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

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

Stock Code: 1272

2020
ANNUAL REPORT

* For identification purpose only

Contents

Chairman's Statement

Dear Shareholders,

In 2020, the Company adhered to the objective of green development, and properly responded to the impacts brought by COVID-19 pandemic. New steps have been taken in high-quality development and a new situation has been created in various aspects of work. Based on the advanced management experience, excellent talents and a sound industry layout while leveraging the excellent management team, outstanding principal business and the resource advantages, the Company continued to consolidate a leading position in the technological environment protection field in the PRC's power industry.

In 2020, in the face of a complicated global situation and external environment, the Company precisely captured the new trend of energy and power development and a new situation of structural adjustment of environmental protection industry, firmly seized the measures of "stability on the six fronts and security in the six areas" and tapped into favourable policies to expedite the transformation and upgrade of each industry segment. Following the continuous implementation of reforms on state-owned enterprises called "Double Hundred Actions", the market development level and service guarantee capability will continue to improve, comprehensively starting a new journey for the high-quality development of the Company.

Looking ahead, the Company will see the PRC's "14th Five-Year" Plan as guidance. With the new development opportunities brought by the "CO_2 Emission Peak" and "Carbon Neutrality" measures, the Company will seize the opportunities in the protection and treatment of the Yangtze River Basin and the Yellow River Basin, while leveraging the development of the wind power, energy and photovoltaic new energy industries to reach a new margin growth point for the Company. While continuing to draw support from our Controlling Shareholder, China Datang, for the platform and resources, the Company will also further enhance the strategic cooperation with the government, the industry associations and the leading enterprises of different industries, continue to strengthen the development and cooperation of investment operation, market expansion, product manufacturing, technical services and other areas. The Company will also actively respond to the "Belt and Road" initiative, commit to the coordinated development and complementarity of resources in both domestic and overseas markets, and strive to turn the Company into a top-rated integrated environmental governance service provider with integrated investment, construction and operation. The Company aims to repay Shareholders and society with excellent performance results, so as to make greater contributions to the promotion of the development of green environmental protection industry and the construction of a beautiful China!

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

Chairman of the Board
Qu Bo

26 March 2021

Message From the General Manager

Dear Shareholders,

In 2020, with the tremendous support of all Shareholders and the precise strategy of the Board, the Company pushed forward high-quality development by focusing on green and environmental protection, adhering to reforms and innovation, and enhancing lean management. Encountering the complicated and changeable situation caused by epidemic prevention and control throughout the year, with the in-depth advancement of power market reforms, the operating management and the overall staff of the Company made joint efforts to fight against obstacles to achieve operating revenue of RMB6,821 million, profits before tax of RMB323 million, return on net assets of 2.9%, and a gearing ratio of 63.6%. The Company won the awards such as the Top 50 Environmental Enterprises in China and the 2020 Typical Cases Enterprises in Green Development. The Company accumulatively reduced emissions of sulfur dioxide by 1.37 million tons and nitrogen oxides by 160,000 tons, and made active contributions to establishment of a national ecological civilization.

In 2020, the Company made new progress in the market development, and actively engaged in new businesses and new business mode. It successfully won the bid for the Rian Agriculture-Solar Project, the first photovoltaic turn-key project of the Company in the past three years, laying a solid foundation for the further expansion of the new energy market. It has signed contracts on zero discharge of desulfurization wastewater in Nanjing and Dongying, and fully followed up the industrial and municipal sewage treatment market. In the wake of the chemical, steel and building materials industries, the first catalyst project in cement industry was successfully delivered, laying the foundation for further development in the non-power industry. Orders from Europe, the United States, Japan and South Korea as well as Hong Kong and Taiwan areas amounted to 4,490m^3, with overseas markets accounting for 25% of the total orders outside the system. The market development ability was further improved.

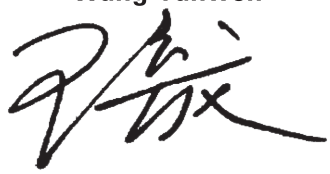
In 2020, the Company continued to promote the innovation and development of science and technology, and the Demercuration Technology for Coal-fired Boiler Flue Injection Biochar (燃煤鍋爐煙道噴射生物質焦脱汞技術) has been appraised and determined as world leading by the Chinese Institute of Electrical Engineering (中國電機工程學會). The Research and System Development of Intelligent Optimization Design Technology for Steel Structure (鋼結構智能優化設計技術研究及系統開發) has been appraised and determined as world advanced by the China Electricity Council (中國電力企業聯合會). The project team of the Big Data-based Research and Application of Key Technology in the Life Cycle of Denitrification Catalysts (基於大數據的脱硝催化劑生命週期關鍵技術研究與應用), won the First-class Award for Excellent Application Results in the Power Industry (電力行業優秀應用成果一等獎). The Technology Development and Application of Cold-end-coupling-based Integrated Efficiency for Power Stations (基於冷端耦合的電站綜合提效技術開發與應用) won the Second-class Award for 2020 Science and Technology Innovation for Electric Power (2020年度電力科技創新二等獎). The Company won the 2020 Technology Innovation Award of China Energy Research Association (2020年度中國能源研究會技術創新獎) and the Second-class Award of China Power Innovation (中國電力創新獎二等獎).

In 2021, the PRC will further promote green and low-carbon development, and promote the harmony between human and the nature. In view of the new development engine brought about by the "CO_2 Emission Peak, Carbon Neutrality", there is still room for the environmental protection industry in the long term. The Company will focus on "investment, construction and operation" in accordance with the Group's vision to establish a world-class energy supplier with "green and low-carbon, multi-functional complementarity, efficient collaboration and digital wisdom". We will seize the opportunity in the protection and treatment of the Yangtze River and Yellow River Basins, step up the layout of clean energy industry, and focus on projects in countries along the "Belt and Road" initiative. Through diversified development, we will build five business segments, namely production and operation, product manufacturing, resource utilization, clean energy and engineering services, and gradually build the Company into a top-rated integrated energy and environmental governance service provider integrating investment, construction and operation.

Message From the General Manager (Continued)

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

General Manager
Wang Yanwen



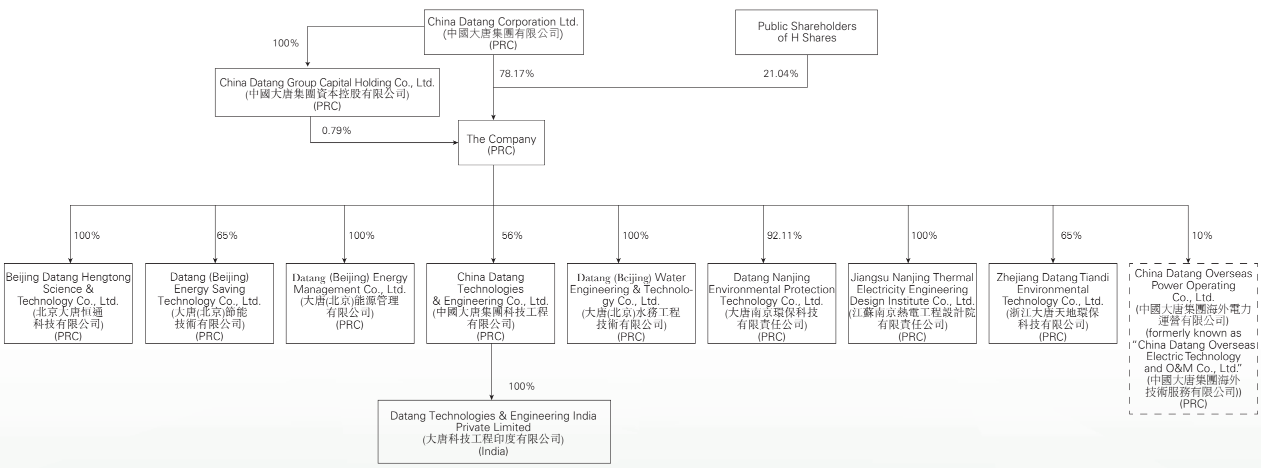
26 March 2021

Company Profile

The predecessor of the Company (stock code: 1272) was China Datang Corporation Group Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司), which was established in July 2011. Since the establishment of the Company and after several years of rapid development and a series of business restructuring, the Company has been successfully listed on the Main Board of the Stock Exchange since 15 November 2016. As at 31 December 2020, the Company had a total of 2,967,542,000 issued Shares, among which the Controlling Shareholder, China Datang, holds, directly and indirectly, an aggregate of approximately 78.96%.

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

As at 31 December 2020, the Company's major corporate structure was as follows:



Financial and Operation Highlights

- For the year ended 31 December 2020, the revenue of the Group amounted to RMB6,821.1 million, representing an increase of 6.3% as compared with last year.

- For the year ended 31 December 2020, the gross profit of the Group amounted to RMB1,168.3 million, representing an increase of 8.2% as compared with last year; the gross profit margin of the Group was 17.1%, representing an increase of 0.3 percentage point as compared with last year.

- For the year ended 31 December 2020, the total comprehensive income attributable to owners of the parent amounted to RMB303.3 million, representing an increase of 38.1% as compared with last year.

- For the year ended 31 December 2020, the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts nationwide.

- The Board proposed to distribute the final dividend of RMB0.0446 per Share (before tax) for the year ended 31 December 2020.

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

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**6,821,071**	6,414,621	8,588,070	8,024,494	8,156,469
Cost of sales	**(5,652,769)**	(5,334,656)	(7,238,113)	(6,424,764)	(6,483,157)
Gross profit	**1,168,302**	1,079,965	1,349,957	1,599,730	1,673,312
Selling and distribution expenses	**(23,041)**	(36,898)	(42,237)	(46,036)	(47,018)
Administrative expenses	**(483,796)**	(549,695)	(279,419)	(293,094)	(282,051)
Other income and gains	**82,240**	132,290	169,414	429	113,745
Other expenses	**(106,603)**	–	–	–	–
Finance costs	**(270,291)**	(252,841)	(200,518)	(182,831)	(193,065)
Impairment losses on financial and contract assets	**(44,153)**	(69,678)	(59,775)	–	–
Profit before tax	**322,658**	303,143	937,422	1,078,198	1,264,923
Income tax expenses	**(111,298)**	(57,766)	(154,199)	(163,286)	(180,193)
PROFIT FOR THE YEAR	**211,360**	245,377	783,223	914,912	1,084,730
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(40)**	967	758	(930)	2,104
Total comprehensive income for the year	**211,320**	246,344	783,981	913,982	1,086,834
Profit Attributable to:					
Owners of the parent	**302,872**	218,942	766,736	874,924	1,020,564
Non-controlling interests	**(91,512)**	26,435	16,487	39,988	64,166
	211,360	245,377	783,223	914,912	1,084,730
Total comprehensive income attributable to:					
Owners of the parent	**303,319**	219,666	768,183	874,403	1,021,657
Non-controlling interests	**(91,999)**	26,678	15,798	39,579	65,177
	211,320	246,344	783,981	913,982	1,086,834

Financial Highlights (Continued)

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

	31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Total current assets	**11,778,902**	12,459,102	12,172,973	10,309,222	11,016,628
Total non-current assets	**8,401,956**	8,711,657	8,287,008	7,852,230	6,918,912
TOTAL ASSETS	**20,180,858**	21,170,759	20,459,981	18,161,452	17,935,540
LIABILITIES AND EQUITY					
Total current liabilities	**9,927,604**	10,574,779	10,195,621	8,181,413	8,022,970
Total non-current liabilities	**2,913,976**	3,362,099	2,945,038	3,053,678	3,497,216
Total equity	**7,339,278**	7,233,881	7,319,322	6,926,361	6,415,354
TOTAL LIABILITIES AND EQUITY	**20,180,858**	21,170,759	20,459,981	18,161,452	17,935,540

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

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash flows from/(used in) operating activities	**1,838,799**	(183,225)	487,782	873,831	1,303,594
Net cash flows used in investing activities	**(608,905)**	(1,045,933)	(839,589)	(1,145,537)	(1,575,855)
Net cash flows (used in)/from financing activities	**(1,276,650)**	1,133,442	370,295	(979,554)	1,812,562

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

I. INDUSTRY OVERVIEW

To review the overall performance of the environmental protection industry in 2020, the following highlights and industry trends are worth mentioning:

1. Focus on the deployment of clean energy projects to comprehensively achieve the goal of CO_2 Emission Peak, Carbon Neutrality

General Secretary Xi Jinping proposed that the PRC's CO_2 emissions are strived to reach a peak by 2030 and to achieve carbon neutrality by 2060. Along with the economic growth and increased demand of energy, the PRC has continuously reduced coal power generation, vigorously developed and utilized non-fossil energy sources such as wind power, solar power, hydropower and nuclear power, replacing coal-fired power with clean energy. The PRC has accelerated the transformation of low-carbon industries, promoted the development of the service industry, strengthened the energy conservation management and energy conservation and emission reduction in key areas. It is estimated that in the next five years, clean energy in the PRC will account for about 80% of the increase in energy consumption, and the annual total additional installed capacity of wind power and photovoltaic power will be no less than 100 million kW. The environmental protection industry should coordinate to accelerate the adjustment of energy structure and the increase of the proportion of installed capacity for new energy, take the initiative to develop new technologies and new formats, such as energy storage and hydrogen energy, and fully promote the transformation of green development.

2. Accelerate the development of sludge and wastewater treatment technologies and actively expand the environmental protection market in the Yangtze River and Yellow River Basins

On 26 December 2020, the 24th meeting of the Standing Committee of the 13th National People's Congress of the People's Republic of China passed the Yangtze River Protection Law of the People's Republic of China (《中華人民共和國長江保護法》), which became effective on 1 March 2021. It specifies that network the environmental protection administrative department under the State Council and the local people's governments at all levels in the Yangtze River Basin shall take effective measures to strengthen the prevention and supervision of water pollution in the Yangtze River Basin to prevent, control and reduce water pollution, and emphasizes that the local people's governments above the county level in the Yangtze River Basin shall coordinate the construction of centralised treatment facilities of urban and rural wastewater and supporting pipeline network to ensure normal operation and improve the capacity of urban and rural wastewater collection and treatment. The local people's governments at or above the county level in the Yangtze River Basin shall promote the upgrade and transformation of industries, such as iron and steel, petroleum, chemical, non-ferrous metals, building materials and ships to improve the level of technological equipment, and promote the clean transformation of enterprises of paper-making, tannery, electroplating, printing and dyeing, non-ferrous metals, pesticides, nitrogenous fertilizers, coking and API manufacturing. Enterprises shall reduce resource consumption and pollutant emissions through technological innovation. This policy provides a policy guarantee for the Company's water and sludge treatment business.

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

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

II. BUSINESS OVERVIEW

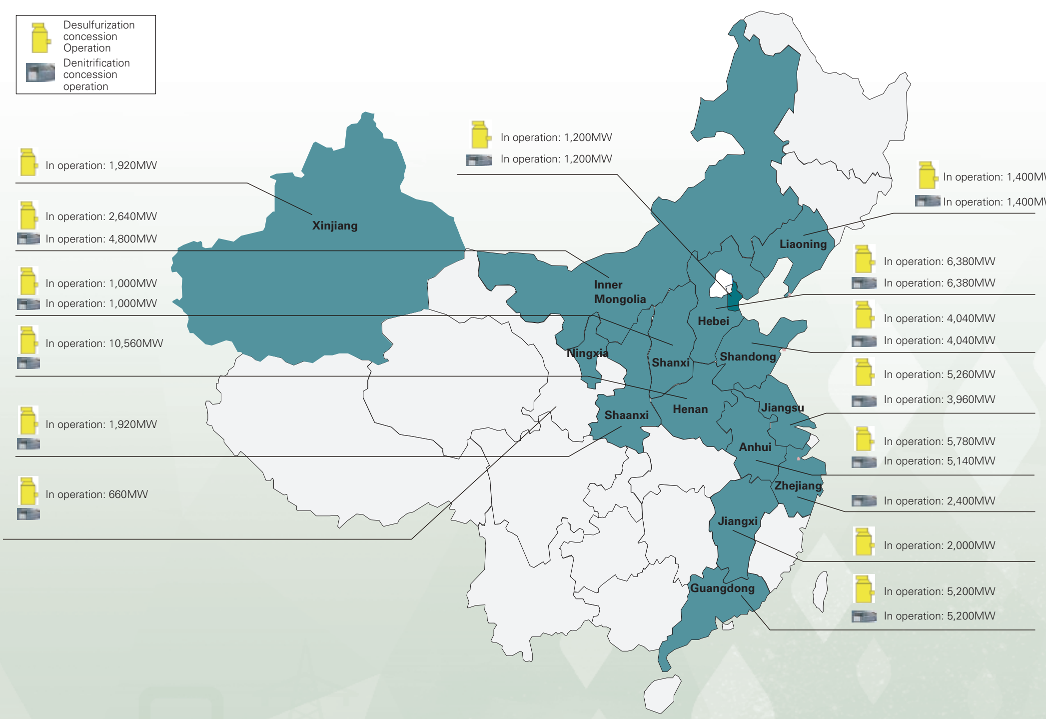
In 2020, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facility concession operation and denitrification catalysts. Based on the cumulative operating unit capacity as of the end of 2020, the Group continued to maintain its position as the largest flue gas desulfurization and denitrification concession operator in the PRC. Based on the total output of denitrification catalysts in 2020, the Group remained as the PRC's largest producer of denitrification catalysts.

In 2020, all of the Group's desulfurization concession operation and denitrification concession operation projects under construction have transferred into operational stage in respect of the environmental protection facility concession operation business. While consolidating its leading position in the environmental protection field of thermal power segment, the Group actively developed environmental protection businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

1. Environmental Protection and Energy Conservation Business

1.1. Environmental protection facility concession operation business

The Group's environmental protection facility concession operation business covers desulfurization and denitrification concession operations and its major assets are located along east coast and in the areas with relatively robust economic development and strong demands for electricity. The following map shows the geographical layout and cumulative capacity of the Group's concession operation as at 31 December 2020:



As at 31 December 2020, the cumulative installed capacity in operation for desulfurization concession operations of the Group reached 48,000MW. The cumulative installed capacity in operation for denitrification concession operations reached 40,550MW and the installed capacity of the desulfurization entrusted operation projects reached 1,960MW.

The table below sets forth the status of the Group's desulfurization and denitrification concession operation projects as at 31 December 2020:

Project location	Project name	Category of concession operation	Installed capacity (MW)
Guangdong	Chaozhou	Desulfurization and denitrification	3,200
	Leizhou	Desulfurization and denitrification	2,000
Jiangsu	Lvsigang	Desulfurization and denitrification	2,640
	Nanjing	Desulfurization and denitrification	1,320
	Xutang	Desulfurization	1,300
Shandong	Huangdao	Desulfurization and denitrification	1,340
	Binzhou	Desulfurization and denitrification	700
	Dongying	Desulfurization and denitrification	2,000
Zhejiang	Wushashan	Denitrification	2,400
Ningxia	Pingluo	Desulfurization and denitrification	660
Henan	Xuchang	Desulfurization	2,020
	Sanmenxia	Desulfurization and denitrification	2,900/1,000
	Anyang	Desulfurization	1,270
	Shouyangshan	Desulfurization	1,040
	Xinyang (entrusted)	Desulfurization	1,960
	Gongyi	Desulfurization and denitrification	1,320
Hebei	Wangtan	Desulfurization and denitrification	1,200
	Zhangjiakou Thermal Power	Desulfurization and denitrification	600
	Zhangjiakou	Desulfurization	2,560
	Weixian	Desulfurization and denitrification	1,320
	Tangshan Beijiao	Desulfurization and denitrification	1,320
Tianjin	Jixian	Desulfurization and denitrification	1,200
Anhui	Luohe	Desulfurization and denitrification	2,500
	Ma'anshan	Desulfurization and denitrification	1,320
	Hushan	Desulfurization and denitrification	1,320
	Tianjia'an	Desulfurization	640

Project location	Project name	Category of concession operation	Installed capacity (MW)
Shaanxi	Binchang	Desulfurization and denitrification	1,260
	Baoji	Desulfurization and denitrification	660
Inner Mongolia	Tuoketuo	Desulfurization and denitrification	1,320/6,120
	Xilinhaote	Desulfurization and denitrification	1,320
Jiangxi	Fuzhou	Desulfurization	2,000
Shanxi	Shentou	Desulfurization and denitrification	1,000
Xinjiang	Hutubi	Desulfurization	600
	Wu Cai Wan	Desulfurization	1,320
Liaoning	Shendong	Desulfurization and denitrification	700
	Huludao	Desulfurization and denitrification	700

1.2. *Denitrification catalysts business*

In 2020, the Group's denitrification catalysts business remained stable. The following table sets forth the breakdown of the key information of the Group's denitrification catalysts business in 2020:

(Unit: m^3)

Production volume	Sales volume	Delivery volume	Delivery volume to customers other than China Datang Group
34,448	38,862	33,132	15,508

In 2020, the Group sold 18,210m^3 of catalyst to customers other than China Datang Group and entered into 106 contracts, among which, 14 contracts were entered with overseas customers with the aggregate sales volume of 4,490m^3, while 60 contracts were entered with customers from non-electric industry such as glass and alumina sectors with the aggregate sales volume of 2,278m^3. Meanwhile, the Group has made steady progress in the disposal of waste catalysts with a total amount of 9,038.7m^3 of waste catalysts being disposed in 2020.

1.3. *Environmental protection facility engineering business*

In 2020, the Group continued to carry out its environmental protection facility engineering business, including desulfurization, denitrification, dust removal, ultra-low emission, and industrial site dust management, and actively explore the environmental market of non-electric industry such as petroleum, coking, steel, and cement.

The following table sets forth the breakdown of the environmental protection facility engineering business in the power industry of the Group as at 31 December 2020:

Projects	Projects put into operation in 2020		Projects under construction in 2020	
	Number	Capacity *(MW)*	Number	Capacity *(MW)*
Desulfurization	2	2,640	3	2,600
Denitrification	4	4,040	13	16,240
Dust removal	6	7,360	2	1,200
Ultra-low emission	4	1,980	1	1,760
Industrial site dust treatment	5	10,360	3	5,060

1.4. *Water treatment business*

In 2020, the Group entered into 3 contracts for waterworks projects, with a total contract amount of RMB247.77 million, among which the signed Keqi Coal Chemical high salt desulfurization wastewater general contracting project has been the first wastewater treatment project in the chemical industry contracted by the Group, marking an achievement of breakthrough in the field of non-electric industry wastewater treatment by the Group.

2. Overseas Business

As at 31 December 2020, the Group had four overseas projects under enforcement. Among which, the NPP5A and NPP9 projects in Thailand have been put into operation, the desulfurization project for No. 1 and No. 2 generating units in Cuddalore in India ran steadily after officially put into operation and Gujarat project in India is under civil construction.

3. Renewable Energy Engineering Business

In 2020, the Group entered into one new contract for renewable energy engineering project, namely the photovoltaic engineering project with installed capacity of 50MW.

As of 31 December 2020, the cumulative installed capacity in operation for wind power plant of the Group reached 2,194MW, while the cumulative installed capacity in operation for photovoltaic engineering projects of the Group reached 1,001MW.

4. Research and Development

In 2020, the Group continued to put emphasis on its proprietary development and innovation and committed substantial resources to research and development. During the year, the Group was awarded 163 utility model patent authorizations in aggregate, and 18 invention patent authorizations. As at 31 December 2020, the Group has accumulatively obtained 1,382 patent authorizations, 143 of which were invention patents.

The two scientific and technological achievements self-developed by the Group, namely "Development and Application of Biomass Coking and Demercuration Technology of Coal-Fired Boilers Flue Injection" and "Research and System Development of Intelligent Optimization Design Technology for Steel Structure", successfully passed the technical appraisal of the Chinese Society for Electrical Engineering and the China Electricity Council ("**CEC**"), achieving the world's leading international standards and advanced international standards, respectively.

In 2020, the Group continued to strengthen the cultivation of its outstanding technological achievements, created core competitiveness through continuous technological innovation, and achieved outstanding results with a total of 10 industry-level technology awards. Among which, the Technological Development and Engineering Demonstration of SCR Denitrification Optimal Operation based on Artificial Intelligence won the first prize for the Technical Innovation Achievements of Outstanding Staff in the National Energy Chemical Geological System, Research and Development and Application of Key Technology in the Entire Life Cycle of Denitration Catalyst based on Big Data won the first prize for the Innovation Achievements in Application of Big Data in Electric Power Industry, Development and Application of Comprehensive Efficiency Improvement Technology of Power Station based on Cold-end Coupling won the second prize of Electric Power Technology Innovation Award.

In March 2020, the Technical Guidelines for the Treatment and Reuse of Wastewater in Thermal Power Plants (《火電廠廢水處理與回用技術導則》), the ISO international standard, jointly compiled by the Group, Nanjing University and Yixing Academy of Environmental Protection was officially launched with approval. As of 31 December 2020, the Group was the editor in chief for 7 of the domestic and international standards among the 35 domestic and international standards being compiled by the Group.

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

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

1. Overview

The Group's revenue increased by 6.3% from RMB6,414.6 million in 2019 to RMB6,821.1 million in 2020. The Group's profit for 2020 amounted to RMB211.4 million, representing a decrease of RMB34.0 million as compared with RMB245.4 million in 2019. Profit attributable to owners of the parent amounted to RMB302.9 million. As at 31 December 2020, the Group's cash and cash equivalents decreased by 3.1% to RMB1,531.7 million as compared with RMB1,580.4 million as at 31 December 2019. The Group's total assets decreased by 4.7% to RMB20,180.9 million as at 31 December 2020 as compared with RMB21,170.8 million as at 31 December 2019. The Group's total liabilities decreased by 7.9% to RMB12,841.6 million as at 31 December 2020 as compared with RMB13,936.9 million as at 31 December 2019. The Group's return on total assets for 2020 was 1.0%, as compared with 1.2% in 2019.

2. Results of Operations

2.1. Revenue

The Group's revenue increased by 6.3% to RMB6,821.1 million in 2020 as compared with RMB6,414.6 million in 2019, primarily due to that certain environmental protection facility concession operation projects of the Group were put into operation in 2020, resulting in the increase of the income from environmental protection facility concession operation business; a number of renewable energy engineering projects won by the Group in 2019 were implemented in 2020, resulting in the increase of the income from renewable energy engineering business.

2.2. Cost of sales

The Group's cost of sales increased by 6.0% to RMB5,652.8 million in 2020 as compared with RMB5,334.7 million in 2019. The level of increase in the Group's cost of sales was slightly lower than the increase in total revenue, which was mainly due to the multiple effective cost control measures taken by the Group.

2.3. Selling and distribution expenses

The Group's selling and distribution expenses decreased by 37.7% to RMB23.0 million in 2020 as compared with RMB36.9 million in 2019.

2.4. Administrative expenses

The Group's administrative expenses decreased by 12.0% to RMB483.8 million in 2020 as compared with RMB549.7 million in 2019. This was mainly due to the decrease in impairment loss on property, plant and equipment for the year as compared with last year.

2.5. Other income and losses

The Group's other income and losses decreased to RMB82.2 million in 2020 as compared with RMB132.3 million in 2019. This was mainly due to the decrease in exchange gains for the year as compared with last year and the decrease in government grants.

2.6 Other expenses

The Group's other expenses increased by RMB106.6 million as compared with last year, mainly due to the compensation losses of RMB102.1 million recorded during the year. China Datang Technologies & Engineering Co., Ltd. ("**Technologies & Engineering Company**"), a subsidiary of the Company, and two other third parties have entered into an arrangement with Datang Xinjiang Clear Energy Co., Ltd. ("**Datang Xinjiang**") to construct a wind farm. As required by the arrangement, Technologies & Engineering Company purchased 33 wind turbines from Jiangsu Jiuding Tiandi Wind Power Co., Ltd. ("**Jiuding Tiandi Wind Power**"). In March 2017, Jiuding Tiandi Wind Power received a notice from Datang Xinjiang that the construction of the wind farm may be suspended. After a series of negotiation between the parties, Jiuding Tiandi Wind Power brought an arbitration proceeding against Technologies & Engineering Company in December 2018. In June 2020, the arbitration authority ruled that Technologies & Engineering Company shall compensate Jiuding Tiandi Wind Power for economic losses in an aggregate amount of RMB98,865,000 (the "**Ruling**").

On 21 June 2020, Technologies & Engineering Company submitted an application to the Fourth Intermediate People's Court of Beijing (the "**Court**") to overrule the Ruling. On 6 July 2020, the application was duly accepted by the Court. On 3 September 2020, the Court issued a civil ruling, dismissing the application for revocation of the Ruling by Technologies & Engineering Company. Subsequent to the civil ruling, Technology & Engineering Company and Jiuding Tiandi Wind Power agreed for a total compensation of RMB102,103,000 to be paid by the Group.

Accordingly, compensation losses of RMB102,103,000 were recorded during the year ended 31 December 2020.

2.7. Finance costs

The Group's finance costs increased by 6.9% to RMB270.3 million in 2020 as compared with RMB252.8 million in 2019, primarily due to cessation of capitalisation of interest expense resulted from completion of a number of construction projects in late 2019 and early beginning of 2020, respectively.

2.8. Profit before tax

As a result of the foregoing factors, the Group's profit before tax increased by 6.5% to RMB322.7 million in 2020 as compared with RMB303.1 million in 2019.

2.9. Income tax expense

The Group's income tax expense was RMB111.3 million in 2020, representing an increase of 92.6% from RMB57.8 million in 2019, primarily due to the decrease in deferred tax assets as compared with last year as in current year some of the subsidiaries of the Group were in a state of loss of which taxable profits will unlikely be available in the foreseeable future.

2.10. Profit for the year

The Group's profit for the year decreased by RMB34.0 million from RMB245.4 million in 2019 to RMB211.4 million in 2020. For the year ended 31 December 2020, the Group's profit for the year as a percentage of its total revenue decreased to 3.1% as compared with 3.8% in 2019.

2.11. Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by RMB84.0 million to RMB302.9 million in 2020 as compared with RMB218.9 million in 2019.

2.12. Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group decreased by 446.6% to RMB-91.5 million in 2020 as compared with RMB26.4 million in 2019.

3. Results on Business Segments

The following table sets forth a breakdown of the Group's revenue by segment/sub-segment and each segment/sub-segment as a percentage of total revenue for the years ended 31 December 2020 and 2019, as well as the percentage of change:

	For the year ended 31 December				
	2020		2019		
	Revenue	**Percentage of total revenue before elimination**(1)	Revenue	Percentage of total revenue before elimination (1)	Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facility concession operation	**3,561,548**	**51.2**	3,274,326	49.5	8.8
Denitrification catalysts	**450,957**	**6.5**	508,015	7.7	(11.2)
Environmental protection facility engineering	**694,538**	**10.0**	1,441,838	21.8	(51.8)
Water treatment business	**240,830**	**3.5**	299,164	4.5	(19.5)
Energy conservation business	**37,062**	**0.5**	46,495	0.7	(20.3)
Total revenue of environmental protection and energy conservation solutions before elimination	**4,984,935**	**71.7**	5,569,838	84.2	(10.5)
Intra-segment elimination (2)	**(106,160)**		(184,301)		
Total revenue of environmental protection and energy conservation solutions after intra-segment elimination	**4,878,775**		5,385,537		(9.4)
Inter-segment elimination (3)	**–**		(155)		
External revenue of environmental protection and energy conservation solution	**4,878,775**		5,385,382		(9.4)

	For the year ended 31 December				
	2020		2019		
	Revenue	Percentage of total revenue before elimination [1]	Revenue	Percentage of total revenue before elimination [1]	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Renewable Energy Engineering:					
Total revenue of renewable energy engineering business	**1,851,317**	**26.6**	763,880	11.5	142.4
Inter-segment elimination	**–**		–		
External revenue of renewable energy engineering	**1,851,317**		763,880		142.4
Thermal power engineering:					
Total revenue of thermal power engineering	**1,135**	**0.0**	113,597	1.7	(99.0)
Inter-segment elimination	**–**		–		
External revenue of thermal power engineering	**1,135**		113,597		(99.0)
Other businesses:					
Total revenue of other businesses	**117,270**	**1.7**	170,909	2.6	(31.4)
Inter-segment elimination [4]	**(27,426)**		(19,147)		43.2
External revenue of other businesses	**89,844**		151,762		(40.8)
Total revenue before elimination [5]	**6,954,657**	**100**	6,618,224	100	5.1
Total intra- and inter-segment elimination [6]	**(133,586)**		(203,603)		
Total revenue	**6,821,071**		6,414,621		6.3

Notes:

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

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

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

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

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

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

The following table sets forth a breakdown of the Group's gross profit by segment/sub-segment and gross profit margin of each business segment/sub-segment for the years ended 31 December 2020 and 2019, as well as the percentage of change in gross profit:

	For the year ended 31 December				
	2020		2019		
	Gross profit [1]	**Gross profit margin [2]**	Gross profit [1]	Gross profit margin [2]	Change of gross Profit
	RMB'000	***%***	*RMB'000*	*%*	*%*
Environmental Protection and Energy Conservation Solutions:					
Environmental protection facility concession operation	**943,918**	**26.5**	772,927	23.6	22.1
Denitrification catalysts	**119,394**	**26.5**	145,791	28.7	(18.1)
Environmental protection facility engineering	**8,047**	**1.2**	130,404	9.0	(93.8)
Water treatment business	**(1,854)**	**(0.8)**	31,477	10.5	(105.9)
Energy conservation business	**1,752**	**4.7**	3,479	7.5	(49.6)
Total gross profit of environmental protection and energy conservation solutions	**1,071,257**	**21.5**	1,084,078	19.5	(1.2)
Total gross profit of renewable energy engineering business	**52,721**	**2.8**	25,319	3.3	108.2
Total gross profit of thermal power engineering	**(546)**	**(48.1)**	1,159	1.0	(147.1)
Total gross profit of other businesses	**35,091**	**29.9**	(29,796)	(17.4)	(217.8)
Total gross profit and overall gross profit margin [3]	**1,168,302**	**17.1**	1,079,965	16.8	8.2

Notes:

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

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

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

4. Cash Flows

As at 31 December 2020, the Group's cash and cash equivalents decreased by 3.1% to RMB1,531.7 million as compared with RMB1,580.4 million as at 31 December 2019.

5. Working Capital

As at 31 December 2020, the Group's net current assets decreased by 1.8% to RMB1,851.3 million as compared with RMB1,884.3 million as at 31 December 2019, primarily due to (i) a decrease of 49.7% in the Group's prepayments, deposits and other receivables to RMB625.0 million as at 31 December 2020 as compared with RMB1,241.6 million as at 31 December 2019; (ii) a decrease of 1.7% in the Group's trade and bills payables to RMB4,904.5 million as at 31 December 2020 as compared with RMB4,989.3 million as at 31 December 2019; (iii) a decrease of 3.4% in the Group's other payables and accruals to RMB1,789.6 million as at 31 December 2020 as compared with RMB1,852.7 million as at 31 December 2019; and (iv) a decrease of 14.3% in the Group's short-term interest bearing bank borrowings and other loans to RMB3,192.3 million as at 31 December 2020 as compared with RMB3,723.3 million as at 31 December 2019, which was partially offset by an increase of 1.0% in the Group's trade and bills receivables to RMB8,628.4 million as at 31 December 2020 as compared with RMB8,541.2 million as at 31 December 2019.

6. Indebtedness

As at 31 December 2020, the Group's borrowings decreased by 13.8% to RMB6,070.9 million as compared with RMB7,045.9 million as at 31 December 2019.

7. Capital Expenditure

The Group's capital expenditure decreased by 50.2% to RMB439.8 million in 2020 as compared with RMB884.0 million in 2019. Capital expenditure mainly comprises costs of long-term assets including acquisition or construction of property, plant and equipment and intangible assets.

8. Financial Ratios

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

	As at 31 December	
	2020	2019
Current ratio	**118.6%**	117.8%
Quick ratio	**116.7%**	116.2%
Liabilities to assets ratio	**63.6%**	65.8%
Leverage ratio	**61.8%**	75.6%

	For the year ended 31 December	
	2020	2019
Return on total assets	**1.0%**	1.2%
Return on equity	**2.9%**	3.4%

9. Significant Investment

For the year ended 31 December 2020, the Group made no significant investment.

10. Material Acquisition and Disposal

For the year ended 31 December 2020, the Group had no material acquisition or disposal.

11. Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

IV. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and energy conservation policies

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

Risks on connected transactions with China Datang Group

The Group has been conducting various transactions with China Datang Group, and will continue to enter into such transactions in the future. For the year ended 31 December 2020, the total value of goods sold and services provided by the Group to China Datang Group was approximately RMB6,160.49 million, representing approximately 90% of the total revenue of the Group. For the year ended 31 December 2020, the total value of goods purchased and services received by the Group from China Datang Group was approximately RMB2,261.52 million, representing approximately 40% of the total cost of the Group. The Group has been actively expanding its client base. For example, during 2020, the Group entered into contracts in the amount of RMB347 million with clients other than China Datang Group, representing approximately 28.40% of the total contract amount of the Group.

Liquidity risks

The Group had positive operating cash flows of RMB1,838.80 million for the year ended 31 December 2020. It cannot assure that its operating cash flow for any future period will be positive. The Group's ability to generate adequate cash inflows from operating activities in the future will depend in large part on project schedule and billing arrangement, its ability to collect receivables from its customers in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the Group's growth prospects may be materially and adversely affected. The Group plans to implement diversified measures to collect receivables in order to improve operating cash flow. In addition, the Group has been proactively seeking finance to support the development and expansion of its business. As at 31 December 2020, the Group had available bank facilities of RMB12.84 billion.

Industry risks

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

Risks on overseas business

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

V. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

2021 is the first year for the PRC's "14th Five-Year" Plan. In the face of the in-depth advancement of the electricity market reform, the reform of state-owned assets and state-owned enterprises has accelerated significantly. The Group will proactively prepare for the response and accelerate the adaptation to the new policies and market environment.

On the upside, firstly, the Chinese government has proposed "stability on the six fronts and security in the six areas" initiative and successively introduced tax and fee reduction measures to support the real economy. The basic trend of the PRC's long-term economic improvement has not changed. Secondly, the PRC's "14th Five-Year" Plan draft proposal proposed to promote green development and promote the harmonious coexistence of human and nature. In the long run, the environmental protection industry still has room for layout. Thirdly, taking the opportunity of the three-year action plan for the reform of state-owned enterprises, the Group is expected to further break through the constraints of systems and mechanisms and improve market-oriented operating mechanisms.

On the downside, firstly, the development of the PRC's thermal power industry under the background of "peaking carbon dioxide emissions and achieving carbon neutrality" will be further restricted, and the concessional operation of the Group's environmental protection facility and denitrification catalyst business may be adversely affected. Secondly, the situation of pandemic prevention and control in the PRC is under the trend of normalization. Under the background of capacity optimization, competition in the environmental protection industry remains fierce, with project profit margins remaining low. Thirdly, the foreign pandemic situation is still severe, causing the Group's expansion in overseas market expansion adversely restricted.

Main Tasks in 2021

2021 is the first year for the "14th Five-Year" Plan. Grasping the new development opportunities brought by "peaking carbon dioxide emissions" and "achieving carbon neutrality", the Group will focus on the green environmental protection industry. Taking market as the guide, under the theme of promoting high-quality development and driven by technological innovation and reform deepening, the Group will strive to cultivate new drivers of development and embark on a new journey of "second entrepreneurship" in an all-round way. The Group will focus on the following three aspects:

1. ***Promote lean management in an all-round way, and strive to achieve a management breakthrough***

   The Group will apply the lean management concept to the entire business process and the entire chain, so as to create more and greater value with minimal investment in resources, and gradually build a lean management system suitable for the development of the Group. Regarding the franchise business of environmental protection facility, the Group will actively promote the application of new technologies and the transformation of automation control, and develop new desulfurizers such as calcium carbide slag substitution to further reduce limestone consumption and carbon dioxide emissions. In addition, the Group will carry out the utilization of desulfurization by-products such as gypsum purification, so as to fully promote the comprehensive utilization of resource recycling, and further enhance profitability while improving resource utilization efficiency. In terms of other businesses, the Group will strengthen the process management of water operation projects and catalyst production, further optimize the production process, and reduce the consumption of water, electricity, gas and raw materials, fully increasing the level of revenue through deep exploration of the potential.

2. Improve the level of market development, and strive to achieve a business breakthrough

The Group will focus on carbon peak and carbon neutrality target, earnestly carry out intensive efforts in combating pollution and coordinated efforts to reduce pollution and reduce carbon emissions. In traditional business, the Group will focus on the key directions and key areas to accelerate the transformation and upgrade of our business. The Group will actively research and expand the production capacity expansion of the denitrification catalyst business, expand the production capacity of honeycomb catalysts and catalysts for renewable disposal of capacity, and further increase the market share in the overseas markets and non-electrical industries, such as steel, metallurgy and building materials. The engineering business will grab the coal and coal-to-chemicals enterprise's flue gas comprehensive treatment, the environmental protection treatment business including zero-emission of waste water and water saving transformation for recycling water for coal-fired power plants and mine water treatment for coal and coal-to-chemicals enterprises. In terms of emerging business, the Group will seize strategic opportunities in the development of the Yangtze River Economic Belt, the ecological protection of the Yellow River Basin and high quality development, make new breakthroughs in urban wastewater treatment, and vigorously develop the business of coal-fired co-generation of municipal sludge, and gradually expand the scope of business into Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Zone, etc.. With the development of building distributed energy as the breakthrough, the Group will actively expand our multi-functional complementary businesses in industrial parks, residential areas, office areas, campuses, etc. to develop and promote related businesses such as "Smart City", focusing on decrease in carbon, reduction in carbon and technological reserves in frontier areas such as soil restoration, mine rehabilitation, energy storage, hydrogen energy and carbon capture, so as to further expand the environmental protection market.

3. Persist in development led by science and technology, and strive to achieve a technological breakthrough

The Group will adhere to the leading role of technology, fully activate internal scientific research capabilities, actively adopt the combination of independent research and development and technology introduction, and strengthen the reserve of cutting-edge technology, so as to strive to solve the bottleneck problem. Meanwhile, the Group will tap the potential for innovation, make full use of internal and external resources, strengthen core technology reserves, and quickly acquire key technologies that have good market prospects, strong competitiveness, and support high-quality development through multiple channels including independent research and development, technology introduction and technology cooperation. In addition, the Group will cooperate with first-class scientific research institutions to study national and industry policies, analyze industry technology trends, capture core technologies suitable for future industry development, so as to provide forward-looking reserve technologies for medium and long-term development. The Group will improve the scientific and technological innovation system, conduct in-depth research on the transformation mechanism of technological achievements, and promote the in-depth integration of production, education and research, so as to establish a comprehensive and open innovation system.

Report of Directors

The Board hereby presents this report of Directors and the annual report as well as the Group's audited consolidated financial statements for the year of 2020 prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

I. CORPORATE INFORMATION

The Company was incorporated as a joint stock Company in the PRC with limited liability on 25 July 2011. Basic information about the Company is set out in the sections headed "Company Profile" and "Corporate Information" on page 5 and pages 206-208 of this annual report.

II. PRINCIPAL BUSINESS

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

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

III. RESULTS AND BUSINESS REVIEW

The audited financial results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 96-97 of this annual report. The financial position of the Group and of the Company as at 31 December 2020 is set out in the consolidated statement of financial position on pages 98-99 of and in Note 40 to the financial statements in this annual report. The cash flows of the Group for the year ended 31 December 2020 are set out in the consolidated statement of cash flows on pages 101-102 of this annual report.

A discussion and analysis of the Group's business review, results and performance during the year ended 31 December 2020, the discussion and analysis of the key factors of its results and financial performance, risk factors and risk management and the prospect for future development are set out in the section headed "Management Discussion and Analysis" on pages 9-27 of this annual report, and the "Report of Directors" on pages 28-52 of this annual report. The description of relationship between the Group and employees is set out in the section headed "Human Resources" on pages 90-91 of this annual report. The indemnity provisions of the Company are set out in the section headed "Directors' liability insurance and the permitted indemnity provisions" under the corporate governance report on page 59 of this annual report. The aforementioned sections form part of the report of Directors.

IV. ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

As an environmental protection technology company, the Group strictly abides by the environment and social-related laws and regulations that have a significant impact on the Group in relation to its businesses, including provision of environmental protection and energy conservation services, monitoring of the pollutants generated by coal-fired power plants, and provision of renewable energy services, etc.. Meanwhile, as a responsible company, the Group proactively performed its social responsibility in 2020, and conducted business by taking fulfillment of the concept of sustainable development as its duty. It also adheres to mutually beneficial cooperation with customers and employees to seek for common development, and strives to maintain a balance of harmony with ecological environment and social environment. The Group will keep on undertaking social responsibilities and exerting advantages as an environmental protection enterprise and making consistent efforts to forage an environment with blue sky and white clouds.

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

V. COMPLIANCE WITH LAWS AND REGULATIONS

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

The discussion and analysis of legal risks exposed to the Company are set out in the section headed "Risk Factors and Risk Management" on pages 24-25 of this annual report.

VI. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

The following table sets forth the use of net proceeds from the initial public offering as at 31 December 2020:

	Use of net proceeds disclosed in the Prospectus *(HK$ Million)*	Actual use of net proceeds up to 31 December 2020 *(HK$ Million)*	Unused net proceeds up to 31 December 2020 *(HK$ Million)*	Expected time of full utilization of remaining balance
To finance the capital expenditures for expanding the desulfurization and denitrification concession operations	1,219.5	1,219.5	0.0	–
To develop new sources of growth in the revenue and profit, including but not limited to EMC business for coal-fired power plants, water treatment business, and providing customers with overall solution plans of ultralow emissions	304.8	304.8	0.0	–
To repay some of the existing bank loans in order to lower the finance costs and improve the financial leverage ratio	203.2	203.2	0.0	–
For working capital and other general corporate purposes	203.2	203.2	0.0	–
For research and development expenditures	101.6	22.3	79.3	December 2025
Total	2,032.3	1,953.0	79.3	

VII. PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment of the Group are set out in Note 14 to the financial statements in this annual report.

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

VIII. SHARE CAPITAL

As at 31 December 2020, the total registered share capital of the Company was RMB2,967,542,000, divided into 624,296,200 H Shares and 2,343,245,800 Domestic Shares. Details of the changes in issued share capital of the Company during the Reporting Period are set out in Note 29 to the financial statements in this annual report.

IX. PRE-EMPTIVE RIGHTS

As at 31 December 2020, there were no provisions for pre-emptive rights under the Articles of Association or the relevant PRC laws, which require the Company to offer new Shares to existing Shareholders in proportion to their shareholdings.

X. RESERVES

Details of the changes in reserves of the Group and of the Company during the Reporting Period are set out in the consolidated statement of changes in equity and in Note 40 to the financial statements in this annual report.

XI. RETAINED PROFITS

Pursuant to the Articles of Association, where there are differences between Accounting Standards for Business Enterprises of the PRC ("**PRC GAAP**") and the IFRSs, the retained profits shall be the lower of the amounts shown in the two different financial statements. There is no discrepancy between the net assets at the end of 2020 as calculated in accordance with PRC GAAP and the IFRSs. The retained profits of the Group as of 31 December 2020 is set out in the consolidated statement of changes in equity.

The Board proposes to set aside 10% of the profit after tax as the statutory surplus reserve in accordance with the Company Law and the Articles of Association, and not to set aside discretionary reserve. This proposal will be submitted to the 2020 AGM for consideration and approval.

XII. 2020 FINAL DIVIDEND AND RELATED CLOSURE OF REGISTER OF MEMBERS

According to the resolutions of the Board passed at the twenty-second meeting of the second session of the Board on 26 March 2021, the Board proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per Share (before tax) (the "**Proposed 2020 Final Dividend**") in cash to the Shareholders. If the proposal is approved by the Shareholders at the 2020 AGM to be held on Friday, 4 June 2021, the Proposed 2020 Final Dividend is expected to be distributed on or about Tuesday, 10 August 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 2 July 2021. The Proposed 2020 Final Dividend to be distributed will be denominated and announced in RMB, of which dividends on domestic Shares will be paid in RMB whereas dividends on H Shares will be paid in Hong Kong dollars (the exchange rate of RMB to Hong Kong dollars will be exchanged at the average exchange rate as announced by the People's Bank of China for five working days prior to the date of the 2020 AGM).

In order to ascertain the entitlements of the Shareholders to receive the Proposed 2020 Final Dividend, the register of members of the Company will be closed from Friday, 25 June 2021 to Friday, 2 July 2021 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the Proposed 2020 Final Dividend, all transfer documents must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of Domestic Shares), no later than 4:30 p.m. on Thursday, 24 June 2021.

XIII. TAX

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

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

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

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

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

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

XV. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, total sales to the Group's five largest customers represented approximately 32% of total revenue of the Group for the year of 2020, among which total sales to the largest customer accounted for approximately 9% of total revenue of the Group for the year of 2020. The super-majority of our top five customers during the Reporting Period were subsidiaries of China Datang, and the Group was heavily reliant on sales to China Datang Group as its principal source of revenue. For the year ended 31 December 2020, the total value of products and services provided by the Group to China Datang Group represented approximately 90% of the total revenue of the Group for the corresponding period. If not taking into account of revenue generated from the concession operations, the Group's revenue generated from transactions with China Datang Group represented approximately 38% of the total revenue of the Group for the year ended 31 December 2020.

For the year ended 31 December 2020, total purchase from the Group's five largest suppliers represented approximately 30% of total cost of sales of the Group for the year of 2020, among which total purchase from the largest supplier accounted for approximately 20% of total cost of sales of the Group for the year of 2020. During the Reporting Period, the Group procured certain products and services from China Datang Group. For the year ended 31 December 2020, the total value of products and services procured by the Group from China Datang Group represented approximately 40% of the total costs of the Group for the year ended 31 December 2020.

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

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

XVI. BANK BORROWINGS AND OTHER LOANS

The details of bank borrowings and other loans of the Group as at 31 December 2020 are set out in Note 28 to the financial statements in this annual report.

XVII. STAFF

Staff is the key for the Group's sustainable development. Details of the staff of the Group are set out in the sections headed "Profile of Directors, Supervisors and Senior Management" and "Human Resources" on pages 77-89 and pages 90-91 respectively in this annual report.

XVIII. ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

For the year ended 31 December 2020, the Group had no entrusted deposits with financial institutions in the PRC, or term deposits which were overdue but unrecovered.

XIX. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and Senior Management from 1 January 2020 to the date of publishing of this annual report:

Name	Position in the Company	Date of appointment/resignation as a Director/Supervisor/Senior Management
Directors		
QU Bo	Chairman of the Board and non-executive Director	October 2020
LIU Quancheng	Non-executive Director	October 2019
LIU Ruixiang	Non-executive Director	October 2019
LI Zhenyu	Non-executive Director	October 2019
WANG Yanwen	Executive Director	October 2019
	Authorised representative	August 2020
	General manager	July 2020
	Former deputy general manager	Resigned in July 2020
TIAN Dan	Executive Director	October 2020
	Deputy general manager	July 2020
YE Xiang	Independent non-executive Director	June 2015
MAO Zhuanjian	Independent non-executive Director	June 2015
GAO Jiaxiang	Independent non-executive Director	April 2016
JIN Yaohua	Former chairman of the Board and non-executive Director	Resigned in August 2020, with effect from October 2020
HOU Guoli	Former non-executive Director	Resigned in August 2020, with effect from October 2020
	Former general manager and executive Director	Resigned in July 2020
	Former authorised representative	Resigned in August 2020

Name	Position in the Company	Date of appointment/resignation as a Director/Supervisor/Senior Management
Supervisors		
HUO Yuxia	Chairman of the Supervisory Committee	June 2020
LIU Liming	Supervisor	October 2019
LUO Li	Employee representative Supervisor	January 2021
CHEN Li	Former employee representative Supervisor	Resigned in January 2021
WANG Yuanchun	Former chairman of the Supervisory Committee and Supervisor	Resigned in December 2019, with effect from June 2020
Senior Management (1)		
BU Baosheng	Deputy general manager	November 2020
CHEN Song	Chief accountant	July 2019
WANG Haijie	Deputy general manager	April 2019
LIU Chundong	Deputy general manager	July 2020
ZHOU Ce	Secretary of the Discipline Inspection Committee	March 2020
LIANG Xiuguang	Deputy general manager	March 2018
	Secretary of the Board, Joint Company Secretary and authorised representative	November 2020
LIU Weihua	Former deputy general manager	Resigned in July 2020
ZHU Mei	Former deputy general manager	Resigned in November 2020
	Former secretary of the Board, Joint Company Secretary and authorised representative	Resigned in November 2020
ZENG Bing	Former secretary of the Discipline Inspection Committee	Resigned in March 2020
MAO Hui	Former deputy general manager	Resigned in November 2020

Note:

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

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

XX. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From 1 January 2020 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out as follows:

- Mr. QU Bo served as the chairman of the Board and non-executive Director from October 2020.
- Mr. JIN Yaohua resigned as the chairman of the Board and non-executive Director from October 2020.
- Mr. TIAN Dan served as an executive Director from October 2020.
- Mr. HOU Guoli was re-designated as a non-executive Director from executive Director from July 2020, and resigned as a non-executive Director from October 2020.

From 1 January 2020 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Supervisors are set out as follows:

- Mr. WANG Yuanchun resigned as the Chairman of the Supervisory Committee and Supervisor from December 2019, with effect from June 2020.
- Ms. HUO Yuxia served as the Chairman of the Supervisory Committee from June 2020.
- Ms. LUO Li served as the Supervisor from January 2021.
- Mr. CHEN Li resigned as the Supervisor from January 2021.

From 1 January 2020 to the date of this report of Directors, according to the requirement of Rule 13.51B(1) of the Listing Rules, the changes in information of Senior Management are set out as follows:

- Mr. ZHOU Ce served as the Secretary of the Discipline Inspection Committee from March 2020.
- Mr. WANG Yanwen was re-designated from a deputy general manager to a general manager of the Company from July 2020 and served as the authorized representative of the Company from August 2020.
- Mr. TIAN Dan served as a deputy general manager of the Company from July 2020.
- Mr. LIU Chundong served as a deputy general manager of the Company from July 2020.
- Mr. BU Baosheng served as a deputy general manager of the Company from November 2020.
- Mr. LIANG Xiuguang served as the secretary of the Board, the Joint Company Secretary and the authorized representative of the Company from November 2020.
- Mr. ZENG Bing resigned as the secretary of the Discipline Inspection Committee of the Company from March 2020.

- Mr. HOU Guoli resigned as the general manager of the Company from July 2020 and resigned as the authorized representative of the Company from August 2020.
- Mr. LIU Weihua resigned as a deputy general manager of the Company from July 2020.
- Ms. ZHU Mei resigned as a deputy general manager of the Company, the secretary of the Board, the Joint Company Secretary and the authorized representative of the Company from November 2020.
- Mr. MAO Hui resigned as a deputy general manager of the Company from November 2020.

For details, please refer to the announcements of the Company dated 18 June 2020, 24 July 2020, 28 August 2020, 23 October 2020, 30 November 2020 and 25 January 2021 with respect to the changes in Directors, Supervisors and Senior Management respectively.

XXI. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and Senior Management are set out in the section headed "Profile of Directors, Supervisors and Senior Management" on pages 77-89 of this annual report.

XXII. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

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

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

XXIII. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors, Supervisors and Senior Management during the Reporting Period are set out in Notes 9 and 35(d) to the financial statements and in the section headed "Remuneration of Directors, Supervisors and Senior Management" on page 69 of this annual report.

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

As at 31 December 2020, no transaction, arrangement or contract of significance to which the Company was involved in its establishment either directly or indirectly, in which a Director or Supervisor or an entity connected with a Director or Supervisor had material interests, and with which the Company's business is connected, subsisted during or at the end of the Reporting Period.

XXV. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at 31 December 2020, Mr. LIU Quancheng, Mr. LIU Ruixiang and Mr. LI Zhenyu, three non-executive Directors also acted as directors of Datang Huayin (a subsidiary of China Datang and listed on the Shanghai Stock Exchange, stock code: 600744). None of Mr. LIU Quancheng, Mr. LIU Ruixiang and Mr. LI Zhenyu was involved in daily operations of Datang Huayin. As at 31 December 2020, Datang Huayin held partial interests in EMC business and energy conservation EPC business that competes with our principal business. For details, please refer to the section headed "Relationship with Our Controlling Shareholder" in the Prospectus.

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

Save as disclosed above, the Directors confirm that, as of 31 December 2020, none of them had any interest in any business which competes or might compete, either directly or indirectly, with our principal business.

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

As at 31 December 2020, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") stated in Appendix 10 to the Listing Rules.

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

As at 31 December 2020, to the best of the Directors' knowledge, having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and, which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO:

	As at 31 December 2020				
Name of Substantial Shareholder	Class of Shares	Capacity	Number of Shares/ underlying Shares directly or indirectly held (Share)	Percentage in the relevant class of share capital [1] (%)	Percentage in the total share capital [2] (%)
China Datang	Domestic Shares	Beneficial owner	2,343,245,800 (Long position)	100	78.96
Anbang Investment Holdings Co., Limited (安邦投資控股有限公司) [3]	H Shares	Beneficial owner	120,540,000 (Long position)	19.31	4.06
Anbang Group Holdings Co. Limited (安邦集團控股有限公司) [3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司) [3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司) [3]	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
China Chengtong Hong Kong Company Limited (中國誠通香港有限公司) [4]	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) [4]	H Shares	Interest in controlled corporation	61,557,000 (Long position)	9.86	2.07
China Energy Engineering Corporation Limited (中國能源建設集團有限公司)	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
State Grid International Development Limited (國家電網國際發展有限公司) [5]	H Shares	Beneficial owner	61,467,000 (Long position)	9.85	2.07
State Grid Corporation of China (國家電網公司)[5]	H Shares	Interest in controlled corporation	61,467,000 (Long position)	9.85	2.07
Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限責任公司) [6]	H Shares	Beneficial owner	59,506,000 (Long position)	9.53	2.01
China Three Gorges Corporation (中國長江三峽集團公司) [6]	H Shares	Interest in controlled corporation	59,506,000 (Long position)	9.53	2.01

Name of Substantial Shareholder	Class of Shares	Capacity	As at 31 December 2020 Number of Shares/ underlying Shares directly or indirectly held *(Share)*	Percentage in the relevant class of share capital [1] *(%)*	Percentage in the total share capital [2] *(%)*
China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司) [7]	H Shares	Beneficial owner	49,002,000 (Long position)	7.85	1.65
China Huaneng Group (中國華能集團公司) [7]	H Shares	Interest in controlled corporation	49,002,000 (Long position)	7.85	1.65
China Huadian Hong Kong Company Limited (中國華電香港有限公司) [8]	H Shares	Beneficial owner	48,628,000 (Long position)	7.79	1.64
China Huadian Corporation (中國華電集團公司) [8]	H Shares	Interest in controlled corporation	48,628,000 (Long position)	7.79	1.64
Taiping General Insurance Co., Ltd. (太平財產保險有限公司) [9]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) [9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance (HK) Company Limited(中國太平保險集團(香港)有限公司) [9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Group Ltd. (中國太平保險集團有限責任公司) [9]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Franklin Asset Management Co., Limited (中國人壽富蘭克林資產管理有限公司) [10]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Life Asset Management Company Limited (中國人壽資產管理有限公司) [10]	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance Company Limited (中國人壽保險股份有限公司) [10]	H Shares	Beneficial owner	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Life Insurance (Group) Company (中國人壽保險(集團)公司) [10]	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
		Interest in controlled corporation	20,519,000 (Long position)	3.29	0.69
		Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38

Notes:

(1) The calculation is based on the percentage of shareholding in a total of 2,343,245,800 Domestic Shares and a total of 624,296,200 H Shares respectively as at 31 December 2020.

(2) The calculation is based on the percentage of shareholding in a total of 2,967,542,000 Shares as at 31 December 2020.

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

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2020, to the best knowledge of the Directors, the Directors were not aware of any persons who had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

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

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

As at 31 December 2020, there is no financial, business or family relationship among the Directors, Supervisors and Senior Management.

XXX. DIRECTORS' INSURANCE

As at 31 December 2020, the Company maintained effective Directors' insurance for the Directors.

XXXI. MANAGEMENT CONTRACTS

For the year ended 31 December 2020, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted.

XXXII. CONNECTED TRANSACTIONS

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

1. Non-Exempt Connected Transaction

Capital Increase to Datang Overseas Power

On 25 May 2020, the Company entered into a capital increase agreement (the "**Capital Increase Agreement**") with China Datang Group Overseas Holdings Co., Ltd. ("**Datang Overseas Holdings**"), China Datang Group Overseas Investment Co., Ltd. ("**Datang Overseas Investment**"), Datang Shandong Power Generation Co., Ltd. ("**Datang Shandong Power Generation**"), Datang Anhui Power Generation Co., Ltd. ("**Datang Anhui Power Generation**") and China Datang Overseas Power Operating Co., Ltd. ("**Datang Overseas Power**"), pursuant to which the Company and current shareholders of Datang Overseas Power will subscribe for the newly registered capital of Datang Overseas Power by way of cash at their respective shareholding ratio (the "**Capital Increase**"). Of which:

(1) Datang Overseas Holdings will subscribe for RMB80 million, representing 40% of the newly registered capital;

(2) Datang Overseas Investment will subscribe for RMB60 million, representing 30% of the newly registered capital;

(3) Each of Datang Shandong Power Generation and Datang Anhui Power Generation will subscribe for RMB20 million, representing 10% of the newly registered capital for each;

(4) the Company will subscribe for RMB20 million, representing 10% of the newly registered capital.

The Company will pay Datang Overseas Power at a consideration of RMB20 million with proprietary capital. Each shareholder of Datang Overseas Power will transfer all the subscribed capital contribution to the designated account of Datang Overseas Power within 15 days upon effective of the Capital Increase Agreement. Upon completion of the Capital Increase, the registered capital of Datang Overseas Power will increase to RMB250 million and the shareholding ratio of the Company in Datang Overseas Power will remain at 10%.

China Datang directly held 78.17% equity interest of the Company, and indirectly held 0.79% equity interest of the Company through its wholly-owned subsidiary China Datang Group Capital Holding Co., Ltd. ("**Datang Capital**"). Meanwhile, China Datang held 100% equity interest of Datang Overseas Holdings, Datang Overseas Investment and Datang Shandong Power Generation. China Datang and its subsidiaries held a total of approximately 53.09% equity interest of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), and Datang International Power Generation Co., Ltd. held 100% equity interest of Datang Anhui Power Generation. Therefore, Datang Overseas Holdings, Datang Overseas Investment, Datang Shandong Power Generation and Datang Anhui Power Generation are associates of China Datang and connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Capital Increase constitutes connected transactions of the Company.

As the scale of the Capital Increase exceeds 0.1% but does not exceed 5% of the applicable percentage ratios as calculated pursuant to Rule 14.07 of the Listing Rules, the Capital Increase is only subject to the reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details of the information with respect to the connected transaction mentioned above, please refer to the announcement of the Company dated 25 May 2020.

2. Exempt Continuing Connected Transaction

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

Trademark Licensing Agreement

The Company and China Datang renewed a trademark licensing agreement on 27 July 2018 (the "**Trademark Licensing Agreement**"), with effect from 1 January 2019. Accordingly, China Datang agreed to grant the Group a non-exclusive license to use any of certain registered trademarks owned by China Datang for purposes of the Group's production equipment, products, services and profile documents, as well as using such licensed trademarks in the Company's business names, trade names or domain names. The term of the Trademark Licensing Agreement is three years, which can be renewed upon agreement by the parties. The trademark license is granted by China Datang at nil consideration.

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

China Datang will remain as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The transaction above is entered into on normal commercial terms. The Directors currently expect that the applicable percentage ratios of the above transaction for the respective years are nil. By virtue of Rule 14A.76(1)(a) of the Listing Rules, the continuing connected transaction above is exempt from the requirements of reporting, annual review, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules.

3. Non-exempt Continuing Connected Transactions

Continuing Connected Transactions Exempt from Circular and Shareholders' Approval Requirements

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

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

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

The transactions under the Property Leasing Framework Agreement were negotiated on normal commercial terms. China Datang remained as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Therefore, the Property Leasing Framework Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The exempt cap for the year of 2020 for the aforementioned property rent paid by the Group to China Datang Group and its associate(s) as approved by the Board was RMB100 million. The actual total amount of property rent paid by the Group to China Datang Group and its associate(s) under the aforesaid agreement in 2020 was RMB34.39 million.

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

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

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

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

The Company renewed an integrated product and service framework agreement (the "**Integrated Product and Service Framework Agreement**") with China Datang on 15 November 2018, which was approved at the general meeting and took effect on 1 January 2019 with a term of three years and can be renewed by agreement by the parties. Either party may terminate this agreement by a three-month prior written notice to the other party. The Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance with the rules regarding the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, on condition that the aggregate amount of non-exempt continuing connected transactions in each of the year of 2019, 2020 and 2021 would not exceed the respective annual caps. For further details, please refer to the announcement and the supplemental circular of extraordinary general meeting issued by the Company dated 15 November 2018.

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

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

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

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

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

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

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

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

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

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

The transactions under the Integrated Product and Service Framework Agreement were negotiated on normal commercial terms. China Datang remained as the Controlling Shareholder, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Therefore, the Integrated Product and Service Framework Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The exempt cap for the year of 2020 for products and services provided by the Group to China Datang Group as approved by the Stock Exchange and independent Shareholders was RMB11,860 million. The actual total amount of products and services provided by the Group to China Datang Group under the aforesaid agreement in 2020 was RMB6,160 million.

The exempt cap for the year of 2020 products and services procured by the Group from China Datang Group as approved by the independent Shareholders was RMB6,223 million. The actual total amount of products and services procured by the Group from China Datang Group under the aforesaid agreement in 2020 was RMB2,262 million.

Renewal of Financial Services Agreement between the Group and Datang Finance

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

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

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

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

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

Datang Finance was the subsidiary of China Datang, and China Datang remained as the Controlling Shareholder. Therefore, Datang Finance was a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Therefore, the Datang Finance Financial Services Agreement and the transactions thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The proposed caps of the deposit services for the Group's maximum daily deposit balance (including any interest accrued therefrom) in Datang Finance for the year 2020 was RMB4,000 million after being approved by the independent Shareholders. For the year of 2020, the Group's actual maximum daily deposit balance (including any interest accrued therefrom) in Datang Finance according to the aforesaid agreement was RMB1,478 million.

Financial Services Agreement between the Group and Datang Capital

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

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

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

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

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

The annual caps of financial lease service as approved independently in 2020: maximum daily balance of leasing principal is RMB910 million; outstanding interest fee and handling fee are RMB90 million; the annual caps of commercial factoring services are RMB500 million.

For the year of 2020, the Group's actual maximum daily balances of leasing principal in Datang Capital according to the aforesaid agreement was RMB394 million, the outstanding interest fee and handling fee were RMB0.6 million and commercial factoring services fee was RMB73 million.

The Datang Capital Financial Services Agreement has expired on 31 December 2020 and was not renewed.

4. Confirmation by Independent Non-executive Directors

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

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

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

5. Auditor's Letter

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

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

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

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

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

6. Related Party Transactions

Please refer to Note 35 to the financial statements in this annual report for details of the significant related party transactions prepared in accordance with the IFRSs. For the connected transactions and continuing connected transactions pursuant to the requirements of the Listing Rules, please refer to the disclosure as set out in the above section headed "Connected Transactions" in this report of Directors. Except for those disclosed in the section headed "Connected Transactions" in this report of Directors, the other related party transactions as disclosed in Note 35 are not considered as connected transactions, or are exempt from reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

XXXIII. COMPLIANCE WITH NON-COMPETITION AGREEMENT

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

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

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

The Company has received the confirmation letter from China Datang, which confirmed that, in 2020, China Datang was in compliance with all undertakings and provisions under the Non-Competition Agreement.

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

XXXIV. RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Company's retirement and employees benefit scheme are set out in Note 8 to the financial statements in this annual report.

XXXV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company strives to maintain a high standard of corporate governance practices. Save as disclosed in this annual report, for the year ended 31 December 2020, the Company has complied with the code provisions of the corporate governance code as set out in Appendix 14 to the Listing Rules. Please refer to the corporate governance report as set out on pages 53-72 of this annual report for details.

XXXVI. PUBLIC FLOAT

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

XXXVII. MATERIAL LITIGATION

Save as disclosed in Note 6 to the financial statements of this annual report, as at 31 December 2020, the Group was not involved in any material litigation or arbitration. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

XXXVIII. AUDIT COMMITTEE

The Group's 2020 annual results and the consolidated financial statements for the year ended 31 December 2020 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company (the "**Audit Committee**").

XXXIX. AUDITORS

On 18 June 2020, Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international and domestic auditors of the Company, respectively for the year 2020 at the general meeting of the Company, with a term of one year.

Ernst & Young and Ernst & Young Hua Ming LLP were appointed to audit the financial statements for the year ended 31 December 2020 prepared in accordance with IFRSs and PRC GAAP, respectively.

Ernst & Young and Ernst & Young Hua Ming LLP will retire at the 2020 AGM and the resolutions for the re-appointments of auditors of the Company will be proposed at the 2020 AGM.

XL. FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2020 is set out on pages 6-8 of this annual report.

XLI. CHANGES IN ACCOUNTING POLICIES

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

XLII. MATERIAL CONTRACTS

Save as the above and as disclosed in the section headed "Connected Transactions" in this report of Directors, none of the Company or any of its subsidiaries entered into material contracts with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contract between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2020.

XLIII. EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered by the Company for the year ended 31 December 2020.

XLIV. SIGNIFICANT SUBSEQUENT EVENT

On 26 March 2021, the Board proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per Share (before tax) in cash to the Shareholders. The proposal is subject to the approval of the Shareholders at the 2020 AGM.

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

By order of the Board
QU Bo

Chairman

I. CORPORATE GOVERNANCE PRACTICES

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

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

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

II. BOARD

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

1. Composition of the Board

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

The biographical details of the Directors as at the Latest Practicable Date are set out on pages 77-83 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) between members of the Board. The structure of the Board is well balanced, with each Director equipped with profound knowledge, experience and expertise relevant to the Company's business operation and development. All Directors are well aware of their joint and individual responsibilities toward the Shareholders.

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

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

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

Name	Position	Date of appointment
QU Bo	Chairman of the Board and non-executive Director	October 2020
LIU Quancheng	Non-executive Director	October 2019
LIU Ruixiang	Non-executive Director	October 2019
LI Zhenyu	Non-executive Director	October 2019
WANG Yanwen	Executive Director	October 2019
	General manager	July 2020
TIAN Dan	Executive Director	October 2020
	Deputy general manager	July 2020
YE Xiang	Independent non-executive Director	June 2015
MAO Zhuanjian	Independent non-executive Director	June 2015
GAO Jiaxiang	Independent non-executive Director	April 2016

2. Board meetings

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

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

- The 16th meeting of the second session of the Board was held on 28 March 2020, at which, resolutions, among others, (1) work report on the Board of the Company for 2019; (2) work report on the general manager of the Company for 2019; (3) the independent auditor's report, audited financial statements, results announcement and the annual report for 2019 of the Company; (4) report on the final financial accounts for 2019 of the Company; (5) financial budget report of the Company for 2020; (6) the profit distribution plan for 2019 and the proposed distribution of 2019 final dividend of the Company; (7) the re-appointments of the international and domestic auditors of the Company for 2020 and grant of the Board to determine their remuneration; (8) report on remuneration policy and structure of Directors and Senior Management members of the Company for 2019; (9) the investment plan of the Company for 2020; (10) the financing plan of the Company for 2020; (11) the banks' comprehensive credit of the Company for 2019; (12) the report on the use of raised fund of the Company; (13) the capital increase to Datang Overseas Power; (14) the convening of the annual meeting of the Company for 2019 were considered and approved.

- The 17th meeting of the second session of the Board was held on 25 May 2020, at which, resolution regarding the capital increase agreement with Datang Overseas Power was considered and approved.

- The 18th meeting of the second session of the Board was held on 24 July 2020, at which, resolutions, regarding (1) appointment of the general manager of the Company; (2) appointment of the deputy general manager of the Company; (3) the issuance of ESG Report of the Company for 2019 were considered and approved.

- The 19th meeting of the second session of the Board was held on 28 August 2020, at which, resolutions, regarding (1) the 2020 interim financial statements, results announcement and interim report of the Company; (2) the appointment of the authorized representative of the Company; (3) the nomination of candidates for Directors; (4) the convening of the first extraordinary general meeting of the Company for 2020 were considered and approved.

- The 20th meeting of the second session of the Board was held on 23 October 2020, at which, resolutions, regarding (1) the election of the chairman of the Board of the Company; (2) the adjustment of the personnel of the Board were considered and approved.

- The 21st meeting of the second session of the Board was held on 30 November 2020, at which, resolutions, regarding (1) appointment of the deputy general manager of the Company; (2) appointment of the secretary of the Board, Joint Company Secretary and the authorized representative of the Company were considered and approved.

Name	Position	Attendance/ number of meetings held
QU Bo	Chairman of the Board and non-executive Director	2/2
LIU Quancheng [(1)]	Non-executive Director	1/6
LIU Ruixiang [(2)]	Non-executive Director	2/6
LI Zhenyu [(3)]	Non-executive Director	4/6
WANG Yanwen	Executive Director and general manager	6/6
TIAN Dan	Executive Director and deputy general manager	2/2
JIN Yaohua [(4)]	Former chairman of the Board and non-executive Director	2/4
HOU Guoli	Former non-executive Director	4/4
YE Xiang	Independent non-executive Director	6/6
MAO Zhuanjian	Independent non-executive Director	6/6
GAO Jiaxiang	Independent non-executive Director	6/6

Notes:

(1) Mr. LIU Quancheng did not attend five of the meetings as he was on a business trip.

(2) Mr. LIU Ruixiang did not attend four of the meetings as he was on a business trip.

(3) Mr. LI Zhenyu did not attend two of the meetings as he was on a business trip.

(4) Mr. JIN Yaohua did not attend two of the meetings due to work adjustment.

3. Powers and responsibilities of the Board and the management

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

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

The Board is responsible for the Company's corporate governance. The Company has formulated its corporate governance policy pursuant to the requirements of Appendix 14 to the Listing Rules. For the year ended 31 December 2020, the Board performed its duties according to the corporate governance policy of the Company. In 2020, the Board mainly reviewed the Company's corporate governance policy and practices, reviewed and monitored the training and continuous professional development of Directors and Senior Management, reviewed and monitored the Company's policy and practices in respect of compliance with laws and regulatory regulations, developed, reviewed and monitored the code of conduct and compliance manual for employees and Directors, and reviewed the Company's compliance with the Code and the disclosures made in the Corporate Governance Report.

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

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

4. Chairman and the General Manager

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

In 2020, the chairman of the Board, Mr. JIN Yaohua, who led the Board, decided on the Company's overall development strategies, ensured the effective operation of the Board, performed his bounden duties, and brought all important matters to discussion in a timely manner, ensuring that the Company had in place good corporate governance practices and procedures and that the Board acted in the best interests of the Company and its Shareholders as a whole. He resigned in and with effect from October 2020. On the same date, the Company appointed Mr. QU Bo as the chairman of the Board. In 2020, the general manager of the Company, Mr. HOU Guoli was mainly responsible for the overall business operation and management of the Company, who resigned in July 2020. On the same date, the Company appointed Mr. WANG Yanwen as the general manager of the Company.

5. Appointment, removal and re-election of Directors

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

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

6. Board diversity

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

7. Remuneration of Directors

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

8. Training for Directors and Joint Company Secretaries

(1) Training for Directors

All Directors always attend to the Directors' duties and personal integrity, and the business activities and developments of the Company. In 2020, the Directors had been updated on a monthly basis with information relating to the performance, state of affairs and prospects of the Company. In addition, the Company provided Directors with the latest developments in the Listing Rules and other applicable regulatory regulations, to make sure the Directors were able to keep making contribution to the Board with extensive information and appropriate expertise.

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

In 2020, all Directors attended the continuous professional development programme, developed and refreshed their knowledge and skills to ensure that they continue contributing to the Board with complete information and expertise as needed.

Trainings received by all Directors during the year 2020 are as follows:

Name	Position	Training topics
QU Bo	Chairman of the Board and non-executive Director	Compliance Training
JIN Yaohua	Former chairman of the Board and non-executive Director	Compliance Training
HOU Guoli	Former non-executive Director and general manager	Compliance Training
LIU Quancheng	Non-executive Director	Compliance Training
LIU Ruixiang	Non-executive Director	Compliance Training
LI Zhenyu	Non-executive Director	Compliance Training
WANG Yanwen	Executive Director and general manager	Compliance Training
TIAN Dan	Executive Director and deputy general manager	Compliance Training
YE Xiang	Independent non-executive Director	Compliance Training
MAO Zhuanjian	Independent non-executive Director	Compliance Training
GAO Jiaxiang	Independent non-executive Director	Compliance Training

(2) Training for Joint Company Secretaries

The Company appointed Mr. LIANG Xiuguang as the Joint Company Secretary in November 2020. In compliance with Rule 3.29 of the Listing Rules, Mr. LIANG Xiuguang, the Joint Company Secretary, had undertaken relevant professional trainings of not less than 15 hours for the year ended 31 December 2020.

The Company appointed Ms. WONG Sau Ping (associate director of the listing services department of TMF Hong Kong Limited) as another Joint Company Secretary since August 2015. In compliance with Rule 3.29 of the Listing Rules, Ms. WONG Sau Ping had undertaken no less than 15 hours of relevant profession training for the year ended 31 December 2020. Her primary internal contact in the Company is Mr. LIANG Xiuguang.

9. Directors' liability insurance and the permitted indemnity provisions

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 31 December 2020, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company has purchased liability insurance for Directors.

The permitted indemnity provisions of the Company are also set out in article 162 of the Articles of Association. The Directors, Supervisors, general manager of the Company and other Senior Management may be relieved of liability for specific breaches of his duty with the informed consent of Shareholders given at a general meeting except for certain circumstances set out under article 59 of the Articles of Association. Such permitted indemnity provisions are currently in force at the time of approval of this annual report.

III. PROFESSIONAL COMMITTEES UNDER THE BOARD

There are four professional committees under the Board, including the Audit Committee, Nomination Committee, Remuneration and Evaluation Committee and strategy and investment Committee the ("**Strategy and Investment Committee**").

1. Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

- The fourth meeting of the second session of the Audit Committee was held on 28 March 2020, at which resolutions, among others, (1) "Resolution regarding the Independent Auditor's Report, Audited Financial Statements, Results Announcement and the Annual Report for 2019 of the Company"; (2)"Report on the Final Financial Accounts of the Company for 2019"; (3)"Report on the Final Budget Report of the Company for 2020"; (4)"Resolution regarding the Profit Distribution Plan for 2019 and the Proposed Distribution of 2019 Final Dividend of the Company"; (5) "Resolution regarding the Re-appointments of the International and Domestic Auditors of the Company for 2020 and Grant of the Board to Determine Their Remuneration"; (6) "Resolution on the Connected Transactions of the Company in 2019"; (7) "Evaluation Report on the Internal Control of the Company in 2019" and (8) "2019 Corporate Governance Report of the Company" were considered and approved.

- The fifth meeting of the second session of the Audit Committee was held on 28 August 2020, at which the "Resolution on 2020 interim financial statements, results announcement and interim report of the Company" was considered and approved.

The record of attendance is set out as follows:

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

Note:

(1) Mr. LIU Quancheng did not attend two meetings as he was on business trips.

2. Nomination Committee

As at the Latest Practicable Date, the Nomination Committee consisted of three Directors, including two independent non-executive Directors, Mr. GAO Jiaxiang and Mr. MAO Zhuanjian, and one non-executive Director, Mr. QU Bo (appointed in October 2020). Mr. QU Bo currently serves as the chairman of the Nomination Committee.

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

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

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

- The Nomination Committee shall communicate with relevant departments of the Company and study the demand for Directors and Senior Management and present such information in writing;

- The Nomination Committee may extensively seek for candidates for Directors and Senior Management within the Company, its holding (associate) enterprises and the human resources market;

- The Nomination Committee shall gather information as to the occupation, academic qualifications, title of the position, detailed work experience and all the concurrent positions of the candidates and present such information in writing;

- The nominee shall not be deemed as the candidate for Director or Senior Management unless his/her consent for nomination is obtained;

- The Nomination Committee shall convene a meeting to review the qualifications of the candidates in accordance with the requirements for Directors and Senior Management;

- The Nomination Committee shall make suggestion to the Board regarding the candidates for the Director and Senior Management position and submit relevant information to the Board ten days prior to the election of new Directors and appointment of new Senior Management; and

- The Nomination Committee shall carry out other follow-up work according to the decision of and feedback from the Board.

(3) Nomination policy:

The terms of paragraphs (1) and (2) above are the main standards and principles to be considered in the nomination of Directors and constitute the nomination policy of the Company.

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

- The fourth meeting of the second session of the Nomination Committee was held on 28 August 2020, at which the "Resolution on the Nomination of Candidates for Director of the Company" was considered and approved.

The record of attendance is set out as follows:

Member	Number of attendance/ required number of attendance
QU Bo *(Chairman of the Nomination Committee)*	0/0
JIN Yaohua *(Former chairman of the Nomination Committee)* [1]	0/1
GAO Jiaxiang	1/1
MAO Zhuanjian	1/1

Note:

(1) Mr. JIN Yaohua did not attend the meeting due to work adjustment.

The Board Diversity Policy is set out in the section headed "Board Diversity" under the corporate governance report on page 57 of this annual report.

3. Remuneration and Evaluation Committee

As at the Latest Practicable Date, the Remuneration and Evaluation Committee consisted of three Directors, including two independent non-executive Directors, Mr. YE Xiang and Mr. MAO Zhuanjian, and one executive Director, Mr. WANG Yanwen (appointed in October 2020). Mr. YE Xiang currently serves as the chairman of the Remuneration and Evaluation Committee.

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

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

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

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

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

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

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

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

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

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

- To study Share incentive schemes.

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

- The second meeting of the second session of the Remuneration and Evaluation Committee was held on 28 March 2020, at which the resolution, regarding the "Report on the Remuneration Policy and Structure of Directors and Senior Management of the Company for 2019" was considered and approved.

The record of attendance is set out as follows:

Member	**Number of attendance/ required number of attendance**
YE Xiang *(Chairman of the Remuneration and Evaluation Committee)*	1/1
MAO Zhuanjian	1/1
HOU Guoli	1/1
WANG Yanwen	0/0

4. Strategy and Investment Committee

As at the Latest Practicable Date, the Strategy and Investment Committee consisted of one non-executive Director, one executive Director and one independent non-executive Director including Mr. LIU Ruixiang, Mr. WANG Yanwen (appointed in October 2020) and Mr. MAO Zhuanjian. Mr. WANG Yanwen currently serves as the chairman of the Strategy and Investment Committee.

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

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

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

- The third meeting of the second session of the Strategy and Investment Committee was held on 28 March 2020, at which (1) "Resolution on the Investment Plan of the Company for the year of 2020"; (2) "Resolution on the Financing Plan of the Company for the year of 2020"; (3) "Resolution regarding the Banks' Comprehensive Credit of the Company for 2020"; and (4) "Resolution on Capital Increase to Datang Overseas Power" were considered and approved.

The record of attendance is set out as follows:

Member	Number of attendance/ required number of attendance
WANG Yanwen *(Chairman of the Strategy and Investment Committee)*	0/0
MAO Zhuanjian	1/1
LIU Ruixiang	1/1
HOU Guoli *(former chairman of the Strategy and Investment Committee)*	1/1

IV. SUPERVISORY COMMITTEE

As at the Latest Practicable Date, the Supervisory Committee comprised three Supervisors, one of whom is an employee representative Supervisor, including Ms. HUO Yuxia, Mr. LIU Liming and Ms. LUO Li. Ms. HUO Yuxia has served as the chairman of the Supervisory Committee, who has replaced the position of Mr. WANG Yuanchun, since 19 June 2020, Mr. LIU Liming is the Supervisor, and Ms. LUO Li has replaced Mr. CHEN Li as the employee representative Supervisor since 25 January 2021.

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

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

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

- The fifth meeting of the second session of the Supervisory Committee was held on 28 March 2020, at which resolutions, among others, (1) "Work Report of the Supervisory Committee of the Company for 2019"; (2) "Resolution regarding the Independent Auditor's Report, Audited Financial Statements, Results Announcement and the Annual Report of the Company for 2019"; (3) "Report on the Final Financial Accounts of the Company for 2019"; (4) "Final Budget Report of the Company for 2020"; (5) "Resolution regarding the Profit Distribution Plan of the Company for 2019 and the Proposed Distribution of Final Dividend in 2019"; (6) "Resolution regarding the Domestic and International Auditors of the Company for 2020 and the Authorization of the Board to Determine Their Remuneration"; (7) "Resolution regarding the Connected Transactions of the Company for 2019"; (8) "Evaluation Report on the Internal Control of the Company for 2019"; (9) "Report on the Use of Raised Fund of the Company"; and (10) "Report on the Remuneration Policy of the Company's Supervisors for 2019" were considered and approved.

- The sixth meeting of the second session of the Supervisory Committee was held on 19 June 2020, at which resolution, among which, regarding the "Election of the Chairman of Supervisory Committee of the Company" was considered and approved.

The record of attendance is set out as follows:

Member	**Number of attendance/ required number of attendance**
WANG Yuanchun *(former chairman of the Supervisory Committee)* (1)	0/1
HUO Yuxia *(Chairman of the Supervisory Committee) (Appointed in June 2020)*	1/1
CHEN Li	2/2
LIU Liming (2)	1/2

Notes:

(1) Mr. WANG Yuanchun did not attend one of the meetings as he had resigned as chairman of the Supervisory Committee.

(2) Mr. LIU Liming did not attend one of the meetings as he was on a business trip.

V. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board has acknowledged its responsibility for preparing the financial statements of the Group for the year ended 31 December 2020. The Directors consider that the Group has adequate resources to continue its business for the foreseeable future, and are not aware of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Board is responsible for presenting a clear and understandable assessment of the annual and interim reports, inside information, price sensitive information and other disclosures as required under the Listing Rules and other regulatory requirements. The management of the Company has provided such explanation and information to the Board as necessary to enable the Board to make an assessment of the financial information and status of the Group before giving its approval. The Group is not exposed to any material uncertainty that may exert significant impact on the Group's ability to continue as a going concern.

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

The Group has adopted the Model Code as the code of conduct for dealing in the securities of the Company by its Directors, Supervisors and relevant employees of the Company (as defined in the Model Code). According to the specific enquiries of all Directors and Supervisors, the Directors and Supervisors confirmed that they had strictly complied with the standard set out in the Model Code for the year ended 31 December 2020. The Board will examine the corporate governance practices and operation of the Group from time to time to ensure that the Group is in compliance with relevant requirements under the Listing Rules and that the Shareholders' interests are safeguarded.

VII. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

In case of inside information, all business management departments of the Company shall fill in the inside information registration form immediately and file it with the Company's inside information management department. The registration and filing materials of insiders should be kept for at least 10 years. The Company should also make the memorandum on the progress of material matters such as acquisition, major asset restructuring, issuance of securities, merger, division and share repurchase, including but not limited to the time of various key nodes in the course of planning and decision-making, list of personnel participating in planning and decision-making, and the means of planning and decision-making. The relevant personnel involved in the memorandum should sign on the memorandum for confirmation. If an insider violates the system and discloses the Company's inside information, or uses the Company's inside information for insider dealing, or suggests others to use the inside information for trading which cause serious impact and losses to the Company, the Company may, according to the seriousness of the circumstances, impose disciplinary sanctions to the relevant responsible persons and may investigate their corresponding legal liabilities. In the event of causing material losses to the Company constituting a crime, the responsible person shall be transferred to the judicial authority for criminal responsibility according to law.

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

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

VIII. AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP (collectively, "**Ernst & Young**") were appointed as international and domestic auditors of the Company to audit the financial statements of the Company for the year ended 31 December 2020 prepared in accordance with IFRSs and the PRC GAAP, respectively. Aggregate fees in respect of audit and audit-related services provided by Ernst & Young payable by the Company for the year ended 31 December 2020 were RMB3.08 million.

IX. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A formal and transparent procedure for fixing the remuneration packages of individual Directors, Supervisors and Senior Management is in place. The Remuneration and Evaluation Committee is responsible for formulating and reviewing the remuneration policies and plans of the Directors, Supervisors, the general manager of the Company and other Senior Management, and shall be accountable to the Board. Details of the remuneration for Directors, Supervisors and top five employees in respect of remuneration are set out in Notes 9, 10 and 35(d) to the financial statements in this annual report. For the year ended 31 December 2020, the scope of remuneration for the Senior Management is set out below:

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

Note: The number of the members disclosed above includes the Senior Management and those who act as executive Directors and Supervisors.

X. GENERAL MEETINGS

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

Name	Position	Number of attendance/ number of the meeting
QU Bo	Chairman of the Board and non-executive Director	1/1
LIU Quancheng [(1)]	Non-executive Director	0/2
LIU Ruixiang [(2)]	Non-executive Director	0/2
LI Zhenyu [(3)]	Non-executive Director	1/2
JIN Yaohua	Former Chairman of the Board and non-executive Director	1/1
HOU Guoli	Former non-executive Director and general manager	1/1
WANG Yanwen	Executive Director and general manager	2/2
TIAN Dan	Executive Director and deputy general manager	1/1
YE Xiang	Independent non-executive Director	2/2
MAO Zhuanjian	Independent non-executive Director	2/2
GAO Jiaxiang	Independent non-executive Director	2/2

Notes:

(1) Mr. LIU Quancheng did not attend two meetings as he was on business trips.

(2) Mr. LIU Ruixiang did not attend two meetings as he was on business trips.

(3) Mr. LI Zhenyu did not attend one of the meetings as he was on a business trip.

XI. COMMUNICATION WITH SHAREHOLDERS

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

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

1. Shareholders' rights

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

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

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

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

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

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

2. Shareholders' inquiries

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

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

3. Investor relations and communications

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

XII. CHANGE OF CONSTITUTIONAL DOCUMENTS

The Company has not made any significant changes to the Articles of Association during the Reporting Period.

XIII. SIGNIFICANT SUBSEQUENT EVENT

The significant subsequent events occurred after 31 December 2020 are set out in Note 39 to the financial statements in this annual report.

I. EVENTS RELATING TO INVESTOR RELATIONS IN 2020

1. Investors' routine visits

During the Reporting Period, the Group always gave detailed answers to the queries raised by investors and analysts in compliance with the information disclosure rules. As at the end of 2020, the Company had adequate communications and exchange of ideas with investors and analysts from a number of institutions via meetings, telephone calls, emails and WeChat.

2. Participation in investment summits

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

3. Results briefings

During the Reporting Period, the Company published its 2019 annual results and 2020 interim results. In March 2020, the management of the Company convened the 2019 annual results presentation and the conference call with investors. In August 2020, the management of the Company held the 2020 interim results presentation and the conference call with investors.

II. OUTLOOK FOR MANAGEMENT OF INVESTOR RELATIONS IN 2020

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

Report of the Supervisory Committee

In 2020, all members of the Supervisory Committee earnestly performed their supervisory obligations to safeguard the rights and interests of the Group and the Shareholders in accordance with the Company Law, the Articles of Association, the Rules of Procedures of the Supervisory Committee and the relevant provisions in the Listing Rules.

I. CHANGES IN COMPOSITION

In December 2019, Mr. WANG Yuanchun resigned as a Supervisor with effect from the date on the appointment of the new candidate for Supervisor considered and approved at the next general meeting due to personal reasons such as discipline inspection and supervision investigation. For details, please refer to the announcement of the Company dated 27 December 2019 with respect to resignation and appointment of Supervisors. Ms. HUO Yuxia was elected and appointed as a Supervisor at the annual general meeting of the Company held on 18 June 2020 to replace Mr. WANG Yuanchun as the chairman of the Supervisory Committee with effect from 18 June 2020. For details, please refer to the announcement of the Company dated 18 June 2020 with respect to resignation and appointment of Supervisors.

In January 2021, Mr. CHEN Li resigned as the employee representative Supervisor with effect from 25 January 2021 due to the expiry of the term of office. Ms. LUO Li was elected and appointed as the employee representative Supervisor at the employee representative meeting of the Company held on 25 January 2021 to replace Mr. CHEN Li and also served as the member of the Supervisory Committee, with effect from 25 January 2021. For details, please refer to the announcement of the Company dated 25 January 2021 with respect to resignation and appointment of Supervisor.

II. MEETINGS OF THE SUPERVISORY COMMITTEE

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

- The fifth meeting of the second session of the Supervisory Committee was held on 28 March 2020, at which resolutions, among others, (1) work report of the Supervisory Committee of the Company for 2019; (2) the independent auditor's report, audited financial statements, results announcement and the annual report of the Company for 2019; (3) the report on the final financial accounts of the Company for 2019; (4) the final budget report of the Company for 2020; (5) the profit distribution plan for 2019 and the proposed distribution of 2019 final dividend of the Company; (6) the re-appointments of the international and domestic auditors of the Company for 2020 and grant of the Board to determine their remuneration; (7) the connected transactions of the Company for 2019; (8) the evaluation report on the internal control of the Company for 2019; (9) the report on the use of raised fund of the Company; and (10) the report on the remuneration policy of Supervisors of the Company for 2019 were considered and approved.

- The sixth meeting of the second session of the Supervisory Committee was held on 19 June 2020, at which the resolution regarding the election of the chairman of the Supervisory Committee of the Company was considered and approved.

III. PRINCIPAL INSPECTION AND SUPERVISION WORK OF THE SUPERVISORY COMMITTEE IN 2020

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

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

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

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

1. Operation and management of the Company

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

2. Financial position of the Company

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

The Supervisory Committee reviewed the standard and unmodified audit opinion issued by Ernst & Young in respect of the consolidated financial statements of the Group for the year ended 31 December 2020 prepared in accordance with IFRSs, and raised no objection to such reports.

3. Connected transactions

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

4. Implementation of the resolutions of general meetings

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

5. Internal control of the Company

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

6. Use of proceeds by the Company

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

By order of the Supervisory Committee
Huo Yuxia

Chairman of the Supervisory Committee

I. NON-EXECUTIVE DIRECTORS

Mr. Qu Bo (曲波)

born in July 1965, is the chairman of the Board and a non-executive Director. Mr. Qu is a member of the Communist Party of China and a principal senior engineer with a doctoral degree. He served as a deputy manager and chief engineer of Tianjin Electric Power Construction Company First Engineering Company (天津電力建設公司第一工程公司); deputy manager of the Power Station Construction Department of North China Power Group Company (華北電力集團公司); deputy manager and manager of Beijing Electric Power Construction Company (北京電力建設公司); deputy director (person-in-charge) and director of Engineering Management Department of China Datang; deputy chief engineer and director of Engineering Management Department; chief engineer; chief engineer and general manager, party secretary of China Datang, Shanghai Branch; chief engineer, party secretary, chief engineer, head of Party Office and Office of China Datang and party secretary of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司). He is currently the vice general manager and member of Party Leadership Group of China Datang. In addition, Mr. Qu Bo has been serving as a director of Datang International Power Generation Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 991) (a company listed on the Shanghai Stock Exchange, stock code: 601991) since April 2020.

Mr. Liu Quancheng (劉全成)

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

Mr. Liu Ruixiang (劉睿湘)

born in March 1964, is a non-executive Director. Mr. Liu has over 30 years of work experience in the power related industries. Mr. Liu Ruixiang worked in the Baqiao Thermal Power plant (灞橋熱電廠) and successively served as its deputy chief engineer, chief engineer, and vice plant manager from August 1982 to July 2000. He served as the deputy general manager of Xi'an Baqiao Thermal Power Co., Ltd. (西安灞橋熱電有限責任公司) from July 2000 to January 2001, the director of the resin plant of Xi'an Power and the deputy general manager of Shaanxi Galaxy Electric Power Co., Ltd (陝西電力銀河有限公司) from January 2001 to March 2002, the deputy general manager of Shaanxi Electric Power Generation Co., Ltd. (陝西電力發電有限公司) from March 2002 to June 2003, the general manager of Xi'an Baqiao Thermal Power Co., Ltd. and the plant manager of the Baqiao Thermal Power Plant (灞橋熱電廠) from June 2003 to June 2004, the deputy general manager of Datang Shaanxi Power Generation Co., Ltd. from June 2004 to December 2014, and the general manager and the secretary of the Communist Party Committee of the Ningxia branch of China Datang from December 2014 to December 2016. Mr. Liu also successively held positions as the secretary of the Communist Party Committee, the deputy general manager, the general manager and the deputy secretary of the Communist Party Committee of the China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) from December 2016 to March 2019 and served as the director of the production and operation department of China Datang from March 2019 to March 2020. Mr. Liu Ruixiang has been serving as the chairman and secretary of the Communist Party Committee of the Tianjin Branch of China Datang since March 2020. Mr. Liu Ruixiang served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) from September 2019 to February 2021. Mr. Liu Ruixiang has graduated from the Correspondence Institute of the Party School of the CPC Central Committee (中共中央黨校函授學院) in economics in 1994 and was granted the qualification of senior engineer by the Northwest Electric Power Administration in December 1999.

Mr. Li Zhenyu (李震宇)

born in August 1975, is a non-executive Director. Mr. Li has nearly 20 years of work experience in respect of accounting. Mr. Liu successively served as an accountant, vice director of the audit office of the finance department and vice director of the finance department of Hunan Huayin Electric Power Co., Ltd. (湖南華銀電力股份有限公司) from July 1998 to September 2005. During the period of September 2005 to June 2008, Mr. Li served as the power price comprehensive director of the finance and equity management of China Datang Group, and successively acted as the vice director (presiding over work) and director of the finance and asset management department, and the deputy chief accountant and director of the finance and asset management department of the China Datang Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) from June 2008 to December 2013. He served as the chief accountant and a Party member of Datang Shandong Power Generation Co., Ltd. (大唐山東發電有限公司) from December 2013 to August 2016, the chief accountant and a Party member of the Company from August 2016 to August 2017 and the vice director of the finance department and the vice director (presiding over work) of the capital operation and equity management department of China Datang from August 2017 to March 2020. Mr. Li Zhenyu served as the deputy director of the investment and cooperation department (capital operation department) of China Datang from March 2020 to December 2020. Mr. Li Zhenyu served as a director of Datang Huayin (a company listed on the Shanghai Stock Exchange, stock code: 600744) from June 2019 to February 2021. Mr. Li Zhenyu graduated from the Changsha Electric Power Technical College in accounting in June 1998 with a bachelor's degree of economics and graduated from the Business School of Wuhan University in economics with a master's degree of economics in June 2001. Mr. Li Zhenyu was ascertained the qualification of senior accountant by China Datang in December 2011.

II. EXECUTIVE DIRECTORS

Mr. Wang Yanwen (王彥文)

born in November 1964, is an executive Director. Mr. Wang has been serving as the general manager of the Company since July 2020, the authorised representative of the Company since August 2020, and the executive Director since October 2019. Mr. Wang has over 30 years of extensive experience in the power industry. Prior to joining the Company, Mr. Wang served as an electrical technician of the engineering department, the head of the microwave office, specialized engineer and deputy director of the Communication Branch, as well as director of the communication engineering office of the repair and maintenance engineering division, the Party branch secretary of the heating ventilation department and head of the fuel management department of Shuangyashan Power Plant (雙鴨山發電廠) from February 1985 to July 1998, head of the general office of Heilongjiang Power Fuel Corporation (黑龍江省電力燃料總公司) from July 1998 to February 2004, head of the Heilongjiang transportation office of Datang Power Fuel Co., Ltd. (大唐電力燃料有限公司) from February 2004 to December 2004, deputy director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. (大唐黑龍江發電有限公司) and deputy general manager of Datang Heilongjiang Power Fuel Co., Ltd. (大唐黑龍江電力燃料有限公司) from December 2004 to October 2006, director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. and general manager of Datang Heilongjiang Power Fuel Co., Ltd. from October 2006 to March 2010, vice chief economist and director of the fuel management center of Datang Heilongjiang Power Generation Co., Ltd. and general manager of Datang Heilongjiang Power Fuel Co., Ltd. from March 2010 to August 2010, vice chief economist, vice chief economist and director of the ideological and political department as well as deputy secretary of the party committee directly administered by the company and director of the labor union office of Datang Heilongjiang Power Generation Co., Ltd. from August 2010 to January 2015, a member of party committee, head of the discipline inspection committee, chairman of the labor union and head of the discipline inspection committee of Datang Jilin Power Generation Co., Ltd. (大唐吉林發電有限公司) from January 2015 to December 2016, deputy director of the fuel management department of China Datang from December 2016 to December 2017, secretary of the party committee, deputy general manager, and chairman and secretary of the party committee of Datang Power Fuel Co., Ltd. from December 2017 to July 2019. He served as the secretary of the Party Committee and deputy general manager of the Company from July 2019 to July 2020. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) in July 1996 majoring in computer and application.

Mr. Tian Dan (田丹)

born in March 1965, is an executive Director. He has the qualification of a Master's degree and is a member of the Communist Party of China and a principal senior engineer. Mr. Tian has served as the secretary of the Party committee and the deputy general manager of the Company since July 2020, and executive Director since October 2020. Mr. Tian successively served as a shift supervisor and technician of the Shanxi Shentou No. 2 Power Plant (山西神頭第二發電廠), an engineer at the Thermal Power Simulation Training Center of Shanxi Electric Power Company (山西省電力公司), an engineer of the Engineering and Technology Department, manager of the Production Preparation Department, manager of the Power Generation Department and deputy chief engineer and deputy general manager of Yangcheng International Power Generation Co., Ltd. (陽城國際發電有限責任公司), the deputy general manager of Yangcheng International Power Generation Co. Ltd. and Datang Yangcheng Power Generation Co., Ltd. (大唐陽城發電有限責任公司); the secretary of the Party committee and the deputy general manager of Yangcheng International Power Generation Co., Ltd. and the deputy general manager of Datang Yangcheng Power Generation Co., Ltd.; the general manager and the secretary of the Party committee of Yangcheng International Power Generation Co., Ltd. and the general manager of Datang Yangcheng Power Generation Co. Ltd., the secretary of the Party Leadership Group and the deputy general manager of the Chongqing Branch of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司重慶分公司) and the secretary of Communist Party Committee and the deputy general manager of Chongqing Yuneng (Group) Co., Ltd. (重慶渝能(集團)有限責任公司), the secretary of the Party Leadership Group and the general manager of Chongqing branch of Datang International Power Generation Co., Ltd., the general manager and the deputy secretary of the Party committee of Chongqing Yuneng Industry (Group) Co., Ltd. (重慶渝能產業(集團)有限責任公司), the general manager and the deputy secretary of the Communist Party Committee, the chairman and the secretary of the Communist Party Committee of the Ningxia branch of China Datang (中國大唐寧夏分公司), the director of the Ningxia Planning and Development Center of China Datang (中國大唐集團寧夏規劃發展中心), and the chairman and secretary of the Party committee of Xiongan Energy Co., Ltd. of China Datang (中國大唐集團雄安能源有限公司).

III. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ye Xiang (叶翔)

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

Mr. Mao Zhuanjian (毛專建)

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

Mr. Gao Jiaxiang (高家祥)

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

IV. SUPERVISORS

Ms. Huo Yuxia (霍雨霞)

born in June 1965, is the chairman of the Supervisory Committee. She obtained a bachelor degree and has over 30 years of extensive work experience in auditing of the power-related industry. From July 1986 to July 1997, Ms. Huo Yuxia served as budgetary staff, head of installation and budget team, deputy division head, deputy head and director of the operation department and project department of Gaobeidian for the planning division of Shanxi Electric Power Construction Second Engineering Company (山西省電力建設第二工程公司). From July 1997 to June 2007, she served as a staff member of planning and finance department, the deputy manager of planning and finance department, manager of planning and finance department, vice chief accountant and manager of planning and finance department of Yangcheng International Power Generation Co., Ltd. (陽城國際發電有限責任公司). From June 2007 to August 2016, she served as deputy director (in charge) of finance department, director of finance department, vice chief accountant and director of finance department, chief accountant, Party committee member of Shanxi Branch of China Datang. From August 2016 to October 2017, she served as deputy director of the audit department of China Datang. She has served as director of the audit department of China Datang since October 2017 and also director of the legal affairs department (risk management and control department) of China Datang since April 2020. Ms. Huo Yuxia graduated from Taiyuan University of Technology (太原工業大學), majoring in electric power system and automation in July 1986. She is currently a senior economist (高級經濟師).

Mr. Liu Liming (柳立明)

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

Ms. Luo Li (羅莉)

born in August 1971, an Employee Representative Supervisor, with a bachelor degree, is a member of the Communist Party of China and a senior political engineer. Ms. Luo had previously served as: publicity officer of the Party Office of China Hydropower Second Bureau Construction Branch (中國水電二局建築分局), officer of the Party Office, deputy secretary and secretary of Communist Youth League of China Water Resources and Hydropower Second Engineering Bureau (中國水利水電第二工程局), assistant director, deputy director (in charge of work), and director of the Supervision and Audit Department (Department of Ideological and Political Work) of Datang Environmental Technology Engineering Co., Ltd. (大唐環境科技工程有限公司), director of the Supervision and Audit Department (Department of Ideological and Political Work) of China Datang Group Environmental Technology Co., Ltd. (中國大唐集團環境技術有限公司), director of the Supervision and Audit Department (Ideological and Political Work Department) and secretary of the Party Committee of the Environmental Protection Branch of Datang Technology Industry Group Co., Ltd. (大唐科技產業集團有限公司), secretary of the Party Committee of the Environmental Protection Branch of the Company and secretary of the Party Branch of Datang Electric Power Design and Research Institute (大唐電力設計研究院), secretary of the Party Committee of Environmental Protection Branch, party secretary, vice president, principal of the Discipline Inspection Commission Office of Datang Electric Power Design and Research Institute (大唐電力設計研究院).

V. SENIOR MANAGEMENT

Mr. Bu Baosheng (卜保生)

born in May 1963, served as a deputy general manager of the Company since November 2020, Mr. Bu has a bachelor's degree and is a senior engineer, and member of the Communist Party of China. Mr Bu has more than 30 years of experience in the power industry. Before joining the Company, Mr. Bu had served as a teacher of power engineering department of Inner Mongolia Institute of Engineering (內蒙古工學院), a professional engineer of steam engine room, deputy officer of steam engine room, deputy chief engineer and chief engineer of Inner Mongolia Electric Power Construction Adjustment Test Institute (內蒙古電力建設調整試驗研究所), chief engineer of Inner Mongolia No.1 Electric Power Construction Engineering Company (內蒙古第一電力建設工程公司), department head and supervisor of engineering department of Tuoketuo Power Generation Co., Ltd. (托克托發電有限責任公司), department head of engineering department, chief engineer, deputy general manager and chief engineer, deputy general manager of Inner Mongolia Datang Tuoketuo Power Generation Co., Ltd. (內蒙古大唐托克托發電有限責任公司), deputy manager of engineering and construction department of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), vice secretary of the Communist Party Committee and deputy general manager of the Inner Mongolia Branch of China Datang, chief engineer of Datang Energy Chemical Co., Ltd. (大唐能源化工有限責任公司), secretary of the Communist Party Committee, deputy general manager and head of discipline inspection team of Yunnan Datang International Electric Power Co., Ltd. (雲南大唐國際電力有限公司), general manager and deputy secretary of the Communist Party Committee of the Fujian Branch of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司), party secretary and deputy general manager of the Jiangxi Branch of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司) and party secretary and deputy general manager of the Jiangxi Branch of China Datang (中國大唐江西分公司).

Mr. Chen Song (陳崧)

born in May 1968, has been serving as the chief accountant and a member of the Party Committee of the Company since July 2019. Mr. Chen has nearly 30 years of experience in power industry. Prior to joining the Company, Mr. Chen consecutively served as an accountant of financial department of North China Power Institute (華北電力設計院) from July 1991 to January 1993, an accountant of North China Power Group Co., Ltd. (華北電力集團公司) from January 1993 to January 1998, senior head of financial department, vice director of the funds division and director of property funds division of the financial department of Beijing Datang Power Generation Company Limited (北京大唐發電股份有限公司) from January 1998 to December 2004, plant manager assistant, deputy plant manager and concurrently chief accountant of Beijing Gao Jing Thermal Power Plant (北京高井熱電廠) from December 2004 to December 2006, vice manager, vice general manager and vice director of the financial department of Datang International Power Co., Ltd. (大唐國際發電股份有限公司) from December 2006 to November 2009, general manager and director of phase II construction preparation department of Yunnan Datang International Honghe Power Generation Company Limited (雲南大唐國際紅河發電有限責任公司) from November 2009 to December 2012, director of the financial department of Datang International Power Co., Ltd. from December 2012 to December 2013, and chief accountant and a party committee member of Datang Renewable from December 2013 to July 2019. Mr. Chen graduated from Xiamen University (廈門大學) with a bachelor's degree of economics in accounting in July 1991. He obtained the qualification as a senior accountant in December 2002.

Mr. Wang Haijie (王海傑)

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

Mr. Liu Chundong (劉春東)

born in February 1970, is a member of the Communist Party of China, and a senior engineer. Mr. Liu has served as the deputy general manager of the Company since July 2020. Mr. Liu has nearly 30 years of extensive experience in the power industry. Prior to joining the Company, Mr. Liu served successively as a watch of operation, chief watch of operation, deputy shift leader, specialist engineer in operation, specialist engineer in electric operation and maintenance of the Production Technology Department, shift supervisor of the Production Technology Department, the director (maintenance) of the Electrical Branch of Tongliao Power Generation Plant (通遼發電總廠發電分廠) from July 1991 to January 2005. He served as a senior engineering supervisor of the Power Generation Management Department of CPI Holingol Coal (中電霍煤發電管理部) from January 2005 to May 2008. He served as deputy director of the Safety Division and Engineering Department of the Power Generation Department of CPI East Inner Mongolia Energy (中電投蒙東能源發電事業部安全生產與工程部) and the deputy director of the Tender and Bid Management Center of CPI East Inner Mongolia Energy Co., Ltd. (中電投蒙東能源集團公司招標管理中心) from May 2008 to February 2011. He served as the deputy president of Datang Renewable Power Maintenance Co., Ltd. (大唐新能源電力檢修有限公司) as well as the deputy general manager of Beijing Tanghao Electricity Engineering Technology Research Co., Ltd. (北京唐浩電力工程技術研究有限公司) from February 2011 to January 2012. He served successively as the deputy director (in charge) of the Science and Information Department and the director of President Office Department (International Cooperation Department, Policy and Law Department) of Datang Renewable from January 2012 to October 2015. He served as the dean of Datang Renewable Energy Test and Research Institute (大唐新能源試驗研究院) from October 2015 to December 2016, and the chief engineer of Datang Renewable from December 2016 to December 2017. He served as the deputy general manager and member of the Party committee of China Datang Group Overseas Investment Co., Ltd. (中國大唐集團海外投資有限公司) from December 2017 to May 2018. He served as the deputy general manager and member of the Party committee of China Datang Group Overseas Investment Co., Ltd. as well as the director of the Preparatory Office of China Datang Group Africa Co., Ltd. (中國大唐集團非洲公司) from May 2018 to March 2019. He served as the associate dean and member of the Party committee of China Datang Corporation Renewable Power Science and Technology Research Institute Co., Ltd. (中國大唐集團新能源科學技術研究院有限公司) from March 2019 to June 2020. Mr. Liu studied in Harbin Institute of Technology from July 1987 to July 1991, and obtained his bachelor's degree majoring in electric power system and automation.

Mr. Zhou Ce (周策)

born in September 1969, has been serving as a member of the Party Committee, the secretary of the Discipline Inspection Committee and chairman of the labor union of the Company since March 2020. Mr. Zhou possessed approximately 19 years of work experience in the power industry. Before joining the Company, Mr. Zhou worked as an intern, technician and assistant engineer in the power workshop of Shandong Heze Second Woolen Textile Factory (山東菏澤第二毛紡織廠) from July 1991 to March 1993. He served as the deputy general manager of Shandong Heze Modern Office Equipment Company (山東菏澤現代辦公設備公司) from March 1993 to June 1995. Mr. Zhou served as the secretary, judge of the fourth rank, judge of the third rank and chief judge of Shandong Heze Intermediate People's Court (山東菏澤中級人民法院) from June 1995 to September 2000. He studied for master of law (international economic law) in China University of Political Science and Law (中國政法大學) from September 2000 to August 2003. He served as the fourth-class employee of economy and law department of State Grid Corporation of China (國家電網公司) from August 2003 to December 2006. Mr. Zhou served as the deputy director and director of economy and law department of State Grid Corporation of China from December 2006 to June 2013. He served as the head of integrated administrative team, head of party committee working group, director of office and director of legal office of State Grid Integrated Energy Service Group Co, Ltd. (國網節能服務有限公司) from June 2013 to August 2017. Mr. Zhou served as the deputy director of corporate management and legal affairs department, the deputy director of monitoring division (the office of disciplinary team of the Communist Party Committee and inspection office) and the deputy director of inspection office of the Communist Party Committee of China Datang Group from August 2017 to March 2020. Mr. Zhou studied in Shandong University (山東大學) with the major of Law from December 1997 to June 2002 and obtained the university degree. Mr. Zhou obtained master's degree in law of China University of Political Science and Law in August 2003.

Mr. Liang Xiuguang (梁秀廣)

born in January 1979, has served as the secretary of the Board, Joint Company Secretary and the authorized representative of the Company since 30 November 2020, a deputy general manager of the Company since 23 March 2018, responsible for the materials management and market development of the Company. He has about 20 years of experience in power industry. Before joining the Company, Mr. Liang worked for Shandong Huangdao Electric Power Plant (山東黃島發電廠) from July 2000 to September 2009, serving successively as boiler operator, secretary of the general office, deputy director of the general office and director of the politics department. When serving for Datang Shandong Renewable Energy Co., Ltd. (大唐山東新能源有限公司) from September 2009 to March 2012, Mr. Liang acted successively as head of the general economics department, deputy chief economist, deputy general manager and member of Party Committee. He served concurrently as deputy general manager of Datang Shandong Clean Energy Development Co., Ltd. (大唐山東清潔能源開發有限公司) from November 2010 to March 2012, and acted as deputy general manager and member of Party Committee of Datang Shandong Clean Energy Development Co., Ltd. from March 2012 to March 2013. From March 2013 to November 2013, Mr. Liang worked for Shenyang Huachuang Wind Power Co., Ltd. (瀋陽華創風能有限公司) as member of Party Committee and deputy general manager. He served successively as deputy general manager of the automation department, deputy director of materials management department (in charge of overall operation) and director of materials management department of the Company from November 2013 to January 2017. From January 2017 to March 2018, Mr. Liang acted as general manager and member of Party Committee of Technologies & Engineering Company. Mr. Liang graduated from the Power Faculty of Shandong Electric Power College (山東省電力高等專科學校) in July 2000, with major in thermal power, and took undergraduate courses on thermal energy and power engineering from the School of Continuing Education of Harbin Institute of Technology (哈爾濱工業大學) from March 2010 to July 2012. Subsequently, he obtained a master's degree in engineering from Xidian University (西安電子科技大學) in June 2017. Mr. Liang was granted the qualification of senior politic official by China Datang in December 2016.

Human Resources

I. PROFILE OF HUMAN RESOURCES

As at 31 December 2020, we had 1,074 employees, substantially all of whom were based in the PRC. The Group has individually established labor union branches. Currently, the Group has entered into employment agreements with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination are specified pursuant to the PRC Labor Law and other relevant regulations.

The table below sets forth the number of employees as at 31 December 2020 by their functions:

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	320	29.80%
Engineering and technical personnel	206	19.18%
Sales personnel	75	6.98%
Research and development personnel	351	32.68%
Administrative and management personnel	86	8.01%
Manufacture personnel	23	2.14%
Others	13	1.21%
Total	1,074	100%

II. STAFF INCENTIVES

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

III. STAFF REMUNERATION POLICY

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

IV. STAFF TRAINING

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

In 2020, the Group provided 24 training programs on business management, professional techniques and production skills, and the average training hours per employee was 115 hours with 100% talents attending the trainings.

V. GUARANTEE OF STAFF RIGHTS

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

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Datang Environment Industry Group Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 96 to 202, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

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

KEY AUDIT MATTER (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on construction contracts	
Approximately 42% of the Group's total revenue for the year ended 31 December 2020 was related to construction contracts, which was significant to the Group's consolidated financial statements. Revenue from these fixed price construction contracts was recognised over time, measured by reference to the completion percentage of individual contracts of construction works. The completion percentage was estimated by reference to the actual costs incurred up to the end of the reporting period over the total budgeted costs. Significant management's estimation was involved in estimating the completion percentage and the total budgeted costs. The accounting policy, significant accounting judgements and estimates and disclosures about construction contracts are included in note 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, note 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES and note 5 REVENUE, OTHER INCOME AND LOSSES to the consolidated financial statements.	Our audit procedures included, among others, obtaining an understanding of and evaluating the revenue recognition process related to construction contracts and testing the relevant controls that the Group has put in place over its processes to record construction costs, total budgeted costs and construction contract revenue, and to calculate the completion percentage. Besides, we gained an understanding of the construction progress based on examination of the associated project documentation and discussion on the status of projects with finance and project managers of the Group. We also discussed with management to gain an understanding of their estimates for the total budgeted costs and the changes, checked the nature and components of the costs and revised the historical accuracy of such estimates. Furthermore, we performed tests of details, such as reviewing the key contract terms of significant projects, checking actual costs and tax invoices of major construction projects, and reviewing the calculation worksheets for the completion percentage of the construction works. We also evaluated the adequacy of the disclosures of the Group's construction contracts.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**6,821,071**	6,414,621
Cost of sales		**(5,652,769)**	(5,334,656)
Gross profit		**1,168,302**	1,079,965
Selling and distribution expenses		**(23,041)**	(36,898)
Administrative expenses		**(483,796)**	(549,695)
Other income and losses	5	**82,240**	132,290
Other expenses	6	**(106,603)**	–
Finance costs	7	**(270,291)**	(252,841)
Impairment losses on financial and contract assets, net	8	**(44,153)**	(69,678)
Profit before tax	8	**322,658**	303,143
Income tax expense	11	**(111,298)**	(57,766)
PROFIT FOR THE YEAR		**211,360**	245,377
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,107)**	553
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(1,107)**	553
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**1,256**	487
Income tax effect		**(189)**	(73)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**1,067**	414
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(40)**	967
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**211,320**	246,344

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Profit attributable to:			
Owners of the parent		**302,872**	218,942
Non-controlling interests		**(91,512)**	26,435
		211,360	245,377
Total comprehensive income attributable to:			
Owners of the parent		**303,319**	219,666
Non-controlling interests		**(91,999)**	26,678
		211,320	246,344
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	13	**0.10**	0.07

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**7,294,595**	7,617,283
Intangible assets	15	**273,478**	238,333
Right-of-use assets	16(a)	**329,146**	356,043
Equity investments designated at fair value through other comprehensive income	17	**28,914**	7,658
Deferred tax assets	18	**46,191**	70,086
Other non-current assets	19	**429,632**	422,254
Total non-current assets		**8,401,956**	8,711,657
CURRENT ASSETS			
Inventories	20	**190,609**	169,920
Contract assets	21	**735,407**	883,839
Trade and bills receivables	22	**8,628,443**	8,541,243
Prepayments, other receivables and other assets	23	**624,977**	1,241,554
Restricted cash	24	**67,727**	42,179
Cash and cash equivalents	24	**1,531,739**	1,580,367
Total current assets		**11,778,902**	12,459,102
CURRENT LIABILITIES			
Trade and bills payables	25	**4,904,475**	4,989,275
Other payables and accruals	26	**1,789,559**	1,852,722
Provisions	27	**6,320**	–
Interest-bearing bank borrowings and other loans	28	**3,192,305**	3,723,311
Income tax payable		**34,945**	9,471
Total current liabilities		**9,927,604**	10,574,779
NET CURRENT ASSETS		**1,851,298**	1,884,323
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,253,254**	10,595,980

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Provisions	27	**1,000**	4,579
Interest-bearing bank borrowings and other loans	28	**2,878,584**	3,322,567
Other non-current liabilities		**34,392**	34,953
Total non-current liabilities		**2,913,976**	3,362,099
Net assets		**7,339,278**	7,233,881
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**2,967,542**	2,967,542
Reserves	30	**4,250,117**	4,047,101
		7,217,659	7,014,643
Non-controlling interests		**121,619**	219,238
Total equity		**7,339,278**	7,233,881

Qu Bo
Director

Wang yanwen
General Manager

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020	**2,967,542**	**1,315,483**	**368,312**	**2,260**	**(7)**	**2,361,053**	**7,014,643**	**219,238**	**7,233,881**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**302,872**	**302,872**	**(91,512)**	**211,360**
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**1,067**	**–**	**–**	**1,067**	**–**	**1,067**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**(620)**	**–**	**(620)**	**(487)**	**(1,107)**
Total comprehensive income for the year	**–**	**–**	**–**	**1,067**	**(620)**	**302,872**	**303,319**	**(91,999)**	**211,320**
Appropriation to statutory surplus reserve	**–**	**–**	**38,169**	**–**	**–**	**(38,169)**	**–**	**–**	**–**
Final 2019 dividend declared *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**(100,303)**	**(100,303)**	**–**	**(100,303)**
Dividends declared by a subsidiary to its non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,620)**	**(5,620)**
At 31 December 2020	**2,967,542**	**1,315,483**	**406,481**	**3,327**	**(627)**	**2,525,453**	**7,217,659**	**121,619**	**7,339,278**
At 1 January 2019	2,967,542	1,315,483	350,104	1,846	(317)	2,486,749	7,121,407	197,915	7,319,322
Profit for the year	–	–	–	–	–	218,942	218,942	26,435	245,377
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	414	–	–	414	–	414
Exchange difference on translation of foreign operation	–	–	–	–	310	–	310	243	553
Total comprehensive income for the year	–	–	–	414	310	218,942	219,666	26,678	246,344
Appropriation to statutory surplus reserve	–	–	18,208	–	–	(18,208)	–	–	–
Final 2018 dividend declared *(Note 12)*	–	–	–	–	–	(326,430)	(326,430)	–	(326,430)
Dividends declared by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(5,355)	(5,355)
At 31 December 2019	2,967,542	1,315,483	368,312	2,260	(7)	2,361,053	7,014,643	219,238	7,233,881

* These reserves accounts comprise the consolidated reserves of RMB4,250,117,000 (31 December 2019: RMB4,047,101,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**322,658**	303,143
Adjustments for:			
Finance costs		**270,291**	259,141
Interest income		**(11,965)**	(11,073)
Depreciation of property, plant and equipment	14	**527,638**	490,646
Amortisation of intangible assets	15	**17,048**	13,873
Depreciation of right-of-use assets	16	**24,460**	24,522
Amortisation of other non-current assets		**217,775**	248,064
Loss on disposal of items of property, plant and equipment	5	**145**	177
Amortisation of government grants		**(1,872)**	(1,872)
Impairment loss on trade receivables, net	22	**43,781**	69,959
Impairment loss on other receivables, net	23	**(120)**	(1,380)
Impairment loss on property, plant and equipment	14	**40,861**	113,263
Impairment loss on contract assets, net	21	**492**	1,099
Increase in inventories		**(20,689)**	(16,400)
Decrease in contract assets		**147,940**	97,498
Increase in trade and bills receivables		**(140,197)**	(207,855)
Decrease/(Increase) in prepayments, other receivables and other assets		**624,734**	(314,825)
Increase in restricted cash		**(25,548)**	(5,251)
Decrease in trade and bills payables		**(84,800)**	(1,474,902)
(Decrease)/Increase in other payables and accruals		**(50,832)**	328,514
Cash generated from operations		**1,901,800**	(83,659)
Income tax paid		**(63,001)**	(99,566)
Net cash flows generated from/(used in) operating activities		**1,838,799**	(183,225)

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**11,965**	11,073
Purchase of items of property, plant and equipment, intangible assets and other non-current assets	**(602,205)**	(1,095,971)
Capital contribution in equity investments designated at fair value through other comprehensive income	**(20,000)**	–
Proceeds from disposal of items of property, plant and equipment	**24**	10
Decrease in a time deposit	**–**	35,000
Receipt of government grants for property, plant and equipment	**1,311**	3,955
Net cash flows used in investing activities	**(608,905)**	(1,045,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings and other loans	**5,391,506**	6,297,711
Repayments of bank borrowings and other loans	**(6,349,798)**	(4,530,491)
Principal portion of lease payments	**(20,882)**	(20,183)
Share issue expenses	**–**	(641)
Dividends paid to shareholders	**(20,627)**	(329,476)
Dividends paid to non-controlling interests	**(9,580)**	(5,355)
Interest paid	**(267,269)**	(278,123)
Net cash flows (used in)/from financing activities	**(1,276,650)**	1,133,442
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(46,756)**	(95,716)
Cash and cash equivalents at beginning of year	**1,580,367**	1,677,724
Effect of foreign exchange rate changes, net	**(1,872)**	(1,641)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,531,739**	1,580,367

1. CORPORATE AND GROUP INFORMATION

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

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

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name#	Place of incorporation/ registration	Issued and fully paid-up capital/registered capital	Percentage of equity attributable to the Company *(%)* Direct	Indirect	Principal activities
Datang Technologies & Engineering India Private Limited (大唐科技工程印度有限公司) ("**Technologies & Engineering India**")	Mumbai, India	Indian rupees 1,000,000	–	100.00	Provision of engineering services in India
Datang Beijing Energy Saving & Technology Co., Ltd. (大唐(北京)節能技術有限公司) ("**Energy Saving & Technology**")	Beijing, the PRC	RMB10,000,000	65.00	–	Provision of project management, engineering and technology services in the PRC
Datang Beijing Water Engineering & Technology Co., Ltd. (大唐(北京)水務工程技術有限公司) ("**Water Engineering & Technology**")	Beijing, the PRC	RMB187,976,000	100.00	–	Provision of technology services and water engineering services in the PRC
Zhejiang Datang Tiandi Environmental Technology Co., Ltd. (浙江大唐天地環保科技有限公司) ("**Tiandi Environment**")	Ningbo, the PRC	RMB60,000,000	65.00	–	Development of pollution improvement environmental protection technology and provision of technology services in the PRC
Datang (Beijing) Energy Management Co., Ltd. (大唐(北京)能源管理有限公司) ("**Energy Management Company**")	Beijing, the PRC	RMB150,000,000	100.00	–	Provision of engineering services; and energy saving technology promotion services in the PRC

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

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group as the Group did not receive any covid-19-related rent concessions.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework* [2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	*Interest Rate Benchmark Reform – Phase 2* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies* [3]
Amendments to IAS 8	*Definition of Accounting Estimates* [3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use* [2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract* [2]
Annual Improvements to IFRS Standards 2018 – 2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41* [2]

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

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

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 1 require an entity to disclose its material accounting policy information rather than its significant accounting policies. To help entities to apply the amendments to IAS 1, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The IASB added guidance and examples to IFRS Practice Statement 2 to help an entity applying the four-step materiality process to accounting policy information. An entity shall apply the amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 8 introduce a new definition of accounting estimates. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted and the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) (Continued)

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Intangible assets (other than goodwill)

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

Patents

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

Non-patent technology

Non-patent technology represents capitalised deferred expenditures available for use and is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged profit or loss as incurred.

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

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

Software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

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

(a) *Right-of-use assets*

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

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

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

(b) *Lease liabilities*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

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

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

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

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

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

Group as a lessor

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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

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

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

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

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

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are generally within 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents (Continued)

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

Provisions

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

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Sale of industrial products*

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

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

(b) *Construction contracts*

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(c) Rendering of desulfurisation and denitrification services

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

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

The considerations are stipulated by the relevant government authorities and measured at certain amounts per kWh of the electricity generated by the power plants.

Revenue from other sources

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

Other income

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

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

Contract assets

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

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.23% and 6.62% has been applied to the expenditure on the individual assets.

Dividends

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

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

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

Employee benefits

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

(a) Bonus plans

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

(b) Retirement benefit obligations

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

(c) Other social insurance and housing funds

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group applies probability of default approach to calculate ECLs for trade receivables and contract assets with related parties. The probability of default is estimated on the published credit rating of the related parties while the loss given default is estimated based on 100%, as adjusted for forward-looking information.

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets with third parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and credit rating). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

If forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical rates are adjusted. At each reporting date, the historical observed rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's contract assets and trade receivables is disclosed in note 21 and note 22 to the financial statements, respectively.

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

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was nil (2019: Nil). The amount of unrecognised tax losses at 31 December 2020 was RMB224.1 million (2019: RMB61.4 million). Further details are contained in note 18 to the financial statements.

Percentage of completion of construction contracts

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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

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

Leases – Estimating the incremental borrowing rate

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

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2020, the best estimate of the carrying amount of capitalised development costs was RMB154.4 million (2019: 137.1 million).

4. OPERATING SEGMENT INFORMATION

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

(a) Environmental protection and energy conservation solutions

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

(b) Renewable energy engineering

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

(c) Thermal power engineering

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

(d) Other businesses

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

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

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

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 December 2020	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*					
Sales to external customers	4,878,775	1,851,317	1,135	89,844	6,821,071
Intersegment sales	–	–	–	27,426	27,426
	4,878,775	1,851,317	1,135	117,270	6,848,497
Reconciliation:					
Elimination of intersegment sales					(27,426)
Revenue					6,821,071
Segment results	817,672	(67,592)	(546)	6,864	756,398
Reconciliation:					
Other income and losses					82,240
Other expenses					(106,603)
Finance costs (other than interest on lease liabilities)					(256,624)
Corporate and other unallocated expenses					(152,753)
Profit before tax					322,658

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	16,869,285	1,880,096	34,307	243,953	19,027,641
Reconciliation:					
Elimination of intersegment receivables					(1,655,898)
					17,371,743
Unallocated intangible assets					26,494
Unallocated deferred tax assets					26,532
Unallocated prepayments, other receivables and other assets					599,243
Restricted cash, cash and cash equivalents					1,599,466
Other unallocated head office and corporate assets					557,380
Total assets					20,180,858
Segment liabilities	9,964,595	1,790,837	82,234	148,481	11,986,147
Reconciliation:					
Elimination of intersegment payables					(1,655,898)
					10,330,249
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					2,006,186
Other unallocated head office and corporate liabilities					505,145
Total liabilities					12,841,580
Other segment information					
Impairment of property, plant and equipment	40,861	–	–	–	40,861
Impairment of trade receivables	26,311	18,090	–	(620)	43,781
Impairment of contract assets	(155)	635	–	12	492
Impairment of financial assets included prepayments, other receivables and other assets	–	–	–	(120)	(120)
Impairment losses recognised in profit or loss, net	67,017	18,725	–	(728)	85,014
Depreciation and amortisation	770,669	63	56	16,133	786,921
Capital expenditure*	437,493	–	–	2,265	439,758

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Segment assets	17,639,061	1,802,470	131,392	275,483	19,848,406
Reconciliation:					
Elimination of intersegment receivables					(1,153,989)
					18,694,417
Unallocated intangible assets					32,424
Unallocated deferred tax assets					34,774
Unallocated prepayments, other receivables and other assets					474,054
Restricted cash, cash and cash equivalents					1,622,546
Other unallocated head office and corporate assets					312,544
Total assets					21,170,759
Segment liabilities	10,792,731	1,740,899	197,187	163,235	12,894,052
Reconciliation:					
Elimination of intersegment payables					(1,153,989)
					11,740,063
Unallocated interest-bearing bank borrowings and other loans (other than lease liabilities)					2,065,524
Other unallocated head office and corporate liabilities					131,291
Total liabilities					13,936,878
Other segment information					
Impairment of property, plant and equipment	113,263	–	–	–	113,263
Impairment of trade receivables	48,463	21,903	–	(407)	69,959
Impairment of contract assets	1,319	(183)	–	(37)	1,099
Impairment of financial assets included prepayments, other receivables and other assets	–	–	–	(1,380)	(1,380)
Impairment losses recognised in profit or loss, net	163,045	21,720	–	(1,824)	182,941
Depreciation and amortisation	758,897	69	57	18,082	777,105
Capital expenditure*	882,382	–	–	1,638	884,020

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

Revenue of approximately RMB6,160 million (2019: RMB5,917 million) was derived from the sale of goods and the rendering of services to China Datang and its subsidiaries (excluding the Group) ("**China Datang Group**").

5. REVENUE, OTHER INCOME AND LOSSES

An analysis of revenue is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Revenue from contracts with customers	**6,820,488**	6,413,519
Revenue from other sources		
Gross rental income from operating leases		
Other lease payments, including fixed payments	**583**	1,102
	6,821,071	6,414,621

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Environmental protection and energy conservation solutions RMB'000	Renewable energy engineering RMB'000	Thermal power engineering RMB'000	Other businesses RMB'000	Total RMB'000
Types of goods or services					
Sale of industrial products	346,590	–	–	43,563	390,153
Construction services	970,637	1,851,317	1,135	45,698	2,868,787
Desulfurization and denitrification services	3,561,548	–	–	–	3,561,548
Total revenue from contracts with customers	4,878,775	1,851,317	1,135	89,261	6,820,488
Timing of revenue recognition					
Goods transferred at a point in time	346,590	–	–	43,563	390,153
Services transferred over time	4,532,185	1,851,317	1,135	45,698	6,430,335
Total revenue from contracts with customers	4,878,775	1,851,317	1,135	89,261	6,820,488

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

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

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

For the year ended 31 December 2020

Segments	Environmental protection and energy conservation solutions *RMB'000*	Renewable energy engineering *RMB'000*	Thermal power engineering *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Revenue from contracts with customers					
External customers	**4,878,775**	**1,851,317**	**1,135**	**89,261**	**6,820,488**
Intersegment sales	**–**	**–**	**–**	**27,426**	**27,426**
	4,878,775	**1,851,317**	**1,135**	**116,687**	**6,847,914**
Intersegment adjustments and eliminations	**–**	**–**	**–**	**(27,426)**	**(27,426)**
Total revenue from contracts with customers	**4,878,775**	**1,851,317**	**1,135**	**89,261**	**6,820,488**

For the year ended 31 December 2019

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

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**14,639**	1,616
Construction services	**401,904**	207,250
	416,543	208,866

(ii) Performance obligations

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

Sale of industrial products

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

Construction services

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

Desulfurisation and denitrification services

Under the concession operation contracts, the Group is engaged in providing desulfurisation and denitrification services to power plants for a period of the life cycle of the power plants. The performance obligations are satisfied over time as customer simultaneously receives and consumes the benefits provided by the Group. The payment is generally due within 30 days from the date of billing.

5. REVENUE, OTHER INCOME AND LOSSES (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue		
Within one year	**683,350**	1,375,131
After one year	**–**	–
	683,350	1,375,131

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

	2020	2019
	RMB'000	*RMB'000*
OTHER INCOME		
Interest income	**16,860**	17,667
Government grants (*Note*)	**75,507**	112,151
Exchange gains	**–**	2,649
	92,367	132,467

Note: The amount mainly represents the income related to the VAT refunds received by the Group. As at 31 December 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

OTHER LOSSES, NET		
Loss on disposal of items of property, plant and equipment	**(145)**	(177)
Exchange losses	**(9,982)**	–
	(10,127)	(177)
	82,240	132,290

6. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Compensation losses *(Note)*	**102,103**	–
Other losses	**4,500**	–
	106,603	–

Note: In November 2016, Technologies & Engineering Company, a subsidiary of the Company, and two other third parties have entered into an arrangement with Datang Xinjiang Clean Energy Co., Ltd., ("**Datang Xinjiang**") to construct a wind farm. As required by the arrangement, Technologies & Engineering Company purchased 33 wind turbines from Jiangsu Jiuding Tiandi Wind Power Co., Ltd. ("**Jiuding Tiandi Wind Power**"). In March 2017, Jiuding Tiandi Wind Power received a notice from Datang Xinjiang that the construction of the wind farm may be suspended. After a series of negotiation between the parties, Jiuding Tiandi Wind Power brought an arbitration proceeding against Technologies & Engineering Company in December 2018. In June 2020, the arbitration authority ruled that Technologies & Engineering Company shall compensate Jiuding Tiandi Wind Power for economic losses in an aggregate amount of RMB98,865,000 (the "**Ruling**").

On 21 June 2020, Technologies & Engineering Company submitted an application to the Fourth Intermediate People's Court of Beijing (the "**Court**") to overrule the Ruling. On 6 July 2020, the application has been duly accepted by the Court. On 3 September 2020, the Court issued a civil ruling, dismissing the application for revocation of the Ruling by Technologies & Engineering Company. Subsequent to the civil ruling, Technology & Engineering Company and Jiuding Tiandi Wind Power agreed for a total compensation of RMB102,103,000 to be paid by the Group.

As at 31 December 2020, compensation of RMB16,630,000 was paid by the Group. The remaining balance of RMB85,473,000 was recorded in other payable as at 31 December 2020.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**13,667**	14,490
Interest expenses on bank borrowings and other loans	**265,783**	264,426
Less: interest capitalised	**(9,159)**	(26,075)
	270,291	252,841

The Group's capitalisation rate for the year ended 31 December 2020 was 5.23% to 6.62% (for the year ended 31 December 2019: 4.90% to 7.50%).

8. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of goods sold		**266,635**	257,718
Cost of services provided		**5,386,134**	5,076,938
Cost of sales *(Note a)*		**5,652,769**	5,334,656
Depreciation of property, plant and equipment	14	**527,638**	490,646
Amortisation of intangible assets	15	**17,048**	13,873
Depreciation of right-of-use assets	16(a)	**24,460**	24,522
Amortisation of other non-current assets		**217,775**	248,064
Research and development expenses		**44,089**	28,180
Provision for warranties	27	**–**	820
Lease payments not included in the measurement of lease liabilities	16(c)	**18,385**	16,471
Auditor's remuneration		**3,080**	3,400
Employee benefit expense (excluding Directors' and Supervisors' remuneration *(note 9)*):			
Wages, salaries and allowances, social securities and benefits		**361,621**	343,222
Pension scheme contributions (defined contribution scheme) *(Note b)*		**30,919**	45,658
		392,540	388,880
Impairment of financial and contract assets, net:			
Impairment of contract assets	21	**492**	1,099
Impairment of trade receivables	22	**43,781**	69,959
Impairment of financial assets included in prepayments, other receivables and other assets	23	**(120)**	(1,380)
		44,153	69,678
Impairment of property, plant and equipment	14	**40,861**	113,263

8. PROFIT BEFORE TAX (CONTINUED)

Note a: Cost of sales include RMB501,037,000 (2019: RMB467,255,000), RMB7,706,000 (2019: RMB6,226,000), RMB24,460,000 (2019: RMB24,522,000), RMB217,564,000 (2019: RMB245,907,000) and RMB100,310,000 (2019: RMB122,293,000) for the year ended 31 December 2020, relating to depreciation of property, plant and equipment, amortisation of intangible assets, depreciation of right-of-use assets, amortisation of other non-current assets and employee benefit expense which are also included in the respective total amounts disclosed separately above.

Note b: Pension scheme contributions

The Group is required to make specific contributions to the state-sponsored retirement plan at rates ranging from 14% to 20% (2019: 14% to 20%) of the specified salaries of the employees in the PRC. The PRC government is responsible for the pension liability to the retired employees. The PRC employees of the Group are entitled to a monthly pension upon their retirements.

In addition, the Group has implemented a supplementary defined contribution retirement scheme in accordance with China Datang's policy. Under this scheme, the Group is required to make specified contributions at a rate of 8% (2019: 8%) of the total salaries of qualified employees. These employees will receive the total contributions and any returns thereon upon their retirements.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	2020 *RMB'000*	2019 *RMB'000*
Fees	**300**	300
Other emoluments:		
– Salaries, housing benefits, other allowances and benefits in kind	**2,032**	2,145
– Pension scheme contributions (defined contribution scheme)	**144**	150
Total	**2,476**	2,595

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

The remuneration of each director and supervisor of the Company for the year ended 31 December 2020 is set out below:

	Notes	Fees *RMB'000*	Salaries, housing benefits, other allowances and benefits in kind *RMB'000*	Pension scheme contributions (defined contribution scheme) *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
Mr. Hou Guoli	(i)	–	533	23	556
Mr. Tian Dan	(ii)	–	230	25	255
Mr. Wang Yanwen		–	601	48	649
		–	1,364	96	1,460
Non-executive directors:					
Mr. Hou Guoli	(i)	–	–	–	–
Mr. Jin Yaohua	(iii)	–	–	–	–
Mr. Qu Bo	(iii)	–	–	–	–
Mr. Liu Quancheng		–	–	–	–
Mr. Liu Ruixiang		–	–	–	–
Mr. Li Zhenyu		–	–	–	–
		–	–	–	–
Independent non-executive directors:					
Mr. Ye Xiang		100	–	–	100
Mr. Mao Zhuanjian		100	–	–	100
Mr. Gao Jiaxiang		100	–	–	100
		300	–	–	300
Supervisors:					
Mrs. Huo Yuxia	(iv)	–	–	–	–
Mr. Wang Yuanchun	(iv)	–	–	–	–
Mr. Liu Liming		–	–	–	–
Mr. Chen Li		–	668	48	716
		–	668	48	716
		300	2,032	144	2,476

Notes:

(i) Mr. Hou Guoli was re-designated from an executive director to a non-executive director with effect from 24 July 2020 and resigned the position from 23 October 2020.

(ii) Mr. Tian Dan was appointed as an executive director with effect from 23 October 2020.

(iii) Mr. Jin Yaohua resigned as a non-executive director with effect from 23 October 2020 while Mr. Qu Bo was appointed the position on the same date.

(iv) Mr. Wang Yuanchun resigned as a supervisor from 18 June 2020 while Mrs. Huo Yuxia was appointed the position on the same date.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

Notes:

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

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

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

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

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

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

In 2020, the remuneration of Mr. Jin Yaohua, Mr. Qu Bo, Mr. Liu Quancheng, Mr. Liu Ruixiang, Mr. Li Zhenyu, Mrs. Huo Yuxia, Mr. Wang Yuanchun and Mr. Liu Liming was paid by China Datang, and no remuneration was paid by the Company.

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one supervisor (Mr. Chen Li), one director (Mr. Wang Yanwen) and three senior executives during the year ended of 31 December 2020 (2019: one director, one supervisor and three senior executives). Details of directors' and supervisors' remuneration are set out in note 9 of this section above. Details of the remuneration of the highest paid senior executives who are not a director or a supervisor of the Company are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, housing benefits, other allowances and benefits in kind	**2,080**	1,980
Pension scheme contributions (defined contribution scheme)	**144**	150
Total	**2,224**	2,130

10. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**3**	3
Total	**3**	3

11. INCOME TAX EXPENSE

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

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

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

The subsidiary of the Company in India is subject to corporate income tax at a rate of 26% during the period from 1 January 2020 to 31 December 2020 (27.82% during the period from 1 January 2019 to 31 December 2019).

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

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**84,366**	80,638
Under provision in respect of prior years	**3,226**	1,892
Deferred tax *(note 18)*	**23,706**	(24,764)
	111,298	57,766

11. INCOME TAX EXPENSE (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Profit before tax	**322,658**	303,143
Income tax at the statutory income tax rate of 25% (2019: 25%)	**80,665**	75,786
Effect of a different tax rate applicable in another country	**(301)**	(197)
Effect of the preferential income tax rate	**(33,399)**	(31,480)
Expenses not deductible for tax	**1,677**	4,281
Additional deduction of research and development expenses	**(3,629)**	(1,402)
Adjustments in respect of current tax of previous periods	**3,226**	1,892
Effect of utilisation of unrecognised tax losses in prior years	**(1,648)**	–
Reversal of deferred tax recognised in prior years	**22,220**	–
Deductible temporary differences and tax losses not recognised	**42,487**	8,886
Income tax charge for the year	**111,298**	57,766
The Group's effective rate	**34.49%**	19.06%

12. DIVIDENDS

The dividends during the years ended 31 December 2020 and 2019 are set out below:

	2020 RMB'000	2019 RMB'000
Dividends declared to owners of the parent	**100,303**	326,430

(i) During 2020, the final dividend of RMB100,303,000 at RMB0.0338 (2019: RMB0.11) per ordinary share (before tax) in respect of the year of 2019, based on the issued shares of the Company of 2,967,542,000 shares, was declared to owners of the parent (2019: RMB326,430,000).

On 26 March 2021, the Board of Directors proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per share (before tax) of the Company in cash to the shareholders. The proposal is subject to the approval of the shareholders at the 2020 annual general meeting of the Company.

12. DIVIDENDS (CONTINUED)

(ii) Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) and its implementation rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividends to non-resident enterprise holders of H shares (including any H shares registered in the name of HKSCC Nominees Limited).

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules as well as the Tax Notice, the Company will withhold and pay individual income tax at the rate ranging from 10% to 20% on behalf of individual holders of H shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the years ended 31 December 2020 and 2019.

The Company did not have any potential dilutive shares in issue during the years ended 31 December 2020 and 2019. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

The calculations of basic and diluted earnings per share are based on:

Earnings	**2020**	2019
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation *(RMB'000)*	**302,872**	218,942

Shares	**Number of shares 2020**	2019
Weighted average number of ordinary shares in issue during the year, used in the basic/diluted earnings per share calculations *(share)*	**2,967,542,000**	2,967,542,000

Earnings per share	**2020**	2019
Basic/diluted earnings per share *(RMB)*	**0.10**	0.07

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and others infrastructure *RMB'000*	Machinery *RMB'000*	Transportation vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2020	1,123,503	7,546,391	30,334	127,729	1,452,616	10,280,573
Addition	–	5,749	–	5,246	372,899	383,894
Transfer from CIP	207,380	968,569	–	521	(1,176,470)	–
Disposals	–	–	–	(3,131)	–	(3,131)
Other adjustment	–	(1,036)	–	–	(136,878)	(137,914)
At 31 December 2020	1,330,883	8,519,673	30,334	130,365	512,167	10,523,422
Accumulated depreciation:						
At 1 January 2020	(253,156)	(2,205,489)	(27,142)	(64,240)	–	(2,550,027)
Provision	(43,940)	(476,058)	(758)	(6,882)	–	(527,638)
Disposals	–	–	–	2,962	–	2,962
At 31 December 2020	(297,096)	(2,681,547)	(27,900)	(68,160)	–	(3,074,703)
Impairment:						
At 1 January 2020	(13,508)	(99,755)	–	–	–	(113,263)
Provision	–	(38,061)	–	–	(2,800)	(40,861)
At 31 December 2020	(13,508)	(137,816)	–	–	(2,800)	(154,124)
Net carrying amount:						
At 1 January 2020	856,839	5,241,147	3,192	63,489	1,452,616	7,617,283
At 31 December 2020	1,020,279	5,700,310	2,434	62,205	509,367	7,294,595

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and others infrastructure RMB'000	Machinery RMB'000	Transportation vehicles RMB'000	Office equipment and others RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:						
At 1 January 2019	987,868	7,377,949	34,086	122,330	1,391,245	9,913,478
Addition	22,562	63,761	–	5,076	745,178	836,577
Transfer from CIP	71,213	568,372	–	323	(639,908)	–
Disposals	–	–	(3,752)	–	–	(3,752)
Other adjustment	41,860	(463,691)	–	–	(43,899)	(465,730)
At 31 December 2019	1,123,503	7,546,391	30,334	127,729	1,452,616	10,280,573
Accumulated depreciation:						
At 1 January 2019	(211,883)	(1,940,260)	(29,336)	(56,846)	–	(2,238,325)
Provision	(41,273)	(440,608)	(1,371)	(7,394)	–	(490,646)
Disposals	–	–	3,565	–	–	3,565
Other adjustment	–	175,379	–	–	–	175,379
At 31 December 2019	(253,156)	(2,205,489)	(27,142)	(64,240)	–	(2,550,027)
Impairment:						
At 1 January 2019	–	–	–	–	–	–
Provision	(13,508)	(99,755)	–	–	–	(113,263)
At 31 December 2019	(13,508)	(99,755)	–	–	–	(113,263)
Net carrying amount:						
At 1 January 2019	775,985	5,437,689	4,750	65,484	1,391,245	7,675,153
At 31 December 2019	856,839	5,241,147	3,192	63,489	1,452,616	7,617,283

As at 31 December 2020, certain buildings and other infrastructure with a net carrying amount of RMB144,567,000 were pledged to secure the Group's bank borrowings and other loans (31 December 2019: RMB152,531,000).

As at 31 December 2020, the Group has been in the process of applying for the ownership certificates of buildings with a net carrying amount of RMB5,145,000 (31 December 2019: RMB28,187,000).

During the year ended 31 December 2020, an impairment loss of RMB40,861,000 was recognised for machinery and construction in progress of environmental protection and energy conservation solutions segment as a result of technical innovation during the year. The Group's management assessed that the recoverable amounts of those assets are minimal and full amount of impairment loss was made.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2019, an impairment loss of RMB113,263,000 was recognised for buildings and other infrastructure and machinery of environmental protection and energy conservation solutions segment as a result of technical innovation during the year. The Group's management assessed the recoverable amounts of those assets by the fair values less costs of disposal model and recognised the above impairment loss.

15. INTANGIBLE ASSETS

	Patents *RMB'000*	Non-patented technology *RMB'000*	Development expenditure *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2020	55,586	105,019	137,101	23,360	321,066
Addition	–	–	50,558	5,306	55,864
Reclassification	26,419	3,149	(29,568)	–	–
Recognised in research and development expenses	–	–	(3,671)	–	(3,671)
At 31 December 2020	82,005	108,168	154,420	28,666	373,259
Accumulated amortisation:					
At 1 January 2020	(24,024)	(46,267)	–	(11,067)	(81,358)
Provision	(6,067)	(9,105)	–	(1,876)	(17,048)
At 31 December 2020	(30,091)	(55,372)	–	(12,943)	(98,406)
Impairment:					
At 1 January 2020	(1,375)	–	–	–	(1,375)
Provision	–	–	–	–	–
At 31 December 2020	(1,375)	–	–	–	(1,375)
Net carrying amount:					
At 1 January 2020	30,187	58,752	137,101	12,293	238,333
At 31 December 2020	50,539	52,796	154,420	15,723	273,478

15. INTANGIBLE ASSETS (CONTINUED)

	Patents *RMB'000*	Non-patented technology *RMB'000*	Development expenditure *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2019	44,477	94,777	116,114	22,107	277,475
Addition	2,279	–	44,512	652	47,443
Reclassification	8,830	10,242	(19,673)	601	–
Recognised in research and development expenses	–	–	(3,852)	–	(3,852)
At 31 December 2019	55,586	105,019	137,101	23,360	321,066
Accumulated amortisation:					
At 1 January 2019	(20,277)	(37,940)	–	(9,268)	(67,485)
Provision	(3,555)	(8,519)	–	(1,799)	(13,873)
Reclassification	(192)	192	–	–	–
At 31 December 2019	(24,024)	(46,267)	–	(11,067)	(81,358)
Impairment:					
At 1 January 2019	(1,375)	–	–	–	(1,375)
Provision	–	–	–	–	–
At 31 December 2019	(1,375)	–	–	–	(1,375)
Net carrying amount:					
At 1 January 2019	22,825	56,837	116,114	12,839	208,615
At 31 December 2019	30,187	58,752	137,101	12,293	238,333

As at 31 December 2020 and 2019, there were no intangible assets of the Group pledged to secure bank borrowings and other loans.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and other infrastructure, machinery, transportation vehicles and office equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 47 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings and other infrastructure generally have lease terms between 1 and 5 years. Machinery, transportation vehicles and office equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Buildings and other infrastructure *RMB'000*	Total *RMB'000*
As at 1 January 2019	19,066	370,128	389,194
Additions	–	3,309	3,309
Lease modification	–	(11,938)	(11,938)
Depreciation charge	(465)	(24,057)	(24,522)
As at 31 December 2019 and 1 January 2020	**18,601**	**337,442**	**356,043**
Additions	**–**	**2,370**	**2,370**
Lease modification	**–**	**(4,807)**	**(4,807)**
Depreciation charge	**(465)**	**(23,995)**	**(24,460)**
As at 31 December 2020	**18,136**	**311,010**	**329,146**

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank borrowings and other loans) and the movements during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Carrying amount at 1 January	**343,002**	371,814
New leases	**2,370**	3,309
Lease modification	**(4,807)**	(11,938)
Accretion of interest recognised during the year	**13,667**	14,490
Payments	**(34,549)**	(34,673)
Carrying amount at 31 December	**319,683**	343,002
Analysed into:		
Current portion	**32,160**	32,218
Non-current portion	**287,523**	310,784

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**13,667**	14,490
Depreciation charge of right-of-use assets	**24,460**	24,522
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales, administrative expenses and selling and distribution expenses)	**18,250**	16,399
Expense relating to leases of low-value assets (included in administrative expenses)	**135**	72
Total amount recognised in profit or loss	**56,512**	55,483

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

16. LEASES (CONTINUED)

The Group as a lessor

The Group leases its buildings and other infrastructure in China under operating lease arrangements. Rental income recognised by the Group during the year was RMB583,000 (2019: RMB1,102,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**583**	786

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value *(Note)*		
China Datang Overseas Power Operating Co., Ltd.(中國大唐集團海外電力運營有限公司) (formerly known as "China Datang Overseas Electric Technology and O&M Co., Ltd." (中國大唐集團海外技術服務有限公司))	**28,914**	7,658

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Note: On 25 May 2020, the Company entered into a Capital Increase Agreement with the shareholders of China Datang Overseas Power Operating Co., Ltd. ("**Datang Overseas Power**") to increase the capital of Datang Overseas Power by RMB20 million which will be contributed by each shareholder based on the existing shareholding. Upon completion of the capital increase, the registered capital of Datang Overseas Power increased to RMB250 million and the shareholding percentage of the Company in Datang Overseas Power remains at 10%. The capital was injected by cash on 30 July 2020.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of financial and contract assets *RMB'000*	Accrued expenses *RMB'000*	Deferred income *RMB'000*	Elimination of unrealised profit *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2020	**52,762**	**687**	**5,243**	**11,793**	**–**	**70,485**
Deferred tax charged to profit or loss during the year *(note 11)*	**(21,283)**	**(264)**	**(84)**	**(2,075)**	**–**	**(23,706)**
Gross deferred tax assets at 31 December 2020	**31,479**	**423**	**5,159**	**9,718**	**–**	**46,779**
At 1 January 2019	26,573	918	4,931	13,109	190	45,721
Deferred tax credited/(charged)to profit or loss during the year *(note 11)*	26,189	(231)	312	(1,316)	(190)	24,764
Gross deferred tax assets at 31 December 2019	52,762	687	5,243	11,793	–	70,485

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
At 1 January 2020	**399**	**399**
Deferred tax charged to other comprehensive income during the year	**189**	**189**
Gross deferred tax liabilities at 31 December 2020	**588**	**588**
At 1 January 2019	326	326
Deferred tax charged to other comprehensive income during the year	73	73
Gross deferred tax liabilities at 31 December 2019	399	399

18. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 *RMB'000*	2019 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**46,191**	70,086
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	–
Net deferred tax assets	**46,191**	70,086

As at 31 December 2020, the Group has tax losses arising in India of RMB27,945,000 (31 December 2019: RMB24,780,000) that will expire up to eight years for offsetting against future taxable profits of Technologies & Engineering India, an overseas subsidiary of the Group. As at 31 December 2020, the Group had tax losses arising in the PRC of RMB196,166,000 (31 December 2019: RMB36,572,000). As at 31 December 2020, the Group has deductible temporary differences of RMB233,883,000 (2019: RMB13,352,000) in respect of impairment losses.

Deferred tax assets have not been recognised in respect of these losses or deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

19. OTHER NON-CURRENT ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Long-term prepaid expenses	**337,395**	322,425
Deductible VAT	**45,508**	24,435
Prepayments for equipments	**19,021**	18,575
Others	**27,708**	56,819
	429,632	422,254

20. INVENTORIES

	2020 *RMB'000*	2019 *RMB'000*
Raw materials	**84,604**	77,248
Work in progress	**7,482**	16,535
Finished goods	**98,523**	76,137
	190,609	169,920

21. CONTRACT ASSETS

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*	1 January 2019 *RMB'000*
Contract assets arising from:			
construction services	**712,625**	889,309	986,807
sale of industrial products	**28,744**	–	
Less: provision for impairment	**(5,962)**	(5,470)	(4,371)
Total	**735,407**	883,839	982,436

Contract assets are initially recognised for revenue earned from the sale of industrial products and construction services as the receipt of consideration is conditional on successful completion of construction, respectively. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2020 and 2019 were both the results of the decrease in the provision of construction services at the end of the year.

During the year ended 31 December 2020, RMB492,000 (2019: RMB1,099,000) was recognised as impairment loss on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 22 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within one year	**735,407**	883,839
After one year	**–**	–
Total contract assets	**735,407**	883,839

21. CONTRACT ASSETS (Continued)

The movements in the loss allowance for impairment of contract assets are as follows:

	2020 *RMB'000*	2019 *RMB'000*
At beginning of year	**5,470**	4,371
Impairment losses, net	**492**	1,099
At end of year	**5,962**	5,470

An impairment analysis is performed at each reporting date to measure expected credit losses on contract assets. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. Similar to trade receivables, the contract assets from related parties and third parties are assessed separately based on their different credit risks characteristics, the detailed analysis of which can be referred to note 22.

Set out below is the information about the credit risk exposure on the Group's contract assets :

As at 31 December 2020

	Related Parties	**Third Parties**	**Total**
Expected credit loss rate	**0.157%**	**2.69%**	
Gross carrying amount *(RMB'000)*	**551,856**	**189,513**	**741,369**
Expected credit losses *(RMB'000)*	**866**	**5,096**	**5,962**

As at 31 December 2019

	Related Parties	Third Parties	Total
Expected credit loss rate	–	4.74%	
Gross carrying amount *(RMB'000)*	773,857	115,452	889,309
Expected credit losses *(RMB'000)*	–	5,470	5,470

22. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**7,932,517**	8,033,142
Less: provision for impairment	**(272,662)**	(234,844)
	7,659,855	7,798,298
Bills receivable	**968,588**	742,945
	8,628,443	8,541,243

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

(a) Ageing analysis

An ageing analysis of the trade and bills receivables, based on the invoice date, at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**5,231,239**	4,404,897
Between 1 and 2 years	**798,872**	1,751,826
Between 2 and 3 years	**890,505**	750,711
Over 3 years	**1,980,489**	1,868,653
	8,901,105	8,776,087
Less: provision for impairment	**(272,662)**	(234,844)
	8,628,443	8,541,243

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**234,844**	164,885
Impairment losses, net	**43,781**	69,959
Amount written off as uncollectible	**(5,963)**	–
At end of the year	**272,662**	234,844

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

As at 31 December 2020, the gross carrying amounts of trade receivables from the related parties are RMB6,677,115,000 (2019: RMB6,536,598,000) which are mainly due from subsidiaries of China Datang Group. The Group has assessed the expected losses for trade receivables from related parties by reference to the published credit rating of China Datang Group and corresponding probability of default of 0.157%. Loss given is default was estimated to be 100%.

For the trade receivables from third parties, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and credit rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

As at 31 December 2020

	Related parties	Third parties						
		Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Subtotal	Individually assessed trade receivables *(Note a)*	Total
Expected credit loss rate	**0.157%**	**1.54%**	**9.07%**	**17.61%**	**33.54%**	**13.10%**	**70.75%**	**3.44%**
Gross carrying amount *(RMB'000)*	**6,677,115**	**398,951**	**109,355**	**424,069**	**153,469**	**1,085,844**	**169,558**	**7,932,517**
Expected credit losses *(RMB'000)*	**10,483**	**6,155**	**9,920**	**74,675**	**51,468**	**142,218**	**119,961**	**272,662**

As at 31 December 2019

	Related parties	Third parties						
		Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Subtotal	Individually assessed trade receivables	Total
Expected credit loss rate	–	1.20%	7.75%	19.91%	47.04%	15.69%	–	2.92%
Gross carrying amount *(RMB'000)*	6,536,598	333,225	652,034	221,829	289,456	1,496,544	–	8,033,142
Expected credit losses *(RMB'000)*	–	3,994	50,509	44,167	136,174	234,844	–	234,844

Note a: An overseas third-party company in India (the "**Indian Company**") of which a subsidiary is a customer of the Group (the "**Customer**") is undergoing a proceeding of bankruptcy and reorganisation. The Indian Company and its subsidiaries have been taken over by personnel appointed by judiciary in India. The Group has performed individual assessment on impairment of the trade receivable due from the Customer amounting to RMB169,558,000, based on the information available to the Group which includes the orders issued by National Company Law Appellate Tribunal, New Delhi (the "**Local Court**") and current operational status of the Customer. The Group establishes three possible scenarios when estimating the expected credit loss, including immediate bankruptcy ("**Bankruptcy**"), successful reorganisation and fair repayment to all creditors ("**Fair Repayment**"), successful reorganisation but giving priority to repayment to financial creditors and secured creditors ("**Priority Repayment**").

In the opinions of the directors, the Customer is a large local power generation plant, which will have stable cash income in the foreseeable future, so Bankruptcy is less likely to happen. Meanwhile, according to the order of repayment priority required by related laws, Priority Repayment is more likely to happen comparing to Fair Repayment, and therefore the Group assessed that probabilities of the three above scenarios are : 10% for Bankruptcy, 30% for Fair Repayment and 60% for Priority Repayment. Based on the present value of the future cash flows of the three scenarios as weighted by the respective probabilities, the expected credit loss is estimated to be RMB119,961,000.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Transferred financial assets

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivables to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB73,712,000 (2019: RMB304,616,000) (the "**Derecognised Bills**").

The derecognised bills receivable had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills receivable have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills receivable. Accordingly, it has derecognised the full carrying amounts of the derecognised bills receivable and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the derecognised bills receivable and the undiscounted cash flows to repurchase these derecognised bills receivable is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the derecognised bills receivable are not significant.

During the year ended 31 December 2020 and 2019, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills receivable. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks and financial institutions of certain large central enterprises in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB81,456,000 (2019: RMB182,512,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB81,456,000 (2019: RMB182,512,000) as at 31 December 2020.

As at 31 December 2020, trade and bills receivables amounting to RMB89,455,000 were pledged to secure bank borrowings and other loans granted to the Group (31 December 2019: RMB126,272,000).

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	**133,734**	636,682
Deposits	**59,443**	146,767
Other receivables	**62,226**	67,753
Other current assets	**379,117**	400,015
	634,520	1,251,217
Less: provision of impairment	**(9,543)**	(9,663)
Total	**624,977**	1,241,554

Deposits and other receivables are mainly related to the guarantee deposits for auction and the funds held by employees, and an impairment analysis is performed at each reporting date by considering the probability of default. Except the separate item of prepayments for certain terminated projects already impaired, as the financial assets included in the above balances relate to receivables for which there was no recent history of default, no impairment was provided during the year.

As at 31 December 2020, a provision of RMB9,543,000 (2019: RMB9,663,000) has been fully provided for the prepayments for certain terminated projects.

24. CASH AND CASH EQUIVALENTS, A TIME DEPOSIT AND RESTRICTED CASH

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**1,599,466**	1,622,546
Less: restricted cash *(Note a)*	**(67,727)**	(42,179)
Cash and cash equivalents	**1,531,739**	1,580,367
Cash and bank balances denominated in:		
– RMB	**1,568,278**	1,604,065
– United States dollar	**17,484**	–
– Hong Kong dollar	**6,698**	7,130
– Indian rupee	**7,006**	11,351
	1,599,466	1,622,546

Note a: Restricted cash mainly represented deposits held for issued bills payable and performance obligations for engineering services, property maintenance and frozen deposits mainly related to the Ruling as mentioned in note 6.

24. CASH AND CASH EQUIVALENTS, A TIME DEPOSIT AND RESTRICTED CASH (CONTINUED)

The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within one year.

	2020	2019
	RMB'000	*RMB'000*
Bills payable	**122,600**	194,432
Trade payables	**4,781,875**	4,794,843
	4,904,475	4,989,275

An ageing analysis of the trade and bills payables, based on the invoice date, at the end of the reporting period is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**2,379,678**	2,589,256
1 year to 2 years	**605,142**	870,173
2 years to 3 years	**679,509**	452,260
More than 3 years	**1,240,146**	1,077,586
	4,904,475	4,989,275

26. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Contract liabilities	(a)	**338,123**	520,777
Taxes payable, other than income tax		**26,415**	34,736
Interest payables		**15,467**	9,368
Dividends payable		**417,374**	341,657
Other payables	(b)	**992,180**	946,184
		1,789,559	1,852,722

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Short-term advances received from customers			
Sale of industrial products	**27,484**	25,995	3,699
Construction services	**310,639**	494,782	308,365
Total contract liabilities	**338,123**	520,777	312,064

Contract liabilities include short-term advances received to deliver industrial products and construction services. The decrease in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to the provision of construction services at the end of the year. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

27. PROVISIONS

	Warranties *(note a)* RMB'000	Other losses *(note b)* RMB'000	Total RMB'000
At 1 January 2020	4,579	–	4,579
Additional provision	–	4,500	4,500
Amounts utilised during the year	(1,759)	–	(1,759)
At 31 December 2020	2,820	4,500	7,320
Portion classified as current liabilities	(1,820)	(4,500)	(6,320)
Non-current portion	1,000	–	1,000

Note a:

The Group provides one to three years of maintenance service to its customers for certain industrial products sales. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of maintenance service. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Note b:

During this year, the Group terminated a contract with one of its suppliers, and the supplier filed a lawsuit against the Group for the contract breach. As at 31 December 2020, the Group recognised a provision of RMB4,500,000 for this contract dispute.

28. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS

	Effective interest rate (%)	Maturity	31 December 2020 RMB'000	31 December 2019 RMB'000
Current				
Bank borrowings：				
– unsecured	3.10% – 4.35%	2021	**1,590,560**	2,288,499
Other loans：				
– unsecured			**–**	330,000
– secured *(Note a)*	4.50%	2021	**70,000**	70,000
– short-term bonds *(Note b)*	2.00%	2021	**500,000**	–
			2,160,560	2,688,499
Current portion of long term bank borrowings and other loans				
Bank borrowings – unsecured	3.25% – 6.62%	2021	**461,232**	657,671
Bank borrowings – secured *(Note c)*			**–**	26,170
Bank borrowings – guaranteed *(Note d)*	4.28% – 5.15%	2021	**35,167**	23,253
Other loans – unsecured	4.75% – 5.15%	2021	**153,186**	30,500
Other loans – secured *(Note e)*	5.70%	2021	**350,000**	265,000
Lease liabilities *(Note 16b)*	4.41%	2021	**32,160**	32,218
			1,031,745	1,034,812
			3,192,305	3,723,311
Non-current				
Long term bank borrowings and other loans:				
Bank borrowings – unsecured	3.25% – 6.62%	2022 – 2027	**1,948,661**	2,030,491
Bank borrowings – secured *(Note c)*			**–**	73,830
Bank borrowings – guaranteed *(Note d)*	4.28% – 5.15%	2022 – 2023	**27,700**	60,367
Other loans – unsecured	4.75% – 5.15%	2022 – 2024	**14,700**	167,885
Other loans – secured *(Note e)*			**–**	79,750
Other loans – bonds	3.65%	2024	**600,000**	599,460
Lease liabilities *(Note 16b)*	4.41%	2022 – 2038	**287,523**	310,784
			2,878,584	3,322,567
			6,070,889	7,045,878
Interest-bearing bank borrowings and other loans denominated in:				
– RMB			**6,070,889**	7,045,878

28. INTEREST-BEARING BANK BORROWINGS AND OTHER LOANS (CONTINUED)

Note a:

The above secured other loans are secured by trade and bills receivables with a net carrying value of RMB89,455,000 (31 December 2019: RMB126,272,000) (note 22).

Note b:

On 24 March 2020 and 20 April 2020, the Company issued two tranches of short-term bonds at a par value of RMB100 amounting to RMB500 million each. The bonds had annual effective interest rates of 2.00% and 2.60%. The first tranche of short-term bond was already matured in August 2020, and the second tranche of short-term bond will be matured in January 2021.

Note c:

The above secured bank borrowings are secured by future trade receivables. They were repaid in March 2020 in advance, which should be repaid in 2024 according to the contracts.

Note d:

The above secured bank borrowings were guaranteed by the Company for certain subsidiaries.

Note e:

The above secured other loans are secured by buildings and other infrastructure with a net carrying value of RMB144,567,000 (31 December 2019: RMB152,531,000) (note 14).

The maturity profile of the interest-bearing bank borrowings and other loans as at the end of the reporting period is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Analysed into:		
Bank borrowings repayable:		
Within one year	**2,086,959**	2,995,593
In the second year	**579,784**	640,121
In the third to fifth years, inclusive	**1,298,331**	1,216,339
Beyond five years	**98,246**	308,228
	4,063,320	5,160,281
Other loans repayable:		
Within one year	**1,105,346**	727,718
In the second year	**35,289**	263,067
In the third to fifth years, inclusive	**690,073**	697,103
Beyond five years	**176,861**	197,709
	2,007,569	1,885,597
Total	**6,070,889**	7,045,878

29. SHARE CAPITAL

Shares	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
2,967,542,000 (2019: 2,967,542,000) ordinary shares	**2,967,542**	2,967,542

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity interests held by non-controlling interests:		
Technologies & Engineering Company	**44%**	44%
Nanjing Environmental Protection	**7.89%**	7.89%
Tiandi Environmental	**35%**	35%

	2020 RMB'000	2019 RMB'000
Profit/(loss) for the year attributable to non-controlling interests:		
Technologies & Engineering Company	**(107,958)**	7,055
Nanjing Environmental Protection	**3,872**	5,954
Tiandi Environmental	**11,928**	13,193
Dividends declared to non-controlling interests:		
Technologies & Engineering Company	**3,520**	–
Nanjing Environmental Protection	**–**	–
Tiandi Environmental	**1,785**	5,355
Accumulated balances of non-controlling interests at the reporting date:		
Technologies & Engineering Company	**6,838**	118,803
Nanjing Environmental Protection	**35,220**	31,348
Tiandi Environmental	**75,667**	65,524

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following table illustrates the summarised financial information of Technologies & Engineering Company, Nanjing Environmental Protection and Tiandi Environmental. The amounts disclosed are before any inter-company eliminations:

2020	Technologies & Engineering Company *RMB'000*	Nanjing Environmental Protection *RMB'000*	Tiandi Environmental *RMB'000*
Revenue	2,156,213	455,896	87,349
Total expenses	(2,401,573)	(406,818)	(53,270)
Profit/(loss) for the year	(245,360)	49,078	34,079
Total comprehensive income for the year	(246,467)	49,078	34,079
Current assets	3,527,253	1,183,360	70,216
Non-current assets	342,697	487,514	161,302
Current liabilities	(3,835,721)	(964,555)	(14,529)
Non-current liabilities	(18,689)	(259,925)	(800)
Net cash flows (used in)/from operating activities	(43,240)	(88,314)	49,953
Net cash flows used in investing activities	(3,377)	(13,299)	(7)
Net cash flows (used in)/from financing activities	(83,757)	108,201	(45,949)
Effect of foreign exchange rate changes, net	(1,390)	–	–
Net (decrease)/increase in cash and cash equivalents	(131,764)	6,588	3,997

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

2019	Technologies & Engineering Company *RMB'000*	Nanjing Environmental Protection *RMB'000*	Tiandi Environmental *RMB'000*
Revenue	1,656,562	513,895	92,175
Total expenses	(1,640,527)	(438,426)	(54,481)
Profit for the year	16,035	75,469	37,694
Total comprehensive income for the year	16,588	75,469	37,694
Current assets	3,998,015	993,726	65,006
Non-current assets	394,251	545,142	178,298
Current liabilities	(4,003,450)	(896,306)	(55,256)
Non-current liabilities	(118,809)	(245,246)	(838)
Net cash flows (used in)/from operating activities	(215,513)	65,498	63,322
Net cash flows used in investing activities	(8,850)	(15,417)	(12,373)
Net cash flows from/(used in) financing activities	239,664	(27,422)	(57,934)
Effect of foreign exchange rate changes, net	(74)	–	–
Net increase/(decrease) in cash and cash equivalents	15,227	22,659	(6,985)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB2,437,000 (2019: RMB8,629,000) and RMB2,437,000 (2019: RMB8,629,000), respectively, in respect of lease arrangements for buildings and other infrastructure.

(b) Changes in liabilities arising from financing activities

2020	**Interest-bearing bank borrowings and other loans (other than lease liabilities)** *RMB'000*	**Lease liabilities** *RMB'000*	**Other payables and accruals** *RMB'000*
As at 1 January 2020	**6,702,876**	**343,002**	**1,852,722**
Changes from financing cash flows	**(958,292)**	**(34,549)**	**(283,809)**
New leases	**–**	**2,370**	**–**
Lease modification	**–**	**(4,807)**	**–**
Interest expenses	**6,622**	**13,667**	**259,161**
2019 final dividends	**–**	**–**	**100,303**
Dividends declared by a subsidiary to its non-controlling shareholder	**–**	**–**	**5,620**
Changes from operating cash flows	**–**	**–**	**(64,438)**
Changes from investing cash flows	**–**	**–**	**(80,000)**
As at 31 December 2020	**5,751,206**	**319,683**	**1,789,559**

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

2019	Interest-bearing bank borrowings and other loans (other than lease liabilities) *RMB'000*	Lease liabilities *RMB'000*	Other payables and accruals *RMB'000*
As at 1 January 2019	4,929,896	371,814	1,663,401
Changes from financing cash flows	1,766,680	(34,673)	(598,565)
New leases	–	3,309	–
Lease medication	–	(11,938)	–
Interest expenses	6,300	14,490	264,426
2018 final dividends	–	–	326,430
Dividends paid by a subsidiary to its non-controlling shareholder	–	–	5,355
Changes from operating cash flows	–	–	339,647
Changes from investing cash flows	–	–	(147,972)
As at 31 December 2019	6,702,876	343,002	1,852,722

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Within operating activities	**6,453**	9,608
Within financing activities	**34,549**	34,673
	41,002	44,281

33. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

34. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for		
Buildings	**8,613**	261,698
Plant and machinery	**187,792**	617,742
	196,405	879,440

(b) The Group has no lease contracts that have not yet commenced as at 31 December 2020.

35. RELATED PARTY TRANSACTIONS

The Group is part of China Datang and had significant transactions with China Datang Group during the year.

The related party transactions in respect of the sales and purchase of goods, the rendering of and receiving of services to and from China Datang Group and certain associates and joint ventures of China Datang Group, and loans from/to and interest expense/income to/from China Datang Group as detailed in note 35(a) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

In addition to the related party transactions disclosed elsewhere in the financial statements, the following is a summary of the significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions

	Notes	2020 RMB'000	2019 RMB'000
Sales of goods and rendering of services to China Datang Group	(i)		
Environmental protection and energy conservation solutions		**4,376,813**	5,080,257
Renewable energy engineering		**1,773,369**	677,775
Thermal power engineering		**1,135**	113,597
Others		**9,177**	45,334
		6,160,494	5,916,963
Sales of goods and rendering of services to the associates and joint ventures of China Datang Group	(i)		
Environmental protection and energy conservation solutions		**61,974**	–
Purchases of goods and receiving of services from China Datang Group	(i)		
Water supply and electricity supply		**767,726**	859,643
Ancillary services under the concession operations		**82,678**	131,218
Logistics services		**65,018**	92,758
Wind power electricity and other products		**1,346,098**	403,658
		2,261,520	1,487,277

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

	Notes	2020 RMB'000	2019 RMB'000
Purchases of goods and receiving of services from the associates and joint ventures of China Datang Group	(i)		
Water supply and electricity supply		**29,182**	–
Ancillary services under the concession operations		**2,123**	–
		31,305	–
Purchase of assets from subsidiaries of China Datang Group	(i)		
Purchase of assets		**–**	56,731
Loans from subsidiaries of China Datang Group	(ii)		
China Datang Finance Co., Ltd. ("**Datang Finance**") *(Note a)*		**1,200,000**	2,730,000
Datang Financial Lease Co., Ltd. ("**Datang Financial Lease**") *(Note a)*		**–**	135,000
Datang Commercial Factoring Co., Ltd. ("**Datang Commercial Factoring**") *(Note a)*		**70,000**	100,000
		1,270,000	2,965,000
Interest expense on loans from subsidiaries of China Datang Group	(ii)		
Datang Finance		**7,233**	15,048
Datang Financial Lease		**21,922**	19,470
Datang Commercial Factoring		**2,671**	5,949
		31,826	40,467
Interest income from a subsidiaries of China Datang Group	(ii)		
Datang Finance		**10,540**	8,787

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

Note a:

Loans from subsidiaries of China Datang Group	31 December 2019	Proceeds	Repayment	**31 December 2020**	Duration	Effective interest rate *(%)*	Type
Datang Finance	356,300	1,200,000	1,535,800	**20,500**	27/12/2017~26/12/2023	5.15	unsecured
Datang Financial Lease	350,000	–	–	**350,000**	1/11/2018~2/12/2021	5.70	secured
Datang Financial Lease	44,005	–	24,700	**19,305**	25/10/2019~24/10/2021	4.75	unsecured
Datang Commercial Factoring	70,000	70,000	70,000	**70,000**	29/9/2020~29/12/2021	4.50	secured
	820,305	1,270,000	1,630,500	**459,805**			

Loans from subsidiaries of China Datang Group	31 December 2018	Proceeds	Repayment	31 December 2019	Duration	Effective interest rate *(%)*	Type
Datang Finance	335,000	2,730,000	2,708,700	356,300	27/12/2017~26/12/2023	3.92–5.15	unsecured
Datang Financial Lease	265,000	85,000	–	350,000	1/11/2018~16/5/2021	5.70	secured
Datang Financial Lease	–	50,000	5,995	44,005	25/10/2019~24/10/2021	4.75	unsecured
Datang Commercial Factoring	100,000	100,000	130,000	70,000	20/11/2018~10/9/2020	7.50	secured
Datang Commercial Factoring	9,136	–	9,136	–	13/11/2018~13/11/2019	7.50	unsecured
	709,136	2,965,000	2,853,831	820,305			

All transactions with related parties were conducted at prices and on terms mutually agreed by the parties involved, which are determined as follows:

(i) Sales of goods and rendering of services to China Datang Group and its associates and joint ventures, purchases of goods and receiving of services from China Datang Group and its associates and joint ventures (excluding property leases)

a. Pricing policies for products: The pricing policies for products are as follows:

   (a) the bidding price where the bidding process is required; or

   (b) where no bidding process is involved, the market price.

b. Pricing policies for concession operations (desulfurisation and denitrification) services: The desulfurisation and denitrification tariffs under the concession operation services are determined based on the government-prescribed price, while the prices for by-products are determined based on the market price. In respect of the auxiliary services offered to the Group by China Datang Group under the desulfurisation and denitrification concession operations, the price is determined in accordance with the costs of human resources in connection with the auxiliary services and related management expenses as well as relevant maintenance expenses for the equipment of power plants and with reference to the industry average level.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

(i) Sales of goods and rendering of services to China Datang Group and its associates and joint ventures, purchases of goods and receiving of services from China Datang Group and its associates and joint ventures (excluding property leases) (Continued)

c. Pricing policies for services other than concession operations services: The pricing policies for these kinds of services are as follows:

(a) the bidding price where the bidding process is required; or

(b) where no bidding process is involved, the market price.

d. Pricing policy for procurement of equipment: In respect of equipment procurement from China Datang Group, in most circumstances, bidding procedures shall apply for the determination of the price. Only in exceptional circumstances, such as urgent purchases by the Group, bidding procedures can be skipped by the Group where the purchase price shall be determined by experts of the Group based on the fair market value and historical records of the procurement price.

(ii) Financial services

Datang Finance provides loan services, deposit services and other financial services to the Group.

Pricing policy: The pricing policies for financial services are as follows:

(a) the interest rate for the Group's deposits with Datang Finance shall not be lower than the equivalent deposit interest rate as provided by other financial institutions in the PRC by reference to the benchmark interest rates published by the People's Bank of China ("**PBOC**");

(b) the interest rate for loans granted to the Group by Datang Finance shall not be higher than the equivalent loan interest rate as charged by other financial institutions in the PRC by reference to the benchmark interest rates published by the PBOC; and,

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

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

(ii) Financial services (Continued)

China Datang Group Capital Holding Co., Ltd. ("**Datang Capital**") provides financial leasing and commercial factoring services to the group.

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

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

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

The above services are provided by Datang Financial Lease and Datang Commercial Factoring, the subsidiaries of Datang Capital, respectively.

(iii) Purchases of lease services from China Datang Group

Pricing policy: The rental for property leases is determined via negotiations between the parties with reference to the market rental for properties with similar conditions.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Other than those disclosed elsewhere in the financial statements, the outstanding balances with related parties at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents		
Datang Finance	**1,361,014**	1,478,236
Trade and bills receivables		
China Datang Group	**6,431,807**	6,468,375
The associates and joint ventures of China Datang Group	**471,401**	329,283
	6,903,208	6,797,658
Prepayments, other receivables and other assets		
Prepayments		
China Datang Group	**18,827**	486,772
Other receivables		
China Datang Group	**63,995**	144,189
The associates and joint ventures of China Datang Group	**947**	–
	64,942	144,189
	83,769	630,961
Other non-current assets		
China Datang Group	**28,228**	61,887

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties (Continued)

	2020 RMB'000	2019 RMB'000
Contract assets		
China Datang Group	**543,535**	738,553
The associates and joint ventures of China Datang Group	**8,321**	35,304
	551,856	773,857
Interest-bearing bank borrowings and other loans (other than lease liabilities)		
Datang Finance	**20,500**	356,300
Datang Financial Lease	**369,305**	394,005
Datang Commercial Factoring	**70,000**	70,000
	459,805	820,305
Trade and bills payables		
China Datang Group	**1,297,813**	706,389
The associates and joint ventures of China Datang Group	**55,418**	99
	1,353,231	706,488
Other payables and accruals		
China Datang Group	**625,295**	810,502
The associates and joint ventures of China Datang Group	**8,257**	472
	633,552	810,974

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other government-related entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government and numerous government authorities and agencies (collectively referred to as "**government-related entities**"). China Datang, the parent and ultimate holding company of the Company, is a PRC state-owned enterprise and these government-related entities are also considered the related parties of the Group in this respect.

Apart from the transactions with China Datang Group mentioned above, the Group also conducts some business activities with other government-related entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-government-related entities.

The Group prices its services and products based on commercial negotiations. The Group has also established its approval process for the sale of goods, provision of services, purchase of products and receiving of services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the possibility for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, the Directors are of the opinion that further information about the following transactions that are collectively significant is required for disclosure:

– ***Deposits and borrowings***

Except for the cash and cash equivalents deposited in Datang Finance and Wing Lung Bank in Hong Kong, the Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these financial institutions in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the PBOC.

(d) Compensation of key management personnel of the Group

	2020	2019
	RMB'000	*RMB'000*
Short term employee benefits	**6,100**	6,011
Post-employment benefits	**437**	490
Total compensation paid to key management personnel	**6,537**	6,501

Further details of directors' and supervisors' emoluments are included in note 9 to the financial statements.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Property leases

As a lessee, the Group leases buildings for desulfurisation and denitrification facilities from Datang Financial Lease and some power plants from the China Datang Group, with a general lease term of 20 years. The related right-of-use assets and lease liabilities, payment of lease liabilities as at the end of the reporting period and the related expenses recognised during the year are as follows.

	2020 RMB'000	2019 RMB'000
Right-of-use assets	**308,214**	333,168
Lease liabilities	**318,255**	338,497

	2020 RMB'000	2019 RMB'000
Depreciation charge	**23,714**	23,895
Interest expense	**13,606**	14,438
Payments	**34,394**	34,320

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

Financial assets	31 December 2020			31 December 2019		
	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	28,914	28,914	–	7,658	7,658
Financial assets included in other non-current assets	9,253	–	9,253	56,819	–	56,819
Trade and bills receivables	7,659,855	968,588	8,628,443	7,798,298	742,945	8,541,243
Financial assets included in prepayments, other receivables and other assets	112,126	–	112,126	204,857	–	204,857
Restricted cash	67,727	–	67,727	42,179	–	42,179
Cash and cash equivalents	1,531,739	–	1,531,739	1,580,367	–	1,580,367
	9,380,700	997,502	10,378,202	9,682,520	750,603	10,433,123

Financial liabilities	31 December 2020 Financial liabilities at amortised cost RMB'000	31 December 2019 Financial liabilities at amortised cost RMB'000
Trade and bills payables	4,904,475	4,989,275
Financial liabilities included in other payables and accruals	1,384,583	1,297,209
Interest-bearing bank borrowings and other loans	6,070,889	7,045,878
	12,359,947	13,332,362

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values and those carried at fair value, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets included in other non-current assets	**9,253**	56,819	**8,807**	55,337
Financial liabilities				
Long term interest-bearing bank borrowings and other loans (other than lease liabilities) *(note 28)*	**2,591,061**	3,011,783	**2,568,420**	2,977,534

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank borrowings and other loans, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value disclosure of financial instruments. The corporate finance team reports directly to management. As at 31 December 2020 and 2019, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of the financial assets included in other non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

- The fair values of the non-current portion of long term interest-bearing bank borrowings and other loans (other than lease liabilities) have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair values as a result of the Group's own non-performance risks for interest-bearing bank borrowings and other loans as at 31 December 2020 and 2019 were assessed to be insignificant.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (Continued)

- The fair values of the bills receivables which are measured at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using the one-year bank loan interest rate published by the People's Bank of China.

- The fair values of the unlisted equity investments designated at fair value through other comprehensive income have been measured based on valuation multiples of enterprise value ("**EV**") to sales ("**EV/sales**") multiple, adjusted by a discount for lack of marketability. The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable input	Input	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/SALES multiple of peers	2020: 4.0x (2019: 2.8x)	10% (2019: 10%) increase/decrease in multiple would result in increase/decrease in fair value by 6% (2019: 4%)
		Discount for lack of marketability	2020: 25% (2019: 25%)	10% (2019: 10%) increase/decrease in discount would result in decrease/increase in fair value by 3% (2019: 3%)

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2020				
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**28,914**	**28,914**
Trade and bills receivables	**–**	**968,588**	**–**	**968,588**
As at 31 December 2019				
Equity investments designated at fair value through other comprehensive income	–	–	7,658	7,658
Trade and bills receivables	–	742,945	–	742,945

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	**7,658**	7,171
Total gains recognised in other comprehensive income	**1,256**	487
Addition	**20,000**	
At 31 December	**28,914**	7,658

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Financial assets included in other non-current assets	**–**	**8,807**	**–**	**8,807**
As at 31 December 2019				
Financial assets included in other non-current assets	–	55,337	–	55,337

Liabilities for which fair values are disclosed

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Long term interest-bearing bank borrowings and other loans(other than lease liabilities)	**–**	**2,568,420**	**–**	**2,568,420**
As at 31 December 2019				
Long term interest-bearing bank borrowings and other loans(other than lease liabilities)	–	2,977,534	–	2,977,534

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and other loans, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group’s exposure to these risks. As the Group’s exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The management of the Company reviews and agrees policies for managing each of these risks and they are summarised below：

(a) Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group’s interest-bearing bank borrowings and other loans, restricted cash, and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

As at 31 December 2020, if there had been a general increase/decrease in the market interest rates by 10 basis points, with all other variables held constant, the Group’s consolidated pre-tax profit would have decreased/increased by approximately RMB1,641,000 (31 December 2019: RMB3,507,000) and there had been no impact on other components of the consolidated equity, except for retained profits, of the Group. The estimated 10 basis points, increase or decrease represents management’s assessment of a reasonably possible change in market interest rates over the period until the next annual year end.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

Foreign currency risk primarily arises from certain significant foreign currency deposits, trade receivables, and trade payables denominated in United States Dollars ("**USD**") and Hong Kong Dollars ("**HKD**"). The treasury management department of the Group closely monitors the international foreign currency market on the change of exchange rates and takes this into consideration when depositing foreign currency deposits and borrowing loans. As at 31 December 2020, the Group had significant exposures to USD.

The Group has transactional currency exposures which arise from sales or purchases by operating units in currencies other than the units' functional currencies. The exposure was insignificant for the years ended 31 December 2020 and 31 December 2019.

	Increase/ (decrease) in rate	Increase/ (decrease) in profit after tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
2020			
If RMB weakens against USD	**5**	**7,297**	**7,297**
If RMB strengthens against USD	**(5)**	**(7,297)**	**(7,297)**
2019			
If RMB weakens against USD	5	7,795	7,795
If RMB strengthens against USD	(5)	(7,795)	(7,795)

(c) Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 71% (2019: 73%) of the total trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and contract assets were due from China Datang Group, the Group's largest customer. As the Group's major customers are China Datang's subsidiaries or other state-owned enterprises, the Group believes that they are reliable and of high credit quality, and hence, there is no significant credit risk with these customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets*	–	–	–	741,369	741,369
Trade and bills receivables*	968,588	–	–	7,932,517	8,901,105
Financial assets included in prepayments, other receivables and other assets					
– Normal**	112,126	–	–	–	112,126
– Doubtful**	–	–	–	–	–
Restricted cash					
– Not yet past due	67,727	–	–	–	67,727
Cash and cash equivalents					
– Not yet past due	1,531,739	–	–	–	1,531,739
	2,680,180	–	–	8,673,886	11,354,066

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets*	–	–	–	889,309	889,309
Trade and bills receivables*	742,945	–	–	8,033,142	8,776,087
Financial assets included in prepayments, other receivables and other assets					
– Normal**	204,857	–	–	–	204,857
– Doubtful**	–	–	–	–	–
Restricted cash					
– Not yet past due	42,179	–	–	–	42,179
Cash and cash equivalents					
– Not yet past due	1,580,367	–	–	–	1,580,367
	2,570,348	–	–	8,922,451	11,492,799

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at 31 December 2020 and 2019, based on the contractual undiscounted payments, is as follows:

	31 December 2020				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Lease liabilities	**33,938**	**33,938**	**101,815**	**298,455**	**468,146**
Trade and bills payables	**4,904,475**	**–**	**–**	**–**	**4,904,475**
Financial liabilities included in other payables and accruals	**1,384,583**	**–**	**–**	**–**	**1,384,583**
Short term interest-bearing bank borrowings and other loans (excluding lease liabilities)	**3,160,145**	**–**	**–**	**–**	**3,160,145**
Long term interest-bearing bank borrowings and other loans (excluding lease liabilities)	**262,572**	**711,544**	**2,075,320**	**103,021**	**3,152,457**
	9,745,713	**745,482**	**2,177,135**	**401,476**	**13,069,806**

	31 December 2019				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Lease liabilities	34,165	34,165	102,494	300,825	471,649
Trade and bills payables	4,989,275	–	–	–	4,989,275
Financial liabilities included in other payables and accruals	1,297,209	–	–	–	1,297,209
Short term interest-bearing bank borrowings and other loans(excluding lease liabilities)	3,691,093	–	–	–	3,691,093
Long term interest-bearing bank borrowings and other loans(excluding lease liabilities)	276,968	1,014,309	2,065,155	321,301	3,677,733
	10,288,710	1,048,474	2,167,649	622,126	14,126,959

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, other payables and accruals and interest-bearing bank borrowings and other loans, less cash and cash equivalents, restricted cash. Capital includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary. The gearing ratios as at the end of the reporting periods were as follows:

	2020	2019
	RMB'000	*RMB'000*
Trade and bills payables *(note 25)*	**4,904,475**	4,989,275
Other payables and accruals *(note 26)*	**1,789,559**	1,852,722
Interest-bearing bank borrowings and other loans *(note 28)*	**6,070,889**	7,045,878
Less: cash and cash equivalents *(note 24)*	**(1,531,739)**	(1,580,367)
Less: restricted cash *(note 24)*	**(67,727)**	(42,179)
Net debt	**11,165,457**	12,265,329
Total equity	**7,339,278**	7,233,881
Capital and net debt	**18,504,735**	19,499,210
Gearing ratio	**60%**	63%

39. EVENTS AFTER THE REPORTING PERIOD

On 26 March 2021, the Board of Directors proposed to distribute the final dividend for the year ended 31 December 2020 of RMB0.0446 per share (before tax) of the Company in cash to the shareholders. The proposal is subject to the approval of the shareholders at the 2020 annual general meeting of the Company.

Apart from above, as of the report date, the Group had no other significant events after the reporting period that needs to be disclosed.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**5,960,730**	6,212,432
Intangible assets	**169,993**	128,385
Right-of-use assets	**315,578**	322,056
Equity investments designated at fair value through other comprehensive income	**28,914**	7,658
Investments in subsidiaries	**687,810**	687,810
Deferred tax assets	**33,521**	31,530
Other non-current assets	**639,363**	433,758
Total non-current assets	**7,835,909**	7,823,629
CURRENT ASSETS		
Inventories	**64,444**	52,019
Contract assets	**197,808**	424,396
Trade and bills receivables	**5,308,399**	5,209,428
Prepayments, other receivables and other assets	**1,166,938**	1,168,571
Restricted cash	**6,140**	1,014
Cash and cash equivalents	**1,086,585**	1,228,683
Total current assets	**7,830,314**	8,084,111

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020 RMB'000	2019 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	**2,295,747**	2,055,238
Other payables and accruals	**1,597,938**	1,060,344
Provisions	**4,500**	–
Interest-bearing bank borrowings	**1,944,393**	3,106,391
Income tax payable	**31,200**	–
Total current liabilities	**5,873,778**	6,221,973
NET CURRENT ASSETS	**1,956,536**	1,862,138
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,792,445**	9,685,767
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,724,372**	2,900,672
Other non-current liabilities	**22,487**	21,966
Total non-current liabilities	**2,746,859**	2,922,638
Net assets	**7,045,586**	6,763,129
EQUITY		
Share capital	**2,967,542**	2,967,542
Reserves *(Note)*	**4,078,044**	3,795,587
Total equity	**7,045,586**	6,763,129

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2019	1,299,413	350,104	1,846	2,288,164	3,939,527
Total comprehensive income	–	–	414	182,076	182,490
Appropriation to statutory surplus reserve	–	18,208	–	(18,208)	–
Dividends declared to owners of the parent	–	–	–	(326,430)	(326,430)
As at 31 December 2019	1,299,413	368,312	2,260	2,125,602	3,795,587
As at 1 January 2020	**1,299,413**	**368,312**	**2,260**	**2,125,602**	**3,795,587**
Total comprehensive income	**–**	**–**	**1,067**	**381,693**	**382,760**
Appropriation to statutory surplus reserve	**–**	**38,169**	**–**	**(38,169)**	**–**
Dividends declared to owners of the parent	**–**	**–**	**–**	**(100,303)**	**(100,303)**
As at 31 December 2020	**1,299,413**	**406,481**	**3,327**	**2,368,823**	**4,078,044**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

"2020 AGM"	the annual general meeting of the Company for the year of 2020, to be held at 3:30 p.m. on Friday, 4 June 2021 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC
"Articles of Association"	the articles of association of the Company, as amended on 27 June 2019
"Board"	the board of Directors of the Company
"China Datang"	China Datang Corporation Ltd. (中國大唐集團有限公司), a state-owned enterprise established on 9 April 2003 in accordance with the PRC laws and the Controlling Shareholder and a promoter of the Company
"China Datang Group"	China Datang and its subsidiaries (excluding the Group)
"Company"	Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司) was converted to a joint stock limited company on 26 June 2015, unless otherwise stated, including its predecessor China Datang Corporation Environment Technology Co., Ltd. (中國大唐集團環境技術有限公司) (a limited liability company established on 25 July 2011 pursuant to the PRC law and was renamed to Datang Technology Industry Co., Ltd. (大唐科技產業有限公司) in September 2013 and further to Datang Technology Industry Group Co., Ltd. (大唐科技產業集團有限公司) in December 2013)
"Controlling Shareholder"	has the meaning ascribed under the Listing Rules, and in this annual report, refers to the controlling shareholder of the Company, China Datang
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulator responsible for supervising and regulating the Chinese securities market
"Datang Finance"	China Datang Finance Co., Ltd. (中國大唐集團財務有限公司), a company incorporated in the PRC with limited liability, and a non-wholly owned subsidiary of China Datang
"Datang Huayin"	Datang Huayin Electric Power Co., Ltd. (大唐華銀電力股份有限公司), a joint stock limited company established on 22 March 1993 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Shanghai Stock Exchange (stock code: 600744)
"Datang Renewable"	China Datang Corporation Renewable Power Co., Ltd. (中國大唐集團新能源股份有限公司), a joint stock limited company established on 23 September 2004 in accordance with the PRC laws and a subsidiary of China Datang, which is listed on the Main Board of the Stock Exchange (stock code: 1798)

"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"EMC"	a business model that the energy conservation companies provide energy-conservation services to customers according to the energy conservation service contracts entered into with customers, and recover the investment and gain profit from the energy efficiency achieved upon the completion of energy conservation facilities refurbishment
"EPC"	contracting arrangement whereby the contractor is commissioned by the customer to carry out works, such as design, procurement, construction and trial operations, either through the contractor's own employees or by subcontracting part or all of the works, and be responsible for the quality, safety, timely delivery and cost of the project
"Group", "our Group", "we" or "us"	the Company and all or any of our subsidiaries (as the context so requires)
"H Share(s)"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed and traded on the Stock Exchange
"Joint Company Secretary" or "Joint Company Secretaries"	joint company secretary/secretaries of the Company
"Latest Practicable Date"	13 April 2021, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained in this annual report
"Listing"	listing of our H Shares on the Main Board of the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"Nanjing Environmental Protection"	Datang Nanjing Environmental Protection Technology Co., Ltd. (大唐南京環保科技有限責任公司), a limited liability company established on 14 December 2011 in accordance with the PRC laws and a subsidiary of the Company
"PBOC" or "People's Bank of China"	the People's Bank of China
"PRC"	the People's Republic of China, unless it has specifically specified, it excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan

"Prospectus"	the prospectus of the Company dated 3 November 2016 with respect to the listing of the Company on the Main Board of the Stock Exchange
"Reporting Period"	the year ended 31 December 2020
"RMB"	Renminbi, the current lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會), responsible for the management of state assets
"Senior Management"	senior management of the Company
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, composed of the Domestic Shares and H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)" or "Supervisory Committee"	supervisor(s) or supervisory committee of the Company
"%"	per cent

Corporate Information

LEGAL NAME OF THE COMPANY

大唐環境產業集團股份有限公司

ENGLISH NAME OF THE COMPANY

Datang Environment Industry Group Co., Ltd.*

DIRECTORS

Non-executive Directors

Mr. Qu Bo *(Chairman) (appointed in October 2020)*
Mr. Liu Quancheng
Mr. Liu Ruixiang
Mr. Li Zhenyu
Mr. Jin Yaohua *(resigned with effect from October 2020)*
Mr. Hou Guoli *(re-designated in July 2020 and resigned with effect from October 2020)*

Executive Directors

Mr. Wang Yanwen
Mr. Tian Dan *(appointed in October 2020)*

Independent non-executive Directors

Mr. Ye Xiang
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang

SUPERVISORS

Ms. Huo Yuxia *(Chairman) (appointed in June 2020)*
Mr. Liu Liming
Ms. Luo Li *(appointed in January 2021)*
Mr. Wang Yuanchun *(resigned with effect from June 2020)*
Mr. Chen Li *(resigned in January 2021)*

LEGAL REPRESENTATIVE OF THE COMPANY

Mr. Qu Bo *(appointed in October 2020)*
Mr. Jin Yaohua *(resigned in October 2020)*

AUTHORIZED REPRESENTATIVES

Mr. Wang Yanwen *(appointed in August 2020)*
Mr. Hou Guoli *(resigned in August 2020)*
Mr. Liang Xiuguang *(appointed in November 2020)*
Ms. Zhu Mei *(resigned in November 2020)*

JOINT COMPANY SECRETARIES

Mr. Liang Xiuguang *(appointed in November 2020)*
Ms. Wong Sau Ping *(FCG; FCS)*
Ms. Zhu Mei *(resigned in November 2020)*

COMMITTEES UNDER THE BOARD

Audit Committee

Mr. Gao Jiaxiang *(Chairman)*
Mr. Ye Xiang
Mr. Liu Quancheng

Nomination Committee

Mr. Qu Bo *(Chairman) (appointed in October 2020)*
Mr. Mao Zhuanjian
Mr. Gao Jiaxiang
Mr. Jin Yaohua *(resigned with effect from October 2020)*

Remuneration and Evaluation Committee

Mr. Ye Xiang *(Chairman)*
Mr. Mao Zhuanjian
Mr. Wang Yanwen *(appointed in October 2020)*
Mr. Hou Guoli *(resigned with effect from October 2020)*

Strategy and Investment Committee

Mr. Wang Yanwen *(Chairman) (appointed in October 2020)*
Mr. Liu Ruixiang
Mr. Mao Zhuanjian
Mr. Hou Guoli *(resigned with effect from October 2020)*

REGISTERED OFFICE

No. 120 Zizhuyuan Road, Haidian District,
Beijing, the PRC

HEAD OFFICE IN THE PRC

No. 120 Zizhuyuan Road, Haidian District,
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square, 1 Matheson
Street, Causeway Bay, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower, 1 Tim Mei Avenue,
Central, Hong Kong

Ernst & Young Hua Ming LLP
16/F, Ernst & Young Tower, Oriental Plaza,
No. 1 East Chang An Ave., Dong Cheng District,
Beijing, the PRC

LEGAL ADVISORS

As to Hong Kong law

Zhong Lun Law Firm LLP
4/F, Jardine House,
1 Connaught Place, Hong Kong

As to the PRC law

Zhong Lun Law Firm
23-31/F, South Tower of CP Center
20 Jin He East Avenue, Chaoyang District
Beijing, PRC

PRC PRINCIPAL BANKS

China Development Bank Corporation
China Development Bank 11088,
Fortune Resource International Center,
No. 16 Taipingqiao Street, Xicheng District,
Beijing, the PRC

China Construction Bank Corporation Beijing
Xuanwu Sub-branch
No. 314 Guang'anmennei Street, Xicheng District,
Beijing, the PRC

Industrial and Commercial Bank of China Limited
Beijing Haidian Sub-branch
No. 100 Zhongguancun East Road, Haidian District,
Beijing, the PRC

Agricultural Bank of China
Beijing Xuanwu Sub-branch
No. 1A Xuanwumenwai Avenue,
Xicheng District, Beijing

Bank of Beijing Co., Ltd.
Shangdi Sub-branch
No. 1 Shangdi Xinxi Road,
Haidian District, Beijing

Ningbo Bank Corporation
Beijing Zhongguancun Sub-Branch
1st Floor, Dream Laboratory, 1 Haidian Avenue,
Haidian District, Beijing

Agricultural Bank of China Limited
Beijing Luoma City Sub-branch
F1, Block A, Fenghua Haojing,
No. 6-4 Guang'an Men Nei Da Jie,
Xicheng District, Beijing

Huaxia Bank Co., Ltd.
Beijing Mentougou Sub-branch
No. 57 Dayu Xinqiao Street,
Mentougou District, Beijing

China Minsheng Bank Wanliu Branch
Block 2, 6 Wanliuzhong Road, Haidian District,
Beijing

Post Savings Bank of China Dashanzi Branch
13 Jiuxianqiao Road, Chaoyang District, Beijing

China Merchant Bank
Beijing East Third Ring Branch
1 East Third Ring North Road, Chaoyang District,
Beijing

Bank of Jiangsu Beijing Branch
1 Building, Guangxi Homeland,
Chaoyang District, Beijing

H SHARE REGISTRAR

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

STOCK ABBREVIATION AND STOCK CODE

DATANG ENVIRO (1272)

COMPLIANCE ADVISOR

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Hong Kong

INVESTOR INQUIRIES

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* *For identification purpose only*