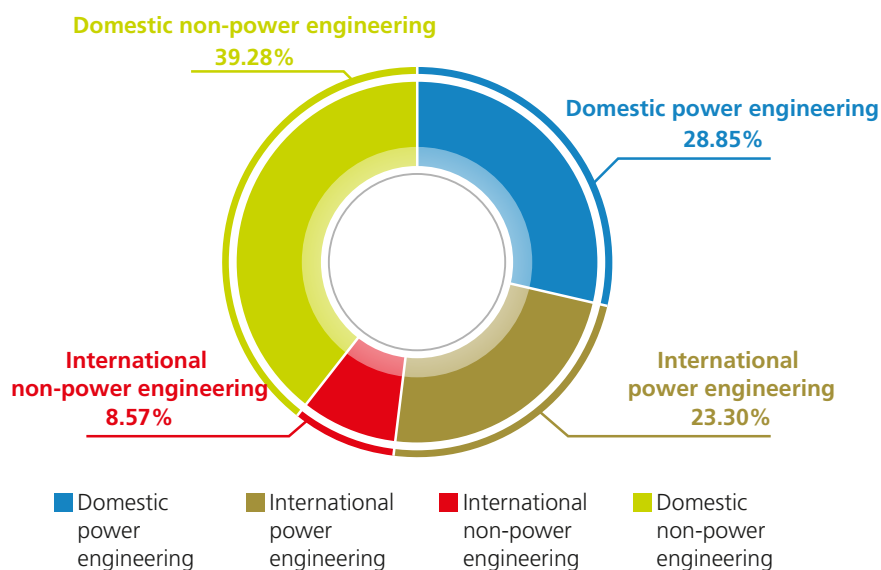
(1) Value of Newly Signed Contracts

In the first half of 2020, the value of newly signed contracts of the Company was RMB305.491 billion, up by 10.61% year-on-year.

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

No.	Name of indicators	Unit RMB	Value of Newly Signed Contracts		
			In the first half of 2020	In the first half of 2019	Year-on-year growth
I	Classified by domestic and international projects	100 million	3,054.91	2,761.89	10.61%
1	Domestic	100 million	2,081.24	1,713.42	21.47%
2	International	100 million	973.67	1,048.47	-7.13%
II	Classified by power engineering and non-power engineering projects	100 million			
1	Power engineering	100 million	1,593.31	1,629.56	-2.22%
2	Non-power engineering	100 million	1,461.60	1,132.33	29.08%

Value of Newly Signed Contracts Composition Figure for the First Half of 2020



Overview of Business Development

2 Business Review (Continued)

2.6 Summary of Business Development (Continued)

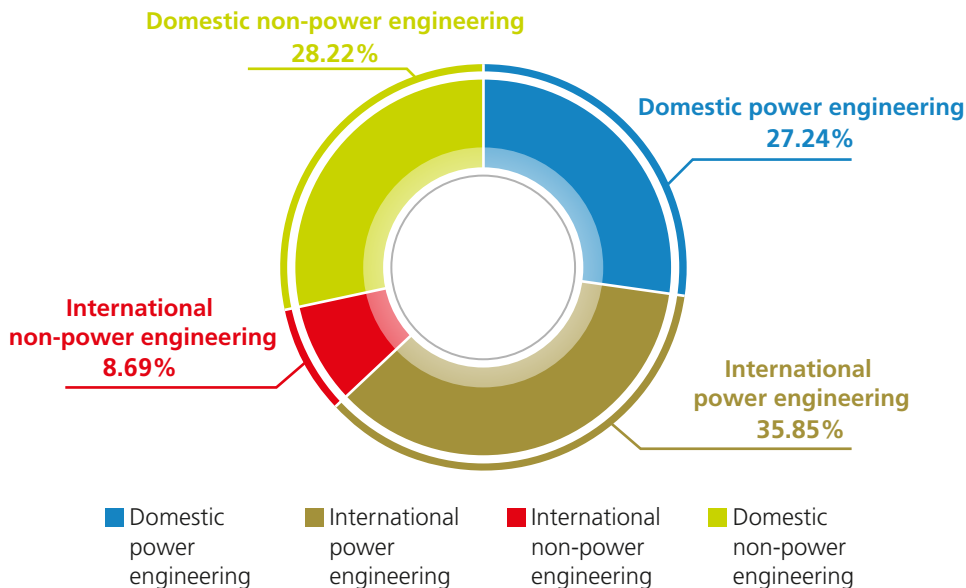
(2) Outstanding Contract Value of the Company

As of the end of June 2020, the outstanding contract value of the Company was RMB1,363.569 billion, representing an increase of 11.93% as compared with the end of June 2019.

Statistics of Outstanding Contract Value of the Company

No.	Name of indicators	Unit RMB	Outstanding Contract Value		
			In the first half of 2020	In the first half of 2019	Year-on-year growth
I	Outstanding Contract Value	100 million	13,635.69	12,182.05	11.93%
1	Domestic	100 million	7,562.27	6,432.51	17.56%
2	International	100 million	6,073.42	5,749.54	5.63%
II	Classified by Power Engineering and Non-power Engineering Projects				
1	Power Engineering	100 million	8,603.57	8,080.87	6.47%
2	Non-power Engineering	100 million	5,032.12	4,101.18	22.70%
III	Classified by Segments				
1	Survey, Design and Consulting Services	100 million	298.99	321.53	-7.01%
2	Construction and Contracting	100 million	13,192.42	11,716.89	12.59%
3	Equipment Manufacturing	100 million	144.28	143.63	0.45%

Value of Outstanding Contracts Composition Figure for the First Half of 2020



Management Discussion and Analysis

1 Consolidated Operating Results

Items	Six months ended 30 June		
	2020 (RMB in million)	2019 (RMB in million)	Percentage of change (%)
Revenue	105,597.2	110,044.7	(4.04)
Cost of sales	(93,152.2)	(96,337.2)	(3.31)
Other income	711.7	1,050.4	(32.24)
Net impairment losses on financial assets and contract assets	(549.5)	(127.8)	329.97
Other net gains and losses	42.0	29.2	43.84
Selling expenses	(805.1)	(1,236.5)	(34.89)
Administrative expenses	(5,246.0)	(5,233.8)	0.23
Research and development expenses	(1,873.7)	(1,267.4)	47.84
Finance income	356.0	384.3	(7.36)
Finance costs	(1,696.2)	(1,889.1)	(10.21)
Share of profits of joint ventures	137.2	102.4	33.98
Share of (losses)/profits of associates	(18.6)	392.2	(104.74)
Profit before taxation	3,502.7	5,911.2	(40.74)
Income tax	(1,264.3)	(1,583.6)	(20.16)
Profit for the period	2,238.4	4,327.6	(48.28)

1.1 Revenue

The revenue for the six months ended 30 June 2020 was RMB105,597.2 million, representing a decrease of 4.04% as compared to RMB110,044.7 million for the same period of 2019. The decrease in revenue was mainly due to the decline in business segments including environmental protection and water utilities segment, real estate segment, expressway operation segment, cement production and sales segment as well as survey and design segment.

Management Discussion and Analysis

1 Consolidated Operating Results *(Continued)*

1.2 Cost of Sales and Gross Profit

The cost of sales for the six months ended 30 June 2020 was RMB93,152.2 million, representing a decrease of 3.31% as compared to RMB96,337.2 million for the same period of 2019, which was slightly lower than the decrease in revenue.

The gross profit for the six months ended 30 June 2020 was RMB12,445.0 million, representing a decrease of 9.21% as compared to RMB13,707.4 million for the same period of 2019. The decrease in gross profit was mainly due to the decrease in revenue of each segment and gross profit margin of investment and other businesses segment. Also, the epidemic related expenses had a certain impact on gross profit as well.

1.3 Selling Expenses

The selling expenses for the six months ended 30 June 2020 was RMB805.1 million, representing a decrease of 34.89% as compared to RMB1,236.5 million for the same period of 2019. The decrease in selling expenses was mainly due to the fact that some production and operation activities of the Company were disrupted and expenditures decreased accordingly because of the impact of the epidemic.

1.4 Administrative Expenses

The administrative expenses for the six months ended 30 June 2020 was RMB5,246.0 million, representing an increase of 0.23% as compared to RMB5,233.8 million for the same period of 2019. The administrative expenses were basically the same as that in the same period of 2019 which was mainly due to the decrease in administrative expenses resulted from that the production and operation activities were disrupted because of the impact of the epidemic, as well as the newly disbursed management expenses of the acquired company which offset the impact of the decrease in the above expenses.

1.5 Finance Costs

The finance costs for the six months ended 30 June 2020 was RMB1,696.2 million, representing a decrease of 10.21% as compared to RMB1,889.1 million for the same period of 2019. The decrease in finance costs was mainly due to the decrease in interest rate on borrowings.

Management Discussion and Analysis

2 OPERATING RESULTS BY SEGMENTS

Industry segments	Conditions of Industry Segments of Principal Businesses (For the six months ended 30 June)								
	2020			2019			Increase or decrease as compared with last year (%) / (percentage points)		
	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin
	(RMB in million)	(%)	(RMB in million)	(%)					
Survey, design and consulting services	4,798.7	3,213.6	33.03	5,246.8	3,559.4	32.16	(8.54)	(9.72)	0.87
Construction and contracting	81,022.0	75,079.4	7.33	81,526.9	75,156.2	7.81	(0.62)	(0.10)	(0.48)
Industrial manufacturing	10,015.6	7,411.3	26.00	10,795.6	8,041.6	25.51	(7.23)	(7.84)	0.49
Including: Cement production	3,584.0	2,023.0	43.55	4,938.6	3,065.7	37.92	(27.43)	(34.01)	5.63
Civil explosives	1,951.6	1,535.9	21.30	1,771.9	1,414.0	20.20	10.14	8.62	1.10
Equipment manufacturing	4,480.0	3,852.4	14.01	4,085.1	3,561.9	12.81	9.67	8.16	1.20
Clean energy, environmental protection and water utilities	6,568.1	6,129.9	6.67	8,332.6	7,883.3	5.39	(21.18)	(22.24)	1.28
Including: Clean energy	599.4	299.5	50.03	649.0	297.5	54.16	(7.64)	0.67	(4.13)
Environmental protection business	5,189.9	5,352.7	(3.14)	6,928.1	7,112.6	(2.66)	(25.09)	(24.74)	(0.48)
Water utilities business	778.8	477.7	38.66	755.5	473.2	37.37	3.08	0.95	1.29
Investment and other businesses	7,658.5	5,816.0	24.06	8,251.6	5,700.3	30.92	(7.19)	2.03	(6.86)
Including: Real estate business	3,337.5	2,579.2	22.72	4,348.1	3,458.2	20.47	(23.24)	(25.42)	2.25
Expressway operation	468.4	188.0	59.86	1,062.1	331.4	68.80	(55.90)	(43.27)	(8.94)
Financial business	620.1	284.3	54.15	575.2	222.5	61.32	7.81	27.78	(7.17)
Other businesses	3,232.5	2,764.5	14.48	2,266.2	1,688.2	25.51	42.64	63.75	(11.03)
Inter-segment elimination ⁽¹⁾	(4,465.7)	(4,498.0)	–	(4,108.9)	(4,003.6)	–	–	–	–
Total	105,597.2	93,152.2	11.79	110,044.7	96,337.2	12.46	(4.04)	(3.31)	(0.67)

Note:

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

Management Discussion and Analysis

2 Operating Results by Segments *(Continued)*

2.1 Survey, Design and Consulting Services Business

For the six months ended 30 June 2020, the revenue before inter-segment elimination of survey, design and consulting services business amounted to RMB4,798.7 million, representing a decrease of RMB448.1 million or 8.54% as compared to RMB5,246.8 million for the corresponding period of 2019, mainly due to the fact that the design progress was relatively slow, and the time for owners to confirm the progress was prolonged affected by the epidemic, which led to the decrease in revenue recognition.

For the six months ended 30 June 2020, the cost of sales before inter-segment elimination of survey, design and consulting services business amounted to RMB3,213.6 million, representing a decrease of RMB345.8 million or 9.72% as compared to RMB3,559.4 million for the corresponding period of 2019, which was generally in line with the changes in its revenue.

For the six months ended 30 June 2020, the gross profit before inter-segment elimination of survey, design and consulting services business amounted to RMB1,585.1 million, representing a decrease of RMB102.3 million or 6.06% as compared to RMB1,687.4 million for the corresponding period of 2019, mainly due to the decrease in revenue.

2.2 Construction and Contracting Business

For the six months ended 30 June 2020, the revenue before inter-segment elimination of construction and contracting business amounted to RMB81,022.0 million, representing a decrease of RMB504.9 million or 0.62% as compared to RMB81,526.9 million for the corresponding period of 2019, representing a slight year-on-year decrease.

For the six months ended 30 June 2020, the cost of sales before inter-segment elimination of construction and contracting business amounted to RMB75,079.4 million, representing a decrease of RMB76.8 million or 0.10% as compared to RMB75,156.2 million for the corresponding period of 2019, which was generally in line with the changes in its revenue.

For the six months ended 30 June 2020, the gross profit before inter-segment elimination of construction and contracting business amounted to RMB5,942.6 million, representing a decrease of RMB428.1 million or 6.72% as compared to RMB6,370.7 million for the corresponding period of 2019, mainly due to the decrease in gross profit of overseas business.

Management Discussion and Analysis

2 Operating Results by Segments *(Continued)*

2.3 Industrial Manufacturing Business

For the six months ended 30 June 2020, the revenue before inter-segment elimination of industrial manufacturing business amounted to RMB10,015.6 million, representing a decrease of RMB780.0 million or 7.23% as compared to RMB10,795.6 million for the corresponding period of 2019, mainly due to the decrease in sales volume and price of cement business.

For the six months ended 30 June 2020, the cost of sales before inter-segment elimination of industrial manufacturing business amounted to RMB7,411.3 million, representing a decrease of RMB630.3 million or 7.84% as compared to RMB8,041.6 million for the corresponding period of 2019, which was generally in line with the changes in its revenue.

For the six months ended 30 June 2020, the gross profit before inter-segment elimination of industrial manufacturing business amounted to RMB2,604.3 million, representing a decrease of RMB149.7 million or 5.44% as compared to RMB2,754.0 million for the corresponding period of 2019, mainly due to the decrease in gross profit of cement business segment.

2.4 Clean Energy, Environmental Protection and Water Utilities Business

For the six months ended 30 June 2020, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB6,568.1 million, representing a decrease of RMB1,764.5 million or 21.18% as compared to RMB8,332.6 million for the corresponding period of 2019, mainly due to the decrease in revenue of the environmental protection business.

For the six months ended 30 June 2020, the cost of sales before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB6,129.9 million, representing a decrease of RMB1,753.4 million or 22.24% as compared to RMB7,883.3 million for the corresponding period of 2019, which was generally in line with the changes in its revenue.

For the six months ended 30 June 2020, the gross profit before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB438.2 million, representing a decrease of RMB11.1 million or 2.47% as compared to RMB449.3 million for the corresponding period of 2019, mainly due to the increase in losses in the environmental protection business segment and the decline in gross profit margin of the power generation business segment.

Management Discussion and Analysis

2 Operating Results by Segments (Continued)

2.5 Investment and Other Businesses

For the six months ended 30 June 2020, the revenue before inter-segment elimination of investment and other businesses amounted to RMB7,658.5 million, representing a decrease of RMB593.1 million or 7.19% as compared to RMB8,251.6 million for the corresponding period of 2019, mainly due to the decrease in revenue of the real estate development business and expressway operation business.

For the six months ended 30 June 2020, the cost of sales before inter-segment elimination of investment and other businesses amounted to RMB5,816.0 million, representing an increase of RMB115.7 million or 2.03% as compared to RMB5,700.3 million for the corresponding period of 2019, mainly due to the fact that the growth rate of cost of financial business and other businesses was higher than the growth rate of the revenue.

For the six months ended 30 June 2020, the gross profit before inter-segment elimination of investment and other businesses amounted to RMB1,842.5 million, representing a decrease of RMB708.8 million or 27.78% as compared to RMB2,551.3 million for the corresponding period of 2019, mainly due to the decrease in gross profit of the expressway operation business and real estate development business.

3 Cash Flow

	For the six months ended 30 June	
	2020 (RMB in million)	2019 (RMB in million)
Net cash (used in)/generated from operating activities	(9,343.2)	(7,459.6)
Net cash (used in)/generated from investing activities	(7,805.6)	(5,599.3)
Net cash (used in)/generated from financing activities	12,283.2	3,868.1
Net decrease in cash and cash equivalents	(4,865.6)	(9,190.7)
Cash and cash equivalents at the beginning of the period	42,624.6	47,643.2
Effects of exchange rate changes	223.9	416.4
Cash and cash equivalents at the end of the period	37,982.9	38,868.8

Management Discussion and Analysis

3 Cash Flow (Continued)

3.1 Cash Flow Used in Operating Activities

For the six months ended 30 June 2020, the net cash used in operating activities was RMB9,343.2 million, representing an increase of RMB1,883.6 million or 25.25% as compared to the same period of 2019, which was mainly attributable to: (i) the cash outflow of RMB9,948.1 million due to the increase of contract assets and trade receivables as the projects were progressing; (ii) the cash outflow of RMB5,365.3 million due to the accelerated settlement for construction projects with suppliers; (iii) the cash outflow of RMB1,568.1 million due to the increase of prepayments for other taxes and construction contracts; (iv) payment of income tax of RMB2,256.9 million. These cash outflows were partially offset by the cash inflow of RMB7,088.7 million due to the net profit from operating activities during the period and the cash inflow of RMB2,920.1 million due to the increase of contract liabilities.

3.2 Cash Flow Used in Investing Activities

For the six months ended 30 June 2020, the net cash used in investing activities was RMB7,805.6 million, representing an increase of RMB2,206.3 million or 39.40% as compared to the same period of 2019, which was mainly attributable to: (i) payment of RMB5,904.2 million in purchasing property, plant and equipment and intangible assets; (ii) capital contributions of RMB2,726.5 million to associates and joint ventures; (iii) payment of RMB2,376.9 million in purchasing financial assets. These cash outflows were partially offset by the proceeds of RMB2,032.4 million from the disposal of financial assets, the proceeds of RMB419.0 million from the disposal of associates and the decrease of restricted deposits of RMB342.7 million.

3.3 Cash Flow Generated from Financing Activities

For the six months ended 30 June 2020, the net cash generated from financing activities was RMB12,283.2 million, representing an increase of RMB8,415.1 million or 217.55% as compared to the same period of 2019, which was mainly attributable to: (i) the newly increased borrowings of RMB29,365.0 million; (ii) issuance of short-term financing notes of RMB6,000.0 million; (iii) issuance of perpetual capital instruments of RMB1,000.0 million; (iv) social capital injections for the mixed-ownership reform of China Energy Engineering Group Hunan Electric Power Design Institute Co., Ltd. of RMB740.6 million. These cash inflows were partially offset by the repayment of bank borrowings, other borrowings and corporate bonds of RMB20,859.2 million, payment of interests on bank borrowings, other borrowings and corporate bonds of RMB3,239.3 million and payment of interests on perpetual capital instruments of RMB419.8 million.

Management Discussion and Analysis

4 Capital Expenditure

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

	For the six months ended 30 June	
	2020 (RMB in million)	2019 (RMB in million)
Property, plant and equipment	2,531.1	1,580.8
Intangible assets	4,318.8	6,098.8
Total	6,849.9	7,679.6

5 Capital and Financial Policies

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

Management Discussion and Analysis

6 Indebtedness

As at 30 June 2020, the Company's total liabilities amounted to RMB320,363.3 million and total assets amounted to RMB436,173.7 million, with a gearing ratio of 73.45%, representing an increase of 0.32 percentage points from 73.13% as at the end of last year. The Company's total indebtedness amounted to RMB119,043.7 million. The following table sets forth the details of bank borrowings, other borrowings and corporate bonds of the Company as at the dates indicated:

	As at 30 June 2020	As at 31 December 2019
	(RMB in million)	(RMB in million)
Long-term		
Bank borrowings		
Unsecured	30,609.5	26,552.0
Secured	28,690.1	26,012.0
Other borrowings		
Secured	60.5	11.9
Corporate bonds ⁽¹⁾	11,394.5	18,393.6
Sub-total	70,754.6	70,969.5
Short-term		
Bank borrowings		
Unsecured	17,462.7	15,249.2
Secured	2,663.9	3,195.4
Other borrowings		
Unsecured	20,655.3	15,188.2
Secured	46.5	53.0
Corporate bonds	7,460.7	1,385.0
Sub-total	48,289.1	35,070.8
Total	119,043.7	106,040.3

Note:

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

Management Discussion and Analysis

6 Indebtedness (Continued)

As at the dates indicated in the following table, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

	As at 30 June 2020	As at 31 December 2019
	(RMB in million)	(RMB in million)
United States Dollar	14,055.6	14,147.7
Japanese Yen	120.9	120.1
Brazilian Real	2,956.0	3,947.2
Euro	558.8	–
Total	17,691.3	18,215.0

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

	As at 30 June 2020	As at 31 December 2019
	(RMB in million)	(RMB in million)
Guaranteed by each of the following parties:		
Third parties	120.9	120.1
Total	120.9	120.1

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

	As at 30 June 2020	As at 31 December 2019
	(RMB in million)	(RMB in million)
Repayable within 1 year	47,255.9	34,043.2
Repayable after 1 year but within 2 years	7,907.4	20,243.8
Repayable after 2 years but within 3 years	14,890.1	4,747.7
Repayable after 3 years but within 4 years	6,159.8	7,185.3
Repayable after 4 years but within 5 years	2,251.1	5,770.9
Repayable after 5 years	40,579.4	34,049.4
Total	119,043.7	106,040.3

Management Discussion and Analysis

6 Indebtedness (Continued)

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

	As at 30 June 2020	As at 31 December 2019
	(%)	(%)
Bank borrowings	0.95-7.50	1.05-8.00
Other borrowings	1.40-4.35	3.92-4.90
Corporate bonds	3.14-5.37	3.14-5.37

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

	As at 30 June 2020		As at 31 December 2019	
	(RMB in million)	(%)	(RMB in million)	(%)
Fixed rate bank and other borrowings	49,866.6	0.95-6.70	46,409.8	1.05-8.00
Floating rate bank and other borrowings	50,321.9	1.20-7.50	39,851.9	1.20-7.50
Total	100,188.5		86,261.7	

Indebtedness of the Company increased by RMB13,003.4 million from 31 December 2019 to 30 June 2020, mainly due to meeting the needs for working capital and purchase and development of assets.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms, nor was subject to any material restrictive terms in the borrowings. In addition, as at 30 June 2020, the Company had RMB40,000 million of authorized but unissued debt securities and RMB396,449 million of unutilized and unrestricted bank credit facilities.

Management Discussion and Analysis

7 Pledge of Assets and Contingent Liabilities

7.1 Pledge of Assets

As at 30 June 2020, the Company's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

	As at 30 June 2020	As at 31 December 2019
	(RMB in million)	(RMB in million)
Property, plant and equipment	1,096.1	1,248.2
Intangible assets	27,395.7	26,464.9
Trade receivables	5,687.2	4,536.0
Properties under development for sale	18,740.3	18,690.3
Bank deposits	4,899.5	5,242.2
Total	57,818.8	56,181.6

7.2 Contingencies and Contingent liabilities

- (a) Certain subsidiaries of the Company were subject to administrative inspections by local government regulators. Based on the findings of these inspections, one subsidiary's manufacturing permit was revoked, which is in the process of administrative reconsideration. Provision has been made for the probable losses to the Company on administrative inspections when management can reasonably estimate the outcome of the administrative inspections taking into account the legal advice. No provision has been made for pending administrative inspections when the outcome cannot be reasonably estimated or management believes that the probability of loss is remote.

The Company was also involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Company on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

Management Discussion and Analysis

7 Pledge of Assets and Contingent Liabilities (Continued)

7.2 Contingencies and Contingent liabilities (Continued)

(b) Guarantees

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

	As at 30 June 2020 (RMB in million)	As at 31 December 2019 (RMB in million)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to ⁽ⁱ⁾ :		
Joint ventures	18.0	18.0
Associates	1,523.4	1,532.2
Third party ⁽ⁱⁱ⁾	1,727.9	243.4
Investee recognised as financial assets at fair value through other comprehensive income	20.4	21.4
	3,289.7	1,815.0
Mortgage loan guarantees provided by the Company to banks in favour of its customers ⁽ⁱⁱⁱ⁾	3,222.4	1,578.2
	6,512.1	3,393.2

Notes:

- (i) In the opinion of the Directors, the fair value of these guarantee contracts is insignificant at initial recognition. There has been no material change in contingent liabilities of the Company since 30 June 2020 to the date of this report.
- (ii) China Gezhouba Group Stock Company Limited has provided guarantee to the Ministry of Finance of Argentina in respect of a bank loan contract with an amount of RMB1,482 million. Besides, one subsidiary of the Company has provided guarantee in respect of a leasing contract with one financial institution to a third party with an amount of RMB245 million.
- (iii) The Company had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Company's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Company is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Company is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Company are insignificant at initial recognition, and the Directors considered that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in this interim financial report for these guarantees.

Management Discussion and Analysis

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

7.2 Contingencies and Contingent liabilities *(Continued)*

(c) Contingent liabilities

Since 2019, Gezhouba Huanjia and Huanjia Connected Suppliers (see defined in note 14(i) to the Consolidated Financial Statement of this interim financial report) were involved as defendants in a number of legal proceedings with certain financial institutions and lenders. Mr. Wang Jinping was also one of the defendants in certain of the above-mentioned legal proceedings. At 30 June 2020, these financial institutions sued Gezhouba Huanjia and other defendants for repayment of loans in aggregate amounted to RMB1,492 million (2019: RMB1,362 million). Certain of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the Investigation (see defined in note 14(i) to the Consolidated Financial Statement of this interim financial report) as there are in duty related crimes and/or crimes involved.

Based on the advice from the Company's legal counsel, the Company believes that Gezhouba Huanjia will be possibly sued by these financial institutions and lenders and subject to further investigations after the completion of the Investigation. As at 30 June 2020, given the Investigation is yet to be concluded, the Company cannot reasonably predict the outcome and potential financial impact, if any, of the above-mentioned legal proceedings. No provision has been made in this regard.

Gezhouba Huanjia was also involved as defendants in a number of legal proceedings with Huanjia Connected Suppliers. Huanjia Connected Suppliers sued Gezhouba Huanjia for repayment of rental of sites and other proceeds in aggregate amounted to RMB761 million. Based on the advice from the Company's legal counsel, the Company is of the opinion that the repayment of rental and other proceeds is not probable; as such, no provision has been made in this regard.

Management Discussion and Analysis

8 Gearing Ratio

As at 30 June 2020, the gearing ratio of the Company was 102.8%, representing a decrease of 6.6 percentage points as compared to 109.4% for the same period of 2019. Gearing ratio represents interest-bearing debts divided by total equity at the end of the period.

9 Risk

9.1 Business Risk

1. **Macroeconomic risk.** In 2020, the novel coronavirus pneumonia epidemic has had a great influence on the domestic macro-economy. National macro policies such as monetary policy, fiscal policy, industry policy, regional development policy and other policies have all changed; at the same time, the world economy has been recessed, and the international macro environment has undergone major changes, such as the international political and economic environment, exchange rate changes, etc., which may affect the development of the industry and the performance of projects in progress, increase the difficulty of market development, slow down the pace of transformation and upgrades, and affect economic benefits. The Company will put more efforts in macroeconomic analysis and research on policies, make full use of favorable policies of all aspects, seize the opportunity to be brought by increased investment in China, continuously promote the Company's industrial layout and resource allocation optimization, while actively and steadily exploring and implementing overseas projects, so as to achieve the Company's sustainable and healthy development.
2. **International operation risk.** Since March 2020, the novel coronavirus pneumonia epidemic has spread and accelerated its spread in Europe, the United States and other parts of the world. The world economy has severely declined, and international economic and trade investment has shrunk. Meanwhile, due to aviation control and other measures, the movement of overseas staff has been severely restricted and affected, which had an important impact on the implementation of overseas projects, personnel health and safety, and international market development. The Company will continue to improve the layout of the international business market, strive to promote the normal performance of overseas projects, and improve overseas security and risk response capabilities by strengthening the management of legal compliance, health and safety and other risks of overseas projects.
3. **Construction project performance risk.** Affected by the novel coronavirus pneumonia epidemic, the domestic supply chain was once interrupted, and there remains the risks of insufficient production capacity, reduced inventory, high pressure on procurement and supply, and rising prices of raw materials; overseas engineering projects are affected by the epidemic in the host country, and the project performance and operating pressures are even greater, which will have a greater impact on the Company's project duration and cost. The Company will supervise key projects under construction, strengthen the performance of key projects; actively coordinate and ensure human resources for resumption of work and production, and make every effort to ensure the procurement of supplies for resumption of work and production and the stability of the supply chain; strengthen communication and coordination with owners, implement targeted policies, and strive to promote and guarantee project performance.

Management Discussion and Analysis

9 Risk (Continued)

9.1 Business Risk (Continued)

4. Safe production risk. Construction and contracting is a high-risk sector. Subject to the impact of the nature of industry and environmental condition on the construction site, safe production has always been exposed to higher risks. Less adequately practiced and not well arranged implementation of safety production responsibilities of individual enterprises, inaccurate analysis and judgment of safety production risk, incomplete investigation and management of potential accidents, and loose safety supervision of contracting and (sub) contracting may lead to production safety accidents. The Company will clarify the accountability for production safety, organize special rectification actions, regularly study and judge safety production risks, strengthen the supervision and management of key monitoring projects, strengthen investigation and rectification of hidden hazards and risk management to stay strictly on guard against accidents.
5. Investment risk. The Company is undergoing business transformation with its investment business constantly expanding. If risk factor identification and analysis are not sufficient enough, implementation management is not in place, financing schemes fail to be launched or the cost is too high, problems such as budgetary overrun of construction cost, insufficient revenue and difficult execution of projects may occur. The Company will strictly abide by the red line of the investment bottom line, strictly prohibit investment behaviors that exceed financial affordability, fully consolidate the investment risk prevention and control system, strengthen the control of investment procedures, promote the supervision, inspection and post-evaluation of investment projects, and ensure the rolling development and soundness of investment projects.

9.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, thus the functional currency applied in the financial statements of the Company is RMB. The Company plans to continue to expand the overseas business, and it is expected that, as a result, the incomes and expenses dominated in foreign currencies will increase significantly. The exchange rate fluctuation may have influence on the service pricing and the expenses of procurement of materials and equipment of the Company in foreign exchange and therefore influence the financial position and operating performance of the Company. The Company will utilize contracts and financial instruments to prevent and control risks, make reasonable business arrangements, and choose appropriate foreign currencies and exchange rates for settlement or payment to prevent exchange rate fluctuation risk.

Management Discussion and Analysis

10 Number of Employees and Training Program

As of 30 June 2020, the Company has a total of 116,996 employees, including 35,928 management personnel, 39,013 professional technicians, and 26,769 technical operating personnel. The Company has 13,519 talents with various national registered qualifications. Also, the Company has a team of top talents of China, including 30 experts who enjoy the Chinese governmental special subsidies, 6 national survey and design masters, 2 national nuclear industry engineering survey and design masters, 5 engineering experts of the “Millions of Talents of the New Century” project, 2 national young and middle-aged experts with outstanding contribution, and 24 national technical experts.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee’s quality and professional skills continuously. The Company actually trained 211,800 employees in the first half of 2020, including on-the-job training for 154,800 employees, continuing education training for 7,200 employees, and other training for 49,800 employees.

11 Remuneration and Equity-incentive Policy

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

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

On 21 November 2016, the Company reviewed and approved the initial grant of the restricted share incentive proposal pursuant to the restricted share incentive scheme at its 2016 first extraordinary general meeting. According to the resolution of the Board on 22 November 2018, 83.994 million restricted shares of 481 participants met the unlocking conditions of the first unlocking period and were allowed to be unlocked; on 21 November 2019, the Board resolved that the restricted shares under the second unlocking period were not allowed to be unlocked due to failure to satisfy the unlocking conditions.

Management Discussion and Analysis

11 Remuneration and Equity-incentive Policy *(Continued)*

On 30 June 2020, the Board resolved that due to the Company's failure to meet the performance appraisal conditions for the third phase of unlocking in 2019, the Company transferred the restricted shares of the Company that are held by participants and should be unlocked for the third phase of incentive scheme at the grant price back to the entrusted management agency. Accordingly, the Company transferred 87.162 million restricted shares of 479 participants back to the entrusted management agency at the grant price, and paid a total of RMB51,425,580. Save as disclosed above, as of 30 June 2020, according to the restricted share incentive scheme, no restricted share has been granted, lapsed or cancelled.

The restricted share incentive scheme is a discretionary plan of the Company and does not constitute a share option plan under Chapter 17 of the Listing Rules.

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

The Company's major future investments are mainly distributed in the following three aspects: firstly, for the purpose of exploring market and promoting transformation, we will focus on the main business, accelerate the development of integration of investment, construction and operation and partial advantageous non-power engineering areas, and promote the in-depth development of the construction and contracting market to expand the market share of non-power advantageous areas, ensure the stable development of the main business, and enhance the Company's main engineering competitiveness and anti-risk ability; secondly, to make up for shortcomings and weaknesses, the Company will select enterprises with qualifications and capabilities in non-power design and construction to carry out investment mergers and acquisitions, accelerate the improvement of non-power business capabilities, further improve the main business and promote the Company's sustainable and stable development; thirdly, we will actively adapt to the trend of large-scale overseas projects, integration of investment, construction and operation, give full play to the driving role of investment in project construction, deepen the focus on overseas investment in specific key countries, increase the depth and level of participation in the construction of the Belt and Road, and enhance the competitiveness of the international market and brand influence and build a world-class engineering company with global competitiveness.

In the first half of 2020, the Company did not hold any significant investment projects that are required to be considered and approved by the Board as required by the articles of association of the Company.

Management Discussion and Analysis

13 Outlook

13.1 Outlook of Power Industry

Forecast on Electricity Consumption. In the first half of 2020, the electricity consumption of the whole society decreased by 1.3% year-on-year, among which consumption in secondary and tertiary production recorded negative growth, and residential electricity consumption continued to maintain rapid growth. According to the forecast of the Analysis and Forecast Report on the National Power Supply and Demand Situation in the First Quarter of 2020 released by the China Electricity Council, the national electricity consumption in 2020 is expected to grow by 2% to 3% as compared to 2019.

Forecast on Power Construction. According to the forecast of the Analysis and Forecast Report on the National Power Supply and Demand Situation in 2019-2020 and Status and Outlook of Power Industry of China in 2020 released by China Electricity Council at the beginning of the year, the newly additional installed capacity of power generation in China is expected to be around 120 million KW in 2020. As of the end of 2020, it is expected that the national installed capacity of power generation will amount to around 2,130 million KW, representing a year-on-year increase of 6%. The installed capacity of non-fossil energy power will total 930 million KW, with proportion to total installed capacity further increasing to 43.6%, an increase of approximately 1.7 percentage points as compared to that of the end of 2019, of which, hydropower accounts for 370 million KW, grid-connected wind power accounts for 250 million KW, grid-connected solar power generation accounts for 240 million KW, nuclear power accounts for 50 million KW and biomass power generation accounts for 25.5 million KW.

Management Discussion and Analysis

13 Outlook *(Continued)*

13.1 Outlook of Power Industry *(Continued)*

In the long run, the fundamentals of China's economic stability and improvement remain unchanged. The large-scale and moderately advanced development of the power industry remains rigid demands that support the transformation of China's economy to high-quality development. Under the environment of increasing awareness of ecological and environmental protection, Chinese coal-fired units are rapidly developing in energy-saving and emission-reduction upgrades, flexible technological transformations, non-fossil energy power generation, and integrated energy services. The scale power grid construction represented by Ultra-High-Voltage "new infrastructure" is also constantly expanding, gradually becoming a new investment growth point that complements the shortcomings of infrastructure construction and stabilizes China's real economy.

13.2 Domestic Non-power Market

It is expected that the infrastructure market room will be further released in a certain period in the future. Major national strategies and policies will benefit the people's livelihood, coordinated development of Beijing-Tianjin-Hebei, development of the Yangtze River Economic Belt, construction of the Guangdong-Hong Kong-Macao Greater Bay Area, integrated development of the Yangtze River Delta, the construction of Xiong'an New District, the ecological protection and high-quality development of the Yellow River Basin, the construction of Hainan Free Trade Zone, and the military and civilians integration promoted solidly. Continuously increasing efforts have been done to make up for shortcomings in transportation facilities, municipal facilities, water conservancy and energy, ecological and environmental protection.

Additionally, policy support for PPP projects will continue to enhance with number of project in progress and investment amount increasing. In the beginning of this year, the Ministry of Finance issued the Notice on Accelerating the Strengthening of the Progress and Reserve Management of Public-private-partnership (PPP) Projects, which proposes to speed up the progress of project reserve, shorten the construction period of projects, and effectively play the role of proactive fiscal policy in counter-cyclical adjustment. According to statistics from China Public Private Partnerships Center, during the first half of 2020, the number of newly projects in progress included in the national PPP comprehensive information platform management database are 482 with investment amount of RMB793.5 billion. The number of net added projects after deducting the project completed for the same period are 186 with investment amount of RMB381.9 billion. The gradual progressing of subsequent projects and the promotion and implementation of the projects in progress will constantly drive the construction market.

Management Discussion and Analysis

13 Outlook (Continued)

13.2 Domestic Non-power Market (Continued)

From the perspective of industry:

Construction industry. In terms of transportation, high-speed railways along the Yangtze River, coastal high-speed railways, intercity railways in urban agglomerations, and local expressways, which have an important supporting role in national strategies, will become the focus of infrastructure investment. On 8 July 2020, China proposed to build 150 major water conservancy projects that play an important role in ensuring national water security. The total project investment is approximately RMB1.29 trillion, which can drive direct and indirect investment of approximately RMB6.6 trillion. In addition, the “new infrastructure” will become a force for a new round of stable investment under the epidemic situation, and the market space is huge.

Manufacturing. The Government Work Report 2020 of the State Council clearly proposes to promote the upgrading of manufacturing and the development of emerging industries, support the high-quality development of manufacturing, significantly increase mid- and long-term loans for manufacturing, develop industrial Internet of Things, promote smart manufacturing, and cultivate emerging industrial clusters. In the course of this year’s epidemic prevention and control, China’s manufacturing has demonstrated super fast response capabilities, as well as advantages brought by a sound and complete industrial chain layout. In the second half of 2020, with the resumption of work and normalization of production, it is expected that the demand for cement, civil explosions, and equipment manufacturing will continue to pick up. The annual growth rate will show a trend of low first and high afterwards, and the manufacturing market will gradually expand.

Environmental water services. The awareness of ecological environmental protection and water resources management has been strengthened. Comprehensive prevention and control of floods and droughts, protection of key water sources, soil and water conservation, utilization of renewable resources, solid waste and garbage treatment, sewage treatment, and treatment of damaged rivers and lakes have gradually become important social concerns and key links in the field of infrastructure to make up for shortcomings.

Real estate. With the full resumption of production and work in all industries, the real estate market is also recovering rapidly. The growth rate of investment in real estate development is expected to be faster than that of investment in fixed asset and infrastructure in the second half of 2020. The resilience of the investment side in real estate will remain and will continue to play an important role in the process of stabilizing China’s economy.

13.3 International Market Trend and Response

Since the beginning of this year, affected by the global spread of the novel coronavirus pneumonia epidemic, the world economy has been in a recession, international economic and trade investment has shrunk, and the economies of countries around the world have been profoundly affected.

Management Discussion and Analysis

13 Outlook *(Continued)*

13.3 International Market Trend and Response *(Continued)*

In the short term, the international engineering construction market is under greater pressure due to the epidemic. According to the International Monetary Fund (IMF) forecasts, global GDP is expected to shrink by 4.9% in 2020. According to Global Trade Information and Outlook released by the World Trade Organization in April 2020, global merchandise trade will decline by 13% to 32% in 2020. According to the World Investment Report 2020 released by the United Nations in June 2020, global foreign direct investment will drop by 40% in 2020. In the medium and long term, governments of many countries have adopted a series of expanding monetary policies and tax reduction policies during the epidemic period, using infrastructure construction as an important means of stabilizing economic growth. The international engineering market will take the lead in recovering in East Asia, the Middle East, Europe and the United States, and municipal transportation, social housing and other infrastructure construction will become the first project area to be recovered under the economic stimulus policy. The Company will strengthen the analysis of the policy environment, optimize the international market layout, increase market development, and seize opportunities for market recovery.

China is currently leading the world in the control of the epidemic, and the economy has entered a stage of resuming growth. As China's capital market opens up to the outside world, it will attract more international capital to participate in the Belt and Road construction. According to the forecast of International Energy Agency (IEA), by 2030, countries along the Belt and Road will have an average annual electricity investment of US\$375 billion, and the market space is huge. The Company will expand cooperation in third-party markets, actively participate in international production capacity cooperation, implement the Belt and Road initiative, and promote the high-quality development of international business.

13.4 Outlook of Overall Development for the Second Half of 2020

The year 2020 is the final year for the implementation of the 13th Five-Year Plan. The comprehensive completion of various objectives and tasks and scientific planning of the 14th Five-Year Plan are of great significance for the Company to successfully start the new journey of building a world-class engineering company with global competitiveness. Although the epidemic has had a certain impact on global economic development, the overall situation of China's society is generally stable, economic recovery continues to accelerate, and the fundamentals of long-term economic growth remain unchanged. The acceleration of the implementation of China's regional development strategy closely related to the Company, the acceleration of investment in "two news and one major" construction, and the gradual recovery of the power construction market have provided a broad market space for the Company's development. The Company's production and operation have steadily recovered, various indicators have stabilized and improved, and internal and external favorable factors still exist. In the second half of 2020, in the face of the new situation and new tasks, the Company will stand firm and stay focused so as to accumulate energy for the stable operation of the overall situation and the creation of a new development situation.

Material Events

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

During the Reporting Period, the Company publicly issued the first tranche of 2020 renewable corporate bonds with an actual issue amount of RMB1 billion and a term of 3+N on the Shanghai Stock Exchange in June 2020. At the end of every three interest-bearing years (i.e. each re-pricing cycle), the issuer is entitled to the renewal option, deferred interest payment and redemption option. The face value is RMB100 and the coupon rate is 3.5%.

Saved as disclosed above, there is no purchase, sale or redemption of the listed securities of the Company by the Company or any subsidiaries for the six months ended 30 June 2020.

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

For the six months ended 30 June 2020, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Material Events

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

As at 30 June 2020, after the reasonable enquiry by the Directors of the Company, the persons below (other than the Directors, supervisors and chief executives of the Company) have interests or short positions in the shares or underlying shares which will have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which will be required to record in the register maintained by the Company pursuant to section 336 of the SFO:

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

Material Events

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

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

- (1) The calculation is based on the shareholding in the Company's 9,262,436,000 issued H shares, 20,757,960,364 issued domestic shares and 30,020,396,364 shares of the total issued share capital as at 30 June 2020.
- (2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in the 98,542,651 domestic shares, representing 0.47% of the domestic share capital of the Company. Therefore, Energy China Group is deemed to be interested in the domestic shares held by EPPE Company.
- (3) These shares are directly held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司). China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司) is wholly owned by China Huaxing Group Company (中國華星集團公司); and China Huaxing Group Company (中國華星集團公司) is wholly owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). Therefore, China Huaxing Group Company (中國華星集團公司) and China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) are deemed to be interested in shares held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司).
- (4) These shares are directly held by Silk Road Fund Co., Ltd. Buttonwood Investment Holding Company Ltd. holds 65% equity interests in Silk Road Fund Co., Ltd. Therefore, Buttonwood Investment Holding Company Ltd. is deemed to be interested in shares held by Silk Road Fund Co., Ltd.
- (5) Central Huijin Investment Ltd. holds 57.31% equity interests in China Construction Bank Corporation. Therefore, Central Huijin Investment Ltd. is deemed to be interested in shares held by China Construction Bank Corporation.
- (6) These shares are directly held by State Grid International Development Limited. State Grid International Development Limited is wholly-owned by State Grid International Development Co., Ltd.; while the latter is wholly-owned by State Grid Corporation of China. Therefore, State Grid International Development Co., Ltd. and State Grid Corporation of China are deemed to be interested in the shares held by State Grid International Development Limited.

Material Events

4 Compliance with the Code Provisions of Corporate Governance Code

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

For the six months ended 30 June 2020, 8 Board meetings were convened and held by the Company, considering and voting for 33 resolutions and proposing 14 resolutions to the general meeting; 1 general meeting (i.e. the 2019 annual general meeting) was held, considering and voting for 17 resolutions; 1 Strategy Committee meeting of the Board was held, considering and voting for 1 resolution; 3 Nomination Committee meetings of the Board were held, considering and voting for 6 resolutions; 2 Remuneration and Assessment Committee meetings of the Board were held, considering and voting for 5 resolutions; and 2 Audit Committee meetings of the Board were held, considering and voting for 12 resolutions.

For the six months ended 30 June 2020, the Company has complied with code provisions of the Corporate Governance Code under Appendix 14 to the Listing Rules, save as below.

In December 2019, Mr. Zheng Qiyu, an independent non-executive Director of the Company, passed away due to illness. On 10 June 2020, the Board announces that, it is proposed to nominate Mr. Zhao Lixin and Mr. Cheng Niangao as independent non-executive Directors of the Company, which shall be subject to approval by shareholders of the Company. On 30 June 2020, 2019 annual general meeting of the Company approved the aforesaid appointments of Directors. On the same day, Mr. Cheng Niangao was appointed as the chairperson of the Remuneration and Assessment Committee and a member of the Nomination Committee of the Board, and Mr. Zhao Lixin was appointed as the chairperson of the Audit Committee of the Board.

Following the appointments of Mr. Zhao Lixin and Mr. Cheng Niangao as independent non-executive Directors of the Company and changes in members of special committees under the Board, (i) the number of independent non-executive Directors of the Board of the Company complies with the requirements of Rule 3.10(1) of the Listing Rules; (ii) the number of independent non-executive Directors represents more than one-third of the total number of members of the Board, which complies with the requirements of Rule 3.10A of the Listing Rules; and (iii) the Remuneration and Assessment Committee comprising a majority of independent non-executive Directors, was chaired by an independent non-executive Director, which complies with the requirement of Rule 3.25 of the Listing Rules.

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

Material Events

4 Compliance with the Code Provisions of Corporate Governance Code *(Continued)*

After the Reporting Period, on 21 August 2020, Mr. Ma Chuanjing resigned as a non-executive Director of the Company, a member of the Strategy Committee and the Audit Committee of the Board due to his age. Following the resignation of Mr. Ma Chuanjing, the Audit Committee only consists of two independent non-executive Directors, which does not comply with the requirement of including at least three members in the Audit Committee under Rule 3.21 of the Listing Rules; on 31 August 2020, Mr. Wang Jianping resigned as the chairman of the Board, an executive Director of the Company, the chairperson of the Strategy Committee, the chairperson of the Nomination Committee of the Board and an authorised representative of the Company under Rule 3.05 of the Listing Rules (the "Authorised Representative") due to work adjustment. Following the resignation of Mr. Wang Jianping, there are no chairpersons for the Nomination Committee and the Strategy Committee, and the Company will only have one Authorised Representative.

The Company will appoint suitable candidate(s) as soon as possible and practicable to fill the vacancies to ensure compliance with the relevant requirements of the Listing Rules. The Company will make further announcement in due course. For details, please refer to the Company's announcements dated 21 August 2020 and 31 August 2020, respectively.

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

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

According to the registration of Directors' and supervisors' trading of the Company shares as required by the management system of the Company and having made enquiries with all the Directors and supervisors, the Company confirmed that each of the Directors and supervisors has complied with all requirements of the Model Code for Securities Transactions during the six months ended 30 June 2020.

Material Events

6 Changes in Information of Directors and Supervisors

During the Reporting Period, the changes of members of the Board of the Company are as follows:

On 14 January 2020, Mr. Zhang Xianchong resigned as an executive Director of the second session of the Board of the Company due to his statutory retirement age.

On 26 May 2020, Mr. Ding Yanzhang resigned as an executive Director and vice chairman of the second session of the Board of the Company due to work adjustment.

On 30 June 2020, with the consideration and approval of the 2019 annual general meeting of the Company, Mr. Sun Hongshui and Mr. Ma Mingwei were appointed as executive Directors of the second session of the Board of the Company, and Mr. Zhao Lixin and Mr. Cheng Niangao were appointed as independent non-executive Directors of the second session of the Board of the Company. Their appointments took effect from 30 June 2020 to the expiration of the term of office of the second session of the Board of the Company.

On 30 June 2020, Mr. Ding Yuanchen resigned as an independent non-executive Director of the second session of the Board of the Company due to his age.

On 30 June 2020, with the approval of the 21st meeting of the second session of the Board of the Company, Mr. Sun Hongshui was appointed as vice chairman of the second session of the Board of the Company, and his appointment took effect from 30 June 2020 to the expiration of the term of office of the second session of the Board of the Company.

After the Reporting Period and up to the publication date of this report, the changes of members of the Board of the Company are as follows:

On 21 August 2020, Mr. Ma Chuanjing resigned as a non-executive Director of the second session of the Board of the Company due to his age.

On 31 August 2020, Mr. Wang Jianping resigned as the chairman of the Board, an executive Director of the second session of the Board of the Company and the Authorised Representative due to work adjustment.

Save as disclosed above, there is no information that is required to be disclosed according to Rule 13.51B(1) of the Listing Rules.

Material Events

7 Subsequent Events

Save as disclosed in this report, after the Reporting Period, the Group did not have any material subsequent events.

8 Review of Interim Report

On 27 August 2020, the Audit Committee of the Board has reviewed the interim results announcement for the six months ended 30 June 2020, the 2020 interim report of the Company and the unaudited interim financial statements for the six months ended 30 June 2020 which have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

9 Appointment and Removal of Auditors

Being considered and approved on 2019 annual general meeting held on 30 June 2020, KPMG was appointed as the international independent auditor of the Company for the year of 2020 and Da Hua Certified Public Accountants (Special General Partnership) as the domestic independent auditor of the Company for the year of 2020.

10 Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020.

11 Acquisition and Disposal of Subsidiaries

In January 2020, the Company acquired 4 Spanish design and engineering companies, i.e. EMPRESARIOS AGRUPADOS INTERNACIONAL, S.A., GHESA Ingeniería y Tecnología, S.A., EA SERVICIOS EXPLOTACION NUCLEARES GNIT S.L. and EA SERVICIOS DESMANTELAMIENTO NUCLEAR GHTR S.L., with 100% equity interests.

The acquisitions will not affect the continuity of the Company's business and the stability of the management, and will be conducive to the sustainable and healthy development of the Company's overseas business and continuous advancement of future financial condition and operating results.

Report on Review of Consolidated Financial Statements

Review report to the Board of Directors of China Energy Engineering Corporation Limited

(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 47 to 94 which comprises the consolidated statement of financial position of China Energy Engineering Corporation Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

28 August 2020

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

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3	105,597,203	110,044,653
Cost of sales		(93,152,188)	(96,337,231)
Gross profit		12,445,015	13,707,422
Other income	4	711,701	1,050,392
Net impairment losses on financial assets and contract assets	5(a)	(549,521)	(127,829)
Other net gains and losses	5(b)	42,040	29,152
Selling expenses		(805,120)	(1,236,521)
Administrative expenses		(5,246,037)	(5,233,830)
Research and development expenses		(1,873,719)	(1,267,386)
Finance income	6	355,972	384,279
Finance costs	6	(1,696,191)	(1,889,101)
Share of profits of joint ventures		137,172	102,426
Share of (losses)/profits of associates		(18,640)	392,171
Profit before taxation	7	3,502,672	5,911,175
Income tax	8	(1,264,299)	(1,583,604)
Profit for the period		2,238,373	4,327,571
Other comprehensive income for the period:			
<i>Items that will not be reclassified to profit or loss:</i>			
– Remeasurement of defined benefit obligations		(225,630)	10,990
– Income tax relating to remeasurement of defined benefit obligations		6,319	10
– Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		(18,806)	399,718
– Income tax relating to equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)		2,143	(45,724)
		(235,974)	364,994
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translating foreign operations		13,593	(202,091)
		13,593	(202,091)
Other comprehensive income for the period		(222,381)	162,903
Total comprehensive income for the period		2,015,992	4,490,474

The notes on pages 55 to 94 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

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

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Profit for the period attributable to:			
Equity holders of the Company			
– Shareholders		859,539	2,157,587
– Perpetual capital instruments holders		59,490	–
		919,029	2,157,587
Non-controlling interests			
– Shareholders		816,934	1,756,983
– Perpetual capital instruments holders		502,410	413,001
		1,319,344	2,169,984
		2,238,373	4,327,571
Total comprehensive income attributable to:			
Equity holders of the Company			
– Shareholders		652,936	2,141,577
– Perpetual capital instruments holders		59,490	–
		712,426	2,141,577
Non-controlling interests			
– Shareholders		801,156	1,935,896
– Perpetual capital instruments holders		502,410	413,001
		1,303,566	2,348,897
		2,015,992	4,490,474
Earnings per share			
Basic and diluted (RMB cents)	9	2.88	7.22

The notes on pages 55 to 94 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2020 (Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	10	48,097,230	47,803,927
Investment properties		735,703	719,094
Intangible assets	11	46,760,780	42,443,895
Investments in joint ventures		6,260,690	5,416,691
Investments in associates		17,755,479	16,460,287
Goodwill		2,025,716	1,575,800
Deferred tax assets		2,167,410	2,068,529
Trade receivables	13	30,734,558	29,128,276
Prepayments, deposits and other receivables	14	1,990,554	1,894,945
Finance lease receivables	15(b)	2,911,634	1,863,472
Financial assets at fair value through other comprehensive income	12(a)	2,169,878	2,194,812
Financial assets at fair value through profit or loss	12(b)	5,720,154	5,423,593
		167,329,786	156,993,321
Current assets			
Inventories		13,686,942	12,617,279
Properties under development for sale		46,954,869	47,103,429
Completed properties for sale		2,279,532	2,231,891
Contract assets	16(a)	48,451,003	41,151,749
Trade and bills receivables	13	53,856,487	54,228,499
Prepayments, deposits and other receivables	14	50,478,061	49,027,166
Other loans	15(a)	6,040,540	5,998,443
Financial assets at fair value through profit or loss	12(b)	2,761,344	2,758,182
Finance lease receivables	15(b)	221,681	425,616
Pledged deposits	17	4,899,472	5,242,218
Bank and cash balances	17	39,213,939	43,892,508
		268,843,870	264,676,980
Current liabilities			
Trade and bills payables	18	99,052,737	104,390,647
Contract liabilities	16(b)	55,411,300	52,490,798
Other payables and accruals	19	31,233,008	28,889,755
Income tax payable		1,414,122	2,111,310
Bank and other borrowings	20	40,828,347	33,685,867
Defined benefit obligations		1,059,003	1,104,067
Corporate bonds	21	7,460,731	1,384,961
Lease liabilities		222,616	293,465
Provisions		602,312	631,168
		237,284,176	224,982,038

The notes on pages 55 to 94 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2020 (Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Net current assets		31,559,694	39,694,942
Total assets less current liabilities		198,889,480	196,688,263
Non-current liabilities			
Other payables and accruals	19	302,842	419,150
Bank and other borrowings	20	59,360,172	52,575,827
Corporate bonds	21	11,394,473	18,393,576
Lease liabilities		733,453	852,992
Defined benefit obligations		9,395,499	9,269,577
Deferred tax liabilities		1,136,096	1,119,297
Deferred revenue		756,573	767,492
		83,079,108	83,397,911
NET ASSETS		115,810,372	113,290,352
CAPITAL AND RESERVES			
Issued share capital	22(b)	30,020,396	30,020,396
Perpetual capital instruments	23	4,000,000	3,000,000
Reserves		24,789,267	25,124,366
Equity attributable to equity holders of the Company		58,809,663	58,144,762
Perpetual capital instruments	23	23,900,000	23,900,000
Non-controlling interests		33,100,709	31,245,590
TOTAL EQUITY		115,810,372	113,290,352

Approved and authorised for issue by the Board of Directors on 28 August 2020.

Wang Jianping

Director

Chen Guanzhong

Chief Accountant

The notes on pages 55 to 94 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Attributable to equity holders of the Company											Total equity RMB'000		
	Issued share capital RMB'000	Perpetual capital instruments RMB'000	Shares held under restricted share incentive scheme RMB'000	Sharebased compensation			Defined benefit obligation		Investments revaluation reserve (non-vesting) RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000		Perpetual capital instruments RMB'000	Non- controlling interests RMB'000
				Statutory reserve RMB'000	Special reserve RMB'000	Special remeasurement reserve RMB'000	Special reserve RMB'000	Investment reserve RMB'000						
Balance at 1 January 2020	30,020,396	3,000,000	(203,082)	8,306,090	3,077,703	-	548,048	1,013,664	(300,929)	(658,561)	13,341,433	23,900,000	31,245,590	113,290,352
Total comprehensive income for the period	-	59,490	-	-	-	-	-	(185,195)	(12,634)	(8,774)	859,539	502,410	801,156	2,015,992
Issue of perpetual capital instruments (note 23)	-	1,000,000	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Capital contributed by non-controlling interests	-	-	-	(26,761)	-	-	-	-	-	-	-	(26,761)	1,117,431	1,090,670
Transfer to reserves	-	-	-	-	-	-	33,315	-	-	-	(33,315)	-	-	-
Dividends declared to perpetual capital instruments holders	-	(59,490)	-	-	-	-	-	-	-	-	-	(59,490)	-	(561,900)
Dividends declared (note 21(a))	-	-	-	-	-	-	-	-	-	-	(918,624)	(918,624)	-	(918,624)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(63,468)	(63,468)
Others	-	-	-	(42,650)	-	-	-	-	-	-	-	(42,650)	-	(42,650)
Balance at 30 June 2020	30,020,396	4,000,000	(203,082)	8,236,679	3,077,703	-	581,363	828,469	(313,563)	(667,335)	13,249,033	23,900,000	33,100,709	115,810,372

The notes on pages 55 to 94 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Attributable to equity holders of the Company											Total equity attributable to equity shareholders of the Company RMB'000		
	Issued share capital RMB'000	Perpetual capital instruments RMB'000	Shares held under restricted share incentive scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Special reserve RMB'000	Defined benefit obligation reserve (non-recycling) RMB'000	Investments revaluation reserve (non-recycling) RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000		Perpetual capital instruments RMB'000	Non-controlling interests RMB'000
Balance at 1 January 2019	30,020,396	-	(203,082)	8,167,666	2,343,755	18,873	575,520	761,509	(337,018)	(541,690)	9,826,755	19,400,000	25,131,172	95,163,856
Total comprehensive income for the period	-	-	-	-	-	-	4,110	176,850	(196,970)	(196,970)	2,157,587	413,001	1,935,896	4,490,474
Issue of perpetual capital instruments (note 23)	-	-	-	-	-	-	-	-	-	-	-	5,000,000	-	5,000,000
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	501,508	501,508
Disposal of subsidiaries	-	-	-	329	-	-	-	-	-	-	-	-	5,629	5,958
Acquisition of additional interests in subsidiaries	-	-	-	9,891	-	-	-	-	-	-	-	-	(21,891)	(12,000)
Transfer to reserves	-	-	-	-	-	-	(43,825)	-	-	-	43,825	-	-	-
Dividends declared to perpetual capital instruments holders	-	-	-	-	-	-	-	-	-	-	(413,001)	-	-	(413,001)
Dividends declared (note 22(a))	-	-	-	-	-	-	-	-	-	-	(918,624)	-	-	(918,624)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(123,400)	-	(123,400)
Effect of share-based compensation (note 22(e))	-	-	-	-	-	4,384	-	-	-	-	-	-	-	4,384
Disposals of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	67,342	-	-	67,342
Others	-	-	-	2,384	-	-	-	-	-	-	-	-	-	2,384
Balance at 30 June 2019	30,020,396	-	(203,082)	8,180,270	2,343,755	23,257	531,695	765,619	(160,168)	(738,660)	11,176,885	24,400,000	27,428,914	103,768,881

The notes on pages 55 to 94 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Net cash used in operating activities		(9,343,180)	(7,459,589)
Investing activities			
Interest received		349,022	381,862
Payments for addition to property, plant and equipment		(1,988,554)	(1,033,152)
Payments for addition to intangible assets		(3,915,674)	(5,876,280)
Payments for addition to finance lease receivables		–	(540,000)
Capital contributions to joint ventures		(770,203)	(482,182)
Capital contributions to associates		(1,956,269)	(468,875)
Net cash (purchase of)/proceeds from investments		(5,044)	477,634
Purchase of financial assets at fair value through other comprehensive income		(41,351)	(18,444)
Purchase of financial assets at fair value through profit or loss		(2,335,555)	(236,613)
Proceeds from disposal of property, plant and equipment		212,469	199,580
Proceeds from disposal of investment property		123	–
Proceeds from disposal of intangible assets		29,519	5,396
Proceeds from disposal of associates		419,023	6,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		47,479	266,935
Proceeds from disposal of financial assets at fair value through profit or loss		1,984,953	10,898
Proceeds from finance lease receivables		–	289,173
Net decrease in pledged deposits		342,746	1,253,764
Dividends received from associates		212,630	14,043
Dividends received from joint ventures		63,376	–
Dividends received from financial assets at fair value through other comprehensive income	4	35,589	27,578
Dividends received from financial assets at fair value through profit or loss	4	32,980	16,646
Net withdrawal/(placement) of deposits with original maturity of over three months		36,905	(30,516)
Acquisition of subsidiaries, net of cash acquired		(540,620)	–
Disposal of subsidiaries, net of cash disposed		–	59,592
Net increase in other loans and receivables		(62,702)	(24,581)
Net decrease/(increase) in loan to related parties		20,605	(7,277)
Government grants received related to assets		22,964	109,557
Net cash used in investing activities		(7,805,589)	(5,599,262)

The notes on pages 55 to 94 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2020 (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Financing activities			
Capital injections from non-controlling interests		1,090,660	501,508
Issue of perpetual capital instruments	23	1,000,000	5,000,000
Interests paid on perpetual capital instruments		(419,760)	(199,476)
Acquisition of additional interests in subsidiaries		–	(12,000)
Interests paid on bank and other borrowings		(2,515,889)	(2,188,642)
Interests paid on corporate bonds		(723,385)	(661,560)
New bank and other borrowings		35,364,973	32,346,449
Repayment of bank and other borrowings		(20,259,229)	(31,688,304)
New corporate bonds		–	4,000,000
Repayment of corporate bonds		(600,000)	(2,979,552)
Capital elements of lease rentals paid		(156,274)	(181,585)
Interest elements of lease rentals paid		(29,301)	(31,574)
Net (decrease)/increase in borrowings from related parties		(398,285)	27,751
Dividends paid to non-controlling interests		(70,317)	(64,906)
Net cash generated from financing activities		12,283,193	3,868,109
Net decrease in cash and cash equivalents		(4,865,576)	(9,190,742)
Cash and cash equivalents at the beginning of the period		42,624,579	47,643,153
Effects of exchange rate changes		223,912	416,413
Cash and cash equivalents at the end of the period		37,982,915	38,868,824

The notes on pages 55 to 94 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with International Accounting Standard (“**IAS**”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

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

Notes to the Unaudited Interim Financial Report

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

Amendments to IFRS 3, *Definition of a Business*

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

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

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

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

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

None of the above developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION

Segment reporting

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

The Group’s operating and reportable segments are as follows:

- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, and the provision of a broad range of consulting services, such as the policy and planning of power industry as well as testing, evaluation and supervision of power projects (“**Survey, design and consulting services**”);
- Provision of infrastructure construction contracts and power engineering debugging and project operation and maintenance services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, as well as undertaking other types of construction projects, such as water conservancy facilities, transportation, municipal engineering, industrial, civil construction projects (“**Construction and contracting**”);
- Design, manufacturing and sales of various types of equipment for various sectors of the power industry, including mainly auxiliary machinery equipment for power plants, power grid equipment, steel structure, energy-saving and environmental-friendly equipment and complete sets of equipment, manufacturing and sales of civil explosives and cement, and the provision of blasting services for construction projects (“**Industrial manufacturing**”);
- Investing in and operating power plants, water plant construction and operation, and environmental water project operation, as well as participating in renewable resource business (“**Clean energy, environmental protection and water utilities**”); and
- Investing in and operating infrastructure projects (such as expressways) and providing financial service, as well as engaging in the real estate developing business (“**Investment and other businesses**”).

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2019 (Unaudited)

	Survey, design and consulting services	Construction and contracting	Industrial manufacturing	Clean energy, environmental protection and water utilities	Investment and other businesses	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition							
Point in time	-	-	10,501,377	8,332,130	7,434,281	-	26,267,788
Over time	4,989,560	78,787,305	-	-	-	-	83,776,865
External segment revenue	4,989,560	78,787,305	10,501,377	8,332,130	7,434,281	-	110,044,653
Inter-segment revenue	257,263	2,739,641	294,260	447	817,293	(4,108,904)	-
Segment revenue	5,246,823	81,526,946	10,795,637	8,332,577	8,251,574	(4,108,904)	110,044,653
Segment results	480,170	3,205,167	1,554,841	513,803	1,307,222	(93,131)	6,968,072
Unallocated items							
Other income							255,450
Net impairment losses on financial assets and contract assets							(127,829)
Other net gains and losses							29,152
Administrative expenses							(203,445)
Finance income							384,279
Finance costs							(1,889,101)
Share of profits of joint ventures							102,426
Share of profits of associates							392,171
Profit before taxation							5,911,175

Segment profit represents the profit earned by each segment without allocation of certain other income, net impairment losses on financial assets and contract assets, other net gains and losses, administrative expenses, finance income, finance costs, share of (losses)/profits of joint ventures and associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's operations and non-current assets are mainly located in Mainland China. The geographical information about its revenue and non-current assets prepared by location of customers is as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Segment revenue		
Mainland China	91,555,163	92,614,503
Overseas:		
Pakistan	2,637,576	2,223,966
Vietnam	1,247,360	2,800,482
Indonesia	1,128,967	1,358,135
Jordan	1,214,772	2,210,796
Argentina	799,013	523,836
Bangladesh	786,857	1,609,756
Others	6,227,495	6,703,179
Total	105,597,203	110,044,653
	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Non-current assets		
Mainland China	104,509,996	99,409,438
Overseas:		
Vietnam	10,080,081	8,992,128
Pakistan	6,676,021	5,717,045
Kazakhstan	890,588	870,091
Spain	508,548	–
Kuwait	198,481	222,614
Argentina	153,638	162,157
Brazil	130,766	126,188
Others	746,505	814,979
Total	123,894,624	116,314,640

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

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)**Geographical information (continued)***Revenue from major customers*

There is no major individual customer contributing over 10% of the total revenue of the Group for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

4 OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grants		
– grants related to income (note)	540,247	903,072
– grants related to assets	12,272	21,128
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	35,589	27,578
Dividend income from financial assets at fair value through profit or loss ("FVPL")	32,980	16,646
Compensation income from project owners and other parties	11,890	18,693
Others	78,723	63,275
Total	711,701	1,050,392

Note: Government grants include various government subsidies received by the Group from the relevant government bodies primarily in connection with enterprise expansion, technology advancement and value-added tax refund. There were no unfulfilled conditions or contingencies relating to these grants and subsidies as at 30 June 2020.

Notes to the Unaudited Interim Financial Report

5 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS AND OTHER NET GAINS AND LOSSES

(a) Net impairment losses on financial assets and contract assets

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Trade receivables	212,154	109,195
Contract assets	(4,915)	19,888
Other receivables	63,020	(1,254)
Other receivables from Huanjia Connected Suppliers (note 14)	279,262	–
Total	549,521	127,829

(b) Other net gains and losses

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net foreign exchange gain	22,737	35,447
Gain/(loss) on disposal of:		
– Financial assets at FVPL	44	(39)
– Property, plant and equipment	66,480	(5,350)
– Intangible assets	28,279	1,045
– Subsidiaries	–	(203)
Fair value changes of financial assets at FVPL	(50,923)	25,529
Loss on compensation, penalties and fines	(34,926)	(26,284)
Others	10,349	(993)
Total	42,040	29,152

Notes to the Unaudited Interim Financial Report

6 FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income on:		
Bank and cash balances and pledged deposits	168,540	180,126
Other loans	180,649	192,355
Defined benefit plan assets	6,783	11,798
Total finance income	355,972	384,279
Interest expenses on:		
Bank and other borrowings	2,275,100	2,181,750
Corporate bonds	400,051	435,433
Asset-backed securities ("ABS")	29,579	55,746
Lease liabilities	29,301	31,574
Discounted bills	10,590	25,706
Defined benefit obligations	176,444	176,481
	2,921,065	2,906,690
Less: Interest capitalised into		
– Construction in progress	(481,306)	(285,891)
– Properties under development for sale	(340,470)	(509,182)
– Intangible assets	(403,098)	(222,516)
Total finance costs	1,696,191	1,889,101

Notes:

- (i) Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings and corporate bonds.
- (ii) The borrowing costs have been capitalised at rates of 2.92% to 6.50% for the six months ended 30 June 2020 (six months ended 30 June 2019: 2.92% to 9.00%).

Notes to the Unaudited Interim Financial Report

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries and other labour costs	8,451,994	8,284,106
Retirement benefits and pensions	817,891	1,326,553
Other social benefits	1,954,473	2,104,007
Effect of share-based compensation	–	4,384
Total staff and labour costs	11,224,358	11,719,050
Less: Capitalised into construction in progress	(46,468)	(43,434)
Less: Capitalised into properties under development for sale	(70,405)	(111,890)
	11,107,485	11,563,726
Cost of inventories recognised as expense	19,340,859	21,540,593
Leases expenses	302,234	263,153
Gross rental income from investment properties	(17,633)	(28,541)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	25,379	18,904
	7,746	(9,637)

8 INCOME TAX

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current enterprise income tax	1,149,693	1,296,075
Deferred tax	(37,469)	18,577
Land appreciation tax ("LAT")	152,075	268,952
	1,264,299	1,583,604

Notes to the Unaudited Interim Financial Report

8 INCOME TAX (CONTINUED)

Most of subsidiaries of the Company are located in Mainland China. The provision for income tax is calculated based on a statutory rate of 25% under the relevant Corporate Income Tax Law of the People's Republic of China ("PRC") and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, which were exempted or taxed at a preferential rate of 15% during the interim reporting period primarily due to their status as entities engaging in technology development or development projects in the western part of Mainland China.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB860 million (six months ended 30 June 2019: RMB2,154 million, excluding cash dividend attributable to the shares under restricted share incentive scheme expected to be vested in the future) and the weighted average of 29,855,864,000 ordinary shares in issue during the six months ended 30 June 2020 (six months ended 30 June 2019: 29,855,864,000 shares).

(b) Diluted earnings per share

There was no dilutive effect arising from restricted share incentive scheme for the six months ended 30 June 2020.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of leasehold land and buildings, plants, machineries and equipment, and therefore recognised the additions to right-of-use assets of RMB168 million.

As at 30 June 2020, the Group pledged leasehold land with carrying value of RMB291 million (2019: RMB294 million) to secure loan facilities of the Group. Details of pledge of assets are set out in note 27.

As at 30 June 2020, the Group was in the process of applying the title certificates of certain of its land use rights in the PRC with aggregate carrying amount of approximately RMB10 million (2019: RMB10 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant costs. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

Notes to the Unaudited Interim Financial Report

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Other property, plant and equipment

During the six months ended 30 June 2020, the Group incurred costs for construction in progress of RMB1,008 million (six months ended 30 June 2019: RMB661 million) and acquired buildings at a cost of RMB95 million (six months ended 30 June 2019: RMB256 million), machinery at a cost of RMB328 million (six months ended 30 June 2019: RMB292 million), and transportation vehicles/vessels at a cost of RMB425 million (six months ended 30 June 2019: RMB50 million) for the purpose of expanding the Group's business.

The Group pledged certain buildings with carrying amount of approximately RMB805 million as at 30 June 2020 (2019: RMB954 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 27.

As at 30 June 2020, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amount of approximately RMB417 million (2019: RMB425 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

11 INTANGIBLE ASSETS

During the six months ended 30 June 2020, additions to intangible assets amounted to RMB4,319 million (six months ended 30 June 2019: RMB6,099 million), which comprised concession rights of RMB4,225 million (six months ended 30 June 2019: RMB5,968 million).

The rights in respect of toll roads and water utilities income under four (2019: five) concession agreements with an aggregate carrying amount of RMB27,396 million as at 30 June 2020 (2019: RMB26,465 million) are pledged to obtain bank borrowings. Details of pledge of assets are set out in note 27.

Notes to the Unaudited Interim Financial Report

12 FINANCIAL ASSETS

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Listed investments:		
Equity securities listed in Mainland China	1,095,011	1,108,528
Unlisted investments:		
Private companies (note (i))	825,010	833,835
Listed company (note (ii))	249,857	252,449
Total	2,169,878	2,194,812
Analysed for reporting purposes:		
Non-current	2,169,878	2,194,812

Notes:

- (i) The unlisted investments in private companies represent equity securities of private entities established in the PRC. These investments are designated at FVOCI (non-recycling), as they are held for strategic purposes. The Group does not intend to dispose of them in the near future.
- (ii) These investments mainly represent non-tradable shares of Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin", a PRC established company which is under control by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")), the H shares of which are listed on the Stock Exchange.

(b) Financial assets at FVPL

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Listed investments:		
Equity securities listed in Mainland China	38,019	43,278
Unlisted investments:		
Private companies	5,144,155	4,858,594
Units in funds and other non-equity investments	3,299,324	3,279,903
Total	8,481,498	8,181,775
Analysed for reporting purposes:		
Non-current	5,720,154	5,423,593
Current	2,761,344	2,758,182
	8,481,498	8,181,775

Notes to the Unaudited Interim Financial Report

13 TRADE AND BILLS RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade receivables	51,995,395	50,321,200
Retention receivables	15,847,378	14,381,833
Less: loss allowance	(4,233,251)	(4,024,432)
	63,609,522	60,678,601
Bills receivable	3,972,338	5,611,852
Build-Transfer (“BT”)/Build-Operate-Transfer (“BOT”) project receivables	17,009,185	17,066,322
Total trade and bills receivables	84,591,045	83,356,775
Analysed for financial reporting purpose:		
Non-current	30,734,558	29,128,276
Current	53,856,487	54,228,499
	84,591,045	83,356,775

Trade and bills receivables of the Group primarily represent receivables from power grid and power generation companies. The credit terms granted to its trade customers mainly ranged from 30 days to 180 days, except for the retention receivables and certain receivables from BT and BOT projects.

Retention receivables are withheld by customers up to a maximum amount calculated based on a prescribed percentage of the construction contract amount. Retention terms of 12 to 24 months after the completion of construction contracts may be granted to customers and debtors for retention receivables, depending on the market practice of construction industries in countries where construction contracts are carried out and credit assessment carried out by management on an individual customer or debtor basis. The trade receivables arising from BT and BOT projects are unsecured and are repayable by instalments over a 4 to 30 years period during or after the completion of the construction of the underlying projects.

As at 30 June 2020, the Group pledged its trade receivables amounting to approximately RMB5,687 million (2019: RMB4,536 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 27.

During the six months ended 30 June 2020, as a result of issuance of ABS, trade receivables of RMB2,240 million (2019: RMB1,505 million) had been transferred as underlying assets of ABS. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

Notes to the Unaudited Interim Financial Report

13 TRADE AND BILLS RECEIVABLES (CONTINUED)**(a) Ageing analysis**

The following is ageing analysis of trade and bills receivables, net of loss allowance and based on the invoice date at the end of the reporting period:

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 6 months	54,999,466	58,973,905
6 months to 1 year	12,647,460	7,665,837
1 year to 2 years	6,780,890	7,592,431
2 years to 3 years	4,320,259	3,838,897
3 years to 4 years	2,271,608	3,055,326
4 years to 5 years	2,415,139	1,270,199
Over 5 years	1,156,223	960,180
	84,591,045	83,356,775

(b) Related parties of trade and bills receivables

The amounts due from ultimate holding company, fellow subsidiaries, joint ventures and associates included in the trade and bills receivables are analysed as follows:

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company	5,943	425
Fellow subsidiaries	25,138	25,383
Joint ventures	804,189	891,427
Associates	2,901,040	1,754,729
Total	3,736,310	2,671,964

The above amounts are unsecured and interest-free. The Group has not granted any credit periods to related parties. All balances are aged within one year and past due, but not impaired.

Notes to the Unaudited Interim Financial Report

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Advance to suppliers	27,557,980	24,760,370
Other receivables from Huanjia Connected Suppliers (note (i))	294,955	574,218
Other receivables (note (ii))	13,590,278	15,260,726
Receivables for the "Transfer" (note (iii))	2,121,789	2,121,789
Prepayments for purchase of property, plant and equipment	1,197,620	1,156,751
Prepaid taxes	7,698,756	7,000,886
Dividends receivable	4,042	5,265
Interests receivable	3,195	3,028
Deposits for land use rights	–	39,078
	52,468,615	50,922,111
Analysed for financial reporting purpose:		
Non-current	1,990,554	1,894,945
Current	50,478,061	49,027,166
	52,468,615	50,922,111

Notes:

- (i) During the year ended 31 December 2018, Gezhouba Huanjia (Dalian) Renewable Resources Company Limited (葛洲壩環嘉(大連)再生資源有限公司, "**Gezhouba Huanjia**"), in which a wholly owned subsidiary of China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司, "**CGGC**") and Mr. Wang Jinping hold 55% and 45% equity interests, respectively, made prepayments of RMB1,741 million to certain suppliers. From the year of 2015 to 2019, Mr. Wang Jinping was the director and general manager of Gezhouba Huanjia, and the chairman and shareholder of Dalian Huanjia Group Co., Ltd. (大連環嘉集團有限公司) (now renamed as Huanjia Group Co., Ltd. (環嘉集團有限公司, "**Huanjia Group**"). As these suppliers subsequently failed to deliver relevant goods to Gezhouba Huanjia, the balances were reclassified to other receivables and impairment loss of RMB452 million was made during the year ended 31 December 2018.

During the six months ended 30 June 2020 and the year ended 31 December 2019, Mr. Wang Jinping, certain directors and management personnel of Gezhouba Huanjia were kept in detention and investigated by the Committee of Supervisory of Wuhan City (武漢市監察委員會) for duty related crimes and/or crimes (the "**Investigation**", see note 26(c)). These suppliers were found to be connected to Huanjia Group ("**Huanjia Connected Suppliers**", see note 26(c)). The Group had taken certain contingency measures to recover the receivables. As at 30 June 2020, the gross amount of outstanding other receivables from Huanjia Connected Suppliers was RMB1,475 million (2019: RMB1,475 million). Based on information available to the Group, impairment loss of RMB279 million was made during the six months ended 30 June 2020 (2019: RMB449 million), the accumulated impairment losses amounted to RMB1,180 million.

Notes to the Unaudited Interim Financial Report

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(i) (continued)

Certain inventories of Gezhouba Huanjia were stored in sites, which were leased from Huanjia Group. As at 30 June 2020, inventories of Gezhouba Huanjia with carrying amount of RMB708 million (2019: RMB708 million), which were stored in these sites, were seized by court orders for enforcement as a result of a number of legal proceedings against Huanjia Group. The Company is of the opinion that these inventories are lawfully owned by Gezhouba Huanjia and no impairment shall be made for these inventories as at 30 June 2020 (2019: nil).

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

(iii) The balance is due from China Energy Engineering Group Co., Ltd. for the transfer of residential water supply, power supply, and heat/gas supply and property management of residential communities in 2018 (the "Transfer", 三供一業移交). The balance is unsecured, non-interest bearing and has no fixed terms of repayment.

The amounts due from ultimate holding company, fellow subsidiaries, joint ventures and associates included in the prepayments, deposits and other receivables are analysed as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Ultimate holding company		
– Non-trade nature	2,130,037	2,338,343
Fellow subsidiaries		
– Trade nature	218,646	236,701
– Non-trade nature	872,579	725,102
Joint ventures		
– Non-trade nature	114,353	2,677
Associates		
– Non-trade nature	577,916	993,761
Total	3,913,531	4,296,584

Notes to the Unaudited Interim Financial Report

15 OTHER LOANS AND FINANCE LEASE RECEIVABLES

(a) Other loans

At 30 June 2020, the amounts due from fellow subsidiaries, associates and third parties included in other loans were repayable within one year. These loans are all unsecured and non-trade, further details of which are analysed as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Amounts due from:		
Fellow subsidiaries	1,099,200	1,193,960
Associates	4,130,920	4,056,765
Third parties	810,420	747,718
	6,040,540	5,998,443
Analysed for financial reporting purpose:		
Current	6,040,540	5,998,443
Loans:		
With ultimate holding company guarantee	184,300	277,500
Without guarantees	5,856,240	5,720,943
	6,040,540	5,998,443
Interest-bearing loans (fixed rate)	4,813,576	4,105,168
Interest-free loans repayable on demand	1,226,964	1,893,275
	6,040,540	5,998,443
Range of interest rate (per annum)	3.70% to 8.50%	4.35% to 10.00%

(b) Finance lease receivables

During the six months ended 30 June 2020, the Group entered into several finance lease arrangements for certain of its transportation vehicles and manufacturing facilities. The periods of the above finance leases vary from 6 months to 15 years.

Finance lease receivables were mainly with floating interest rates reference to the benchmark interest rate of the People's Bank of China (the "PBOC"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates. As at 30 June 2020, the carrying amount of these finance lease receivables was RMB3,133 million (2019: RMB2,289 million), of which approximately RMB222 million (2019: RMB426 million) was classified as current assets.

Notes to the Unaudited Interim Financial Report

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contract assets		
Arising from performance under construction contracts	48,451,003	41,151,749
Receivables from contracts with customers within the scope of IFRS15, which are included in "Trade and bills receivables" (note 13)	67,581,860	66,290,453

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Joint ventures	135,607	143,442
Associates	1,326,398	856,855
	1,462,005	1,000,297

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

Notes to the Unaudited Interim Financial Report

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contract liabilities		
Billings in advance of performance under construction contracts	14,196,859	15,094,422
Advances for the sale of properties	14,217,432	13,029,718
Other advances received from customers	26,997,009	24,366,658
	55,411,300	52,490,798

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Fellow subsidiaries	466	308
Joint ventures	7,136	68,052
Associates	2,359,205	1,885,118
	2,366,807	1,953,478

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

Notes to the Unaudited Interim Financial Report

17 BANK AND CASH BALANCES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Bank and cash balances	38,758,688	43,665,214
Time deposits	5,354,723	5,469,512
	44,113,411	49,134,726
Less: Pledged deposits for		
Bills payable	1,071,706	1,060,916
Letter of credit	1,100,976	1,259,726
Others	2,726,790	2,921,576
	4,899,472	5,242,218
Bank and cash balances at end of the period	39,213,939	43,892,508
Less: Non-pledged time deposits with original maturity of three months or more when acquired	1,231,024	1,267,929
Cash and cash equivalents in the consolidated statement of cash flows	37,982,915	42,624,579

18 TRADE AND BILLS PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade payables	89,337,365	91,063,087
Bills payable	9,715,372	13,327,560
	99,052,737	104,390,647

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

As at 30 June 2020, retention payables of RMB6,340 million (2019: RMB6,164 million) were included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

Notes to the Unaudited Interim Financial Report

18 TRADE AND BILLS PAYABLES (CONTINUED)

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Within 1 year	85,532,510	90,851,870
1 to 2 years	6,389,629	6,490,507
2 to 3 years	2,822,217	2,721,690
More than 3 years	4,308,381	4,326,580
	99,052,737	104,390,647

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Fellow subsidiaries	86,287	124,365
Joint ventures	6,423	8,300
Associates	45,792	26,321
	138,502	158,986

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

Notes to the Unaudited Interim Financial Report

19 OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Other payables (note)	24,852,255	23,468,339
Accrued payroll and welfare	2,415,632	2,197,884
Other tax payables	1,704,862	1,903,298
Dividend payables	1,641,292	587,376
Interest payables	921,809	1,152,008
	31,535,850	29,308,905
Analysed for financial reporting purpose:		
Current	31,233,008	28,889,755
Non-current	302,842	419,150
	31,535,850	29,308,905

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

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Ultimate holding company	1,287,352	1,281,862
Fellow subsidiaries	253,561	243,689
Joint ventures	229,610	83,497
Associates	1,822,671	542,144
	3,593,194	2,151,192
Analysed by nature:		
Non-trade nature	3,593,194	2,151,192

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

Notes to the Unaudited Interim Financial Report

20 BANK AND OTHER BORROWINGS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Current		
Short-term bank borrowings:		
– unsecured	10,957,494	12,950,482
– secured	91,881	92,000
Short-term other borrowings:		
– unsecured	20,655,276	15,188,260
Current portion of long-term bank borrowings:		
– unsecured	6,505,169	2,298,775
– secured	2,571,989	3,103,380
Current portion of long-term other borrowings:		
– secured	46,538	52,970
	40,828,347	33,685,867
Non-current		
Long-term bank borrowings:		
– unsecured	30,609,546	26,551,962
– secured	28,690,107	26,011,984
Long-term other borrowings:		
– secured	60,519	11,881
	59,360,172	52,575,827

Notes to the Unaudited Interim Financial Report

20 BANK AND OTHER BORROWINGS (CONTINUED)

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

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company	3,058,773	3,167,514
Fellow subsidiaries	1,706,827	1,746,721
Joint ventures	3,525,541	3,525,514
Associates	5,083,670	5,481,955
	13,374,811	13,921,704

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 27.

The amounts of bank and other borrowings guaranteed by third parties are analysed as follows:

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guaranteed by third parties	120,949	120,065

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

	At 30 June 2020		At 31 December 2019	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Audited)	
Fixed rate bank and other borrowings	49,866,646	0.95 – 6.70	46,409,830	1.05 – 8.00
Floating rate bank and other borrowings	50,321,873	1.20 – 7.50	39,851,864	1.20 – 7.50
	100,188,519		86,261,694	

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

Notes to the Unaudited Interim Financial Report

21 CORPORATE BONDS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Carrying amount repayable based on repayment term (note):		
Within one year	7,460,731	1,364,361
More than one year but within two years	1,400,000	8,420,600
More than two years but within three years	5,994,473	–
More than three years but within four years	4,000,000	5,993,576
More than four years but within five years	–	4,000,000
	18,855,204	19,778,537
Less:		
Carrying amounts of corporate bonds that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than one years but within two years	–	20,600
Amounts due within one year	7,460,731	1,364,361
Amounts shown under current liabilities	7,460,731	1,384,961
Amounts shown under non-current liabilities	11,394,473	18,393,576
Effective interest rate – floating rate (per annum)	n/a	n/a
Effective interest rate – fixed rate (per annum)	3.14% – 5.37%	3.14% – 5.37%

Note: The amounts due are based on scheduled repayment dates set out in the bond agreements.

Notes to the Unaudited Interim Financial Report

22 CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the six months ended 30 June 2020:

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

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the six months ended 30 June 2020:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final dividend in respect of the previous financial year, approved during the six months ended 30 June 2020, of RMB0.0306 per share (2019: RMB0.0306 per share)	918,624	918,624

(b) Issued share capital

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

	At 30 June 2020		At 31 December 2019	
	Number of shares '000 (Unaudited)	Nominal value RMB'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value RMB'000 (Audited)
Registered, issued and fully paid				
State legal person shares of RMB1.00 each	20,757,960	20,757,960	20,757,960	20,757,960
H Shares of RMB1.00 each	9,262,436	9,262,436	9,262,436	9,262,436
	30,020,396	30,020,396	30,020,396	30,020,396

(c) Group's reserves

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

Notes to the Unaudited Interim Financial Report

22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)

(d) Purchase of shares under restricted share incentive scheme

During the six months ended 30 June 2020, the Company did not purchase any shares under restricted share incentive scheme.

As at 30 June 2020 and 31 December 2019, the details of shares under restricted share incentive scheme purchased by a trustee on the Stock Exchange are as follows:

Number of shares purchased	At 30 June 2020 and 31 December 2019			Aggregate price paid RMB'000
	Highest price paid per share	Lowest price paid per share		
	HKD	HKD		
164,532,000	1.5785	1.2200		203,082

(e) Restricted share incentive scheme

On 21 November 2016, the Company adopted a restricted share scheme (the "Scheme") with a duration of ten years and the Board of Directors approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 287,500,000 restricted shares, representing approximately 0.96% of the issued share capital of the Company as at 31 December 2016, were granted to 542 selected Scheme participants at the grant price of HK\$0.66 per share. These restricted shares would vest gradually after the Scheme participants complete a period of 2-4 years from the date of grant. The vesting conditions of restricted shares are subject to achievement of financial performance of the Group and individual performance assessment of participants over the unlocking period. The shares which will be acquired from the market will be held as restricted shares by a trustee before they are vested. As at 30 June 2020, 248,526,000 shares were acquired from the market (2019: 248,526,000 shares), and 83,994,000 shares were vested to 481 grantees upon the fulfillment of vesting conditions in 2018. On 30 June 2020, the Directors resolved that as the Group has not realised the performance assessment conditions, the Scheme's last phase of the Company's restricted shares will not be vested.

Notes to the Unaudited Interim Financial Report

22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)**(e) Restricted share incentive scheme (continued)**

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

	Six months ended 30 June			
	2020		2019	
	Average fair value (per share)	Number of restricted shares granted	Average fair value (per share)	Number of restricted shares granted
	HKD		HKD	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At the beginning of the period granted	0.66	87,504	0.66	180,284
Forfeited	0.66	(87,504)	–	–
At the end of the period	–	–	0.66	180,284

23 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 30 June 2020:

Issuance Date	Distribution Rate p.a	Amount
	%	
31 May 2016	4.28	3,000,000
21 September 2016	3.76	3,000,000
21 July 2016	3.48	2,500,000
3 August 2016	3.43	3,000,000
31 July 2017	5.90	600,000
8 December 2017	6.00	620,000
12 January 2018	6.60	520,000
22 January 2018	6.60	660,000
20 May 2019	4.35	5,000,000
13 December 2019	3.90	3,000,000
18 December 2019	4.17	5,000,000
19 June 2020	3.50	1,000,000
Total		27,900,000

Notes to the Unaudited Interim Financial Report

23 PERPETUAL CAPITAL INSTRUMENTS (CONTINUED)

There is no maturity of these instruments and the repayments of instruments can be deferred at the discretion of the Group. As long as the compulsory distribution payment events have not occurred, the Group have the right to defer the distribution payment at each interest payment date to the next distribution payment date unlimitedly, which does not cause the Group for breach of contract.

The Group could not defer current distribution and all deferred distribution when any of the following compulsory interest payment events occur:

- to declare and pay dividend to shareholders; and
- to reduce registered capital.

When any of the compulsory distribution payment events occur, the Group, as the case may be, shall make distribution to the holders of these instruments at the distribution rate as defined in the subscription agreements.

The distribution rate of these instruments will be reset according to the terms agreed in each contract of instruments respectively in every two to five years.

The Group does not have the contractual obligation to deliver cash or other financial assets to other parties, therefore the perpetual capital instruments are recognised as equity in these consolidated financial statements.

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The Group has a team headed by the finance manager performing valuations for the financial instruments, including tradable unlisted equity securities classified as financial asset at FVOCI and tradable unlisted equity securities classified as financial asset at FVPL, which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value measurement for financial instruments not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in this interim financial report approximate their fair values.

	Carrying amounts at		Fair values at	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial liabilities				
Bank and other borrowings (fixed rate)	49,866,646	46,409,830	55,840,073	49,023,838
Corporate bonds (fixed rate)	18,855,204	19,778,537	18,942,044	19,904,724
Total	68,721,850	66,188,367	74,782,117	68,928,562

Fair value hierarchy as at 30 June 2020

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	55,840,073	–	55,840,073
Corporate bonds (fixed rate)	–	18,942,044	–	18,942,044
Total	–	74,782,117	–	74,782,117

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Fair value hierarchy as at 31 December 2019

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	49,023,838	–	49,023,838
Corporate bonds (fixed rate)	–	19,904,724	–	19,904,724
Total	–	68,928,562	–	68,928,562

Fair value measurements for financial instruments measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value at		Fair value hierarchy
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	
Tradable listed equity securities classified as financial asset at FVOCI	1,095,304	1,108,528	Level 1
Tradable unlisted equity securities classified as financial asset at FVOCI	1,074,574	1,086,284	Level 3
Total	2,169,878	2,194,812	
Tradable listed equity securities classified as financial assets at FVPL	38,019	43,278	Level 1
Tradable unlisted equity securities classified as financial asset at FVPL	8,443,479	8,138,497	Level 3
Total	8,481,498	8,181,775	

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

Industry	Amount RMB'000 (Unaudited)	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Finance	3,861,511	Market comparable companies	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the fair value
Others	752,383			
Toll road and railway	4,277,074	Discounted cash flow	Expected future cashflow Discount rate that correspond to the expected risk level	The higher the future cashflow, the higher the fair value The lower the discount rate, the higher the fair value
Power Plant	595,003			
Others	32,082			
Power plant and others	249,564	Adjusted quoted price on active market	Discount for lack of liquidity	The higher the discount for lack of liquidity, the lower the fair value

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Balance at 1 January	9,224,781	7,520,462
Acquisition	2,374,209	255,058
Disposal	(2,032,387)	(277,916)
Changes in fair value recognised in profit or loss during the period	(45,665)	15,904
Changes in fair value recognised in other comprehensive income during the period	(2,885)	5,284
Balance at 30 June	9,518,053	7,518,792

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements (continued)

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the profit or loss or in other comprehensive income. Upon disposal of the equity securities, the investment income or loss of the financial assets at FVPL is presented in the "other income" line item in the consolidated statement of profit or loss. For the financial assets at FVOCI, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

25 CAPITAL COMMITMENTS

Capital expenditure:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Contracted for but not provided		
Property, plant and equipment	2,650,904	2,708,494

Investment commitments:

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

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Investment commitments in:		
– Associates	4,450	4,450
– Joint ventures	366,700	366,700
	371,150	371,150

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES

- (a) Certain subsidiaries of the Group were subject to administrative inspections by local government regulators. Based on the findings of these inspections, one subsidiary's manufacturing permit was revoked, which is in the process of administrative reconsideration. Provision has been made for the probable losses to the Group on administrative inspections when management can reasonably estimate the outcome of the administrative inspections taking into account the legal advice. No provision has been made for pending administrative inspections when the outcome cannot be reasonably estimated or management believes that the probability of loss is remote.

The Group was also involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

(b) Guarantees

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to: (note (i))		
Joint ventures (note 28(a))	18,000	18,000
Associates (note 28(a))	1,523,448	1,532,242
Third party (note (ii))	1,727,894	243,369
Investee recognised as financial assets at FVOCI	20,400	21,400
	3,289,742	1,815,011
Mortgage loan guarantees provided by the Group to banks in favour of its customers (note (iii))	3,222,427	1,578,175
	6,512,169	3,393,186

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees (continued)

Notes:

- (i) In the opinion of the Directors, the fair value of these guarantee contracts is insignificant at initial recognition.
- (ii) CGGC has provided guarantee to the Ministry of Finance of Argentina in respect of a bank loan contract with an amount of RMB1,482 million. Besides, one subsidiary of the Group has provided guarantee in respect of a leasing contract with one financial institution to a third party with an amount of RMB245 million.
- (iii) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition, and the Directors considered that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the interim financial report.

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

Since 2019, Gezhouba Huanjia and Huanjia Connected Suppliers (defined in note 14(i)) were involved as defendants in a number of legal proceedings with certain financial institutions and lenders. Mr. Wang Jinping was also one of the defendants in certain of the above-mentioned legal proceedings. At 30 June 2020, these financial institutions sued Gezhouba Huanjia and other defendants for repayment of loans in aggregate amounted to RMB1,492 million (2019: RMB1,362 million). Certain of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the Investigation (defined in note 14(i)) as there are in duty related crimes and/or crimes involved.

Based on the advice from the Company's legal counsel, the Company believes that Gezhouba Huanjia will be possibly sued by these financial institutions and lenders and subject to further investigations after the completion of the Investigation. As at 30 June 2020, given the Investigation is yet to be concluded, the Company cannot reasonably predict the outcome and potential financial impact, if any, of the above-mentioned legal proceedings. No provision has been made in this regard.

Gezhouba Huanjia was also involved as defendants in a number of legal proceedings with Huanjia Connected Suppliers. Huanjia Connected Suppliers sued Gezhouba Huanjia for repayment of rental of sites and other proceeds in aggregate amounted to RMB761 million. Based on the advice from the Company's legal counsel, the Company is of the opinion that the repayment of rental and other proceeds is not probable; as such, no provision has been made in this regard.

27 PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit) granted to the Group:

	Note	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	10	1,096,072	1,248,205
Intangible assets	11	27,395,699	26,464,899
Trade and bills receivables	13	5,687,212	4,535,984
Properties under development for sale		18,740,323	18,690,337
Bank deposits	17	4,899,472	5,242,218
		57,818,778	56,181,643

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of goods		
Fellow subsidiaries	3,097	177
Associates	–	264
	3,097	441
Provision of construction services		
Fellow subsidiaries	1,472	4,338
Joint ventures	1,106,223	1,380,226
Associates	7,463,655	5,725,462
	8,571,350	7,110,026
Purchase of goods		
Fellow subsidiaries	97	124
Associates	17,849	6,134
	17,946	6,258
Purchase of services		
Ultimate holding company	–	3,113
Fellow subsidiaries	163,629	166,305
Joint ventures	1,850	2,663
Associates	–	156
	165,479	172,237
Lease expense		
Fellow subsidiaries	28,531	21,750

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Finance income		
Fellow subsidiaries	20,619	4,932
Associates	79,669	77,457
	100,288	82,389
Finance costs		
Ultimate holding company	17,613	34,697
Fellow subsidiaries	5,068	1,949
Associates	8,917	–
	31,598	36,646

The Group had issued guarantees to banks or other financial institutions in respect of the banking facilities granted to the following parties:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Joint ventures (note 26(b))	18,000	18,000
Associates (note 26(b))	1,523,448	1,532,242
	1,541,448	1,550,242

During the six months ended 30 June 2020, the Group had transactions with enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises") including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 13, 14, 15, 16, 18, 19 and 20.

29 IMPACTS OF COVID-19 PANDEMIC

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

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group and has put in place various contingency measures. The Group confirmed that these contingency measures include but not limited to continuously monitoring and analysing domestic and overseas epidemic prevention policies, negotiating with project owners and customers on project schedules and delivery timetables, evaluating the sustainability of the existing subcontractors and suppliers and assessing major projects in progress. The Group will keep the contingency measures under review as the COVID-19 pandemic situation evolves.

As far as the Group's businesses are concerned, the COVID-19 pandemic has resulted in a decrease in revenue and gross profits during the six months ended 30 June 2020, especially the Group's overseas operations. The exact timing and extent of recovery of the Group's business are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the Directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

Glossary of Vocabulary and Technical Terms

“Company” or “our Company”	refers to China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock company with limited liability established in the PRC on 19 December 2014
“Group” or “our Group”	refers to the Company and its subsidiaries
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Energy China Group”	refers to China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), a wholly state-owned company with limited liability established in the PRC on 28 September 2011, the controlling shareholder and one of the promoters of our Company, and thus a connected person of our Company
“EPPE Company”	refers to Electric Power Planning Engineering Institute Co., Ltd. (電力規劃總院有限公司), a limited liability company established in the PRC on 17 July 2014 and a wholly-owned subsidiary of Energy China Group and one of the promoters of our Company, and thus a connected person of our Company
“CGGC”	refers to China Gezhouba Group Stock Company Limited, a subsidiary of our Company
“Finance Company”	refers to China Energy Engineering Group Finance Co., Ltd. (中國能源建設集團財務有限公司), formerly known as China Energy Engineering Group Gezhouba Finance Co., Ltd. (中國能源建設集團葛洲壩財務有限公司), a limited liability company established in the PRC on 18 January 1996 and a subsidiary of our Company
“Board”	refers to the board of Directors of the Company
“Director(s)”	refers to the director(s) of the Company
“Reporting Period”	refers to the period of six months ended 30 June 2020
“year-on-year”	refers to comparison with the same period of the previous year
“Corporate Governance Code”	refers to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Listing Rules”	refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Model Code for Securities Transactions”	refers to the Model Code for Securities Transactions by Directors of Listed Issuers

Glossary of Vocabulary and Technical Terms

“SFO”	refers to Hong Kong Securities and Future Ordinance
“China” or “PRC”	refers to the People’s Republic of China
“MOC”	refers to the Ministry of Commerce of the People’s Republic of China
“National Bureau of Statistics”	refers to the National Bureau of Statistics of the People’s Republic of China
“SASAC under the State Council”	refers to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Belt and Road”	refers to the development strategy and framework, proposed by China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road”
“Stock Exchange”	refers to The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“MW”	refers to a measure of electric power equal to 1,000,000 watts, alternatively 1 MW equals 1,000 kW
“PPP”	refers to public-private-partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
“PV”	refers to the abbreviation of solar photovoltaic system, a technology that directly converts solar energy into electrical energy by making use of the photovoltaic effect of semiconductor materials
“13th Five-Year Plan”	refers to the Thirteenth Five-Year Planning Outline for National Economic and Social Development of the People’s Republic of China for the year of 2016-2020
“14th Five-Year Plan”	refers to the Fourteenth Five-Year Planning Outline for National Economic and Social Development of the People’s Republic of China for the year 2021-2025



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