



Investment and
Other Businesses

Clean Energy,
Environmental Protection
and Water Utilities

Industrial
Manufacturing

Construction and
Contracting

Survey, Design and
Consulting Services

BRINGING ENERGY

TO THE WORLD

INTERIM REPORT 2021

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

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

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

Contents

| | |
|--|-----------|
| I. Company Information | 2 |
| II. Financial Summary | 3 |
| III. Overview of Business Development | 4 |
| IV. Management Discussion and Analysis | 20 |
| V. Material Events | 42 |
| VI. Report on Review of Consolidated Financial Statements | 48 |
| VII. Condensed Consolidated Financial Statements | 49 |
| <i>Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited</i> | 49 |
| <i>Consolidated Statement of Financial Position – Unaudited</i> | 52 |
| <i>Consolidated Statement of Changes in Equity – Unaudited</i> | 55 |
| <i>Condensed Consolidated Statement of Cash Flows – Unaudited</i> | 57 |
| <i>Notes to the Unaudited Interim Financial Report</i> | 59 |
| VIII. Glossary of Vocabulary and Technical Terms | 99 |

I. Company Information

Company Information

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

Stock Information of the Company

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

Executive Directors

Mr. Song Hailiang (Chairman)
 Mr. Sun Hongshui (Vice Chairman)
 Mr. Ma Mingwei

Non-Executive Directors

Mr. Li Shulei (appointed on 5 February 2021)
 Mr. Liu Xueshi
 Mr. Si Xinbo

Independent Non-Executive Directors

Mr. Zhao Lixin
 Mr. Cheng Niangao
 Dr. Ngai Wai Fung (appointed on 5 February 2021)
 Mr. Cheung Yuk Ming
 (retired upon expiration of term on 5 February 2021)

Supervisors

Mr. He Jiansheng
 (Chairman, appointed on 5 February 2021)
 Mr. Wang Zengyong (Chairman, retired upon expiration of term on 5 February 2021)
 Mr. Kan Zhen
 Mr. Wu Daozhuan (appointed on 26 May 2021)
 Mr. Mao Fengfu (appointed on 5 February 2021)
 Mr. Lv Shisen (appointed on 5 February 2021)
 Mr. Li Fangyi (resigned on 26 May 2021)
 Mr. Fu Dexiang
 (retired upon expiration of term on 5 February 2021)
 Mr. Wei Zhongxin
 (retired upon expiration of term on 5 February 2021)

Authorized Representatives

Mr. Song Hailiang
 Mr. Duan Qiurong (resigned on 27 August 2021)
 Mr. Qin Tianming (appointed on 27 August 2021)

Strategy Committee

Mr. Song Hailiang (Chairman)
 Mr. Sun Hongshui
 Mr. Li Shulei (appointed on 5 February 2021)
 Mr. Si Xinbo

Nomination Committee

Mr. Song Hailiang (Chairman)
 Mr. Zhao Lixin
 Mr. Cheng Niangao (appointed on 5 February 2021)
 Mr. Cheung Yuk Ming
 (retired upon expiration of term on 5 February 2021)

Remuneration and Assessment Committee

Mr. Cheng Niangao (Chairman)
 Mr. Liu Xueshi
 Dr. Ngai Wai Fung (appointed on 5 February 2021)
 Mr. Cheung Yuk Ming
 (retired upon expiration of term on 5 February 2021)

Audit Committee

Mr. Zhao Lixin (Chairman)
 Mr. Li Shulei (appointed on 5 February 2021)
 Dr. Ngai Wai Fung (appointed on 5 February 2021)
 Mr. Cheng Niangao
 (ceased to serve on 5 February 2021)
 Mr. Cheung Yuk Ming
 (retired upon expiration of term on 5 February 2021)

Joint Company Secretaries

Mr. Duan Qiurong (resigned on 27 August 2021)
 Mr. Qin Tianming (appointed on 27 August 2021)
 Ms. Leung Suet Wing (resigned on 23 July 2021)
 Ms. Leung Shui Bing (appointed on 23 July 2021)

H Share Registrar

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

International Auditor

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

Legal Advisers

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

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

Principal Banks

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

II. Financial Summary

1 Summary of Condensed Consolidated Statement of Profit or Loss

| | For the six months ended 30 June | | Changes of 2021 over 2020 (%) |
|---|----------------------------------|--------------------------|-------------------------------------|
| | 2021 (RMB in million) | 2020 (RMB in million) | |
| Revenue: | | | |
| Survey, design and consulting services | 5,701.1 | 4,798.7 | 18.80 |
| Construction and contracting | 115,020.8 | 81,022.0 | 41.96 |
| Industrial manufacturing | 12,318.2 | 10,015.6 | 22.99 |
| Clean energy, environmental protection and water utilities | 2,518.0 | 6,568.1 | (61.66) |
| Investment and other businesses | 12,969.1 | 7,658.5 | 69.34 |
| Inter-segment elimination and adjustment | (6,981.4) | (4,465.7) | 56.33 |
| Total | 141,545.7 | 105,597.2 | 34.04 |
| Gross profit | 17,047.0 | 12,445.0 | 36.98 |
| Profit before taxation | 6,164.0 | 3,502.7 | 75.98 |
| Profit for the period | 4,520.3 | 2,238.4 | 101.95 |
| Profit for the period attributable to equity holders of the Company | 2,450.9 | 919.0 | 166.69 |
| Basic earnings per share (RMB cents) | 7.56 | 2.88 | 162.50 |

2 Summary of Condensed Consolidated Statement of Financial Position

| | As at 30 June 2021 | As at 31 December 2020 | Changes of 30 June 2021 over 31 December 2020 |
|-------------------------------------|-----------------------|---------------------------|---|
| | (RMB in million) | (RMB in million) | (%) |
| Current assets | 299,726.7 | 289,411.9 | 3.56 |
| Non-current assets | 199,502.2 | 186,640.0 | 6.89 |
| Total assets | 499,228.9 | 476,051.9 | 4.87 |
| Current liabilities | 253,673.9 | 253,102.3 | 0.23 |
| Non-current liabilities | 97,803.0 | 85,020.7 | 15.03 |
| Total liabilities | 351,476.8 | 338,123.0 | 3.95 |
| Total equity | 147,752.1 | 137,928.9 | 7.12 |
| Total equity and liabilities | 499,228.9 | 476,051.9 | 4.87 |

III. Overview of Business Development

1. Overview of Industry Development

Fixed asset investment. In the first half of 2021, fixed asset investment in China (excluding rural households) amounted to RMB25.6 trillion, increased by 12.6% year-on-year. The infrastructure investment (excluding power, heat, gas, water production and supply industry) increased by 7.8% year-on-year. Among which, water management investment increased by 10.7%, ecological protection and environmental governance investment increased by 16.9%, public facilities management investment increased by 6.2%, railway transport investment increased by 0.4%, information transmission investment increased by 9.9% and road transport investment increased by 6.5%.

Construction industry. In the first half of 2021, the total output value of construction industry in China was RMB12.0 trillion, representing a year-on-year increase of 18.8%. According to preliminary statistics from the China Construction Industry Association, the output value of the construction industry increased by approximately RMB3.3 trillion in the first half of this year, representing a year-on-year increase of 8.6%. As at the end of June 2021, the value of newly signed contracts of construction enterprises in China was approximately RMB14.4 trillion.

Power industry. According to statistics from the CEC, in the first half of 2021, the national power consumption in China was 3,933.86 billion KWh, representing a year-on-year increase of 16.21%. Among which, the electricity consumption of the primary, secondary and tertiary industries has grown rapidly, with growth rates exceeding 16%. The growth rate of residential electricity consumption has remained at around 4.5%. Completed investments in power generation projects and power grid projects have maintained a growth trend. The power generation projects of major power enterprises in China completed an investment of RMB189.3 billion, representing a year-on-year increase of 8.9%, among which, the hydropower investment reached RMB47.5 billion, representing a year-on-year increase of 19.1%; the thermal power investment reached RMB20.2 billion, representing a year-on-year increase of 10.3%; the nuclear power investment reached RMB22.6 billion, representing a year-on-year increase of 44.3%; the wind power investment reached RMB82.6 billion, representing a year-on-year decrease of 3.2%; and solar energy power generation investment reached RMB16.5 billion, representing a year-on-year increase of 12.2%. Power grid projects in China completed an investment of RMB173.4 billion, representing a year-on-year increase of 4.7%.

Overseas contracting. According to statistics from the MOC, in the first half of 2021, China's overseas investment cooperation was carried in a stable and orderly way, with non-financial direct investment of RMB348.83 billion, representing a year-on-year decrease of 3.7%. Among which, Chinese companies made non-financial direct investment in 55 countries along the "One Belt and One Road" with a total amount of RMB62 billion, representing a year-on-year increase of 8.6% and an increase of 2 percentage points from the previous year. In the first half of 2021, the turnover of completed overseas contracted projects amounted to RMB439.76 billion, representing a year-on-year increase of 3.2%; the amount of newly signed contracts amounted to RMB714.94 billion, representing a year-on-year decrease of 5.2%. Among which, the amount of newly signed contracts for overseas contracted engineering projects of Chinese companies in 60 countries along the "One Belt and One Road" amounted to RMB383.71 billion, representing a year-on-year decrease of 9.5%; the turnover of completed projects amounted to RMB254.67 billion, representing a year-on-year increase of 1.8%.

III. Overview of Business Development

1. Overview of Industry Development *(Continued)*

Cement industry. In the first half of 2021, the cement production in China has increased significantly. Accumulative cement output was 1.15 billion tons, increased by 14.1% year-on-year.

Real estate industry. In the first half of 2021, real estate development investment in China was RMB7.2 trillion, representing a year-on-year increase of 15.0%. The construction area of real estate development enterprises was 8.73 billion square meters, representing a year-on-year increase of 10.2%; new construction area was 1.01 billion square meters, representing a year-on-year increase of 3.8%; land purchase area of real estate development enterprises was 70.21 million square meters, representing a year-on-year decrease of 11.8%; and sales area of commercial housing was 890 million square meters, representing a year-on-year increase of 27.7%.

In general, in the first half of 2021, pandemic prevention and control in China has achieved remarkable results. With a low base in 2020, economic operations have shown a trend of restorative growth and accelerated recovery. The growth rate of some industries related to the main business of the Company has begun to pick up, and the adverse impact on the development of the domestic industry from the pandemic has begun to fade. At present, the pandemic situation in the world is still not optimistic, external risks and challenges are still complicated, and economic recovery in China is still under pressure, but the overall upward trend of economic fundamentals has not changed.

(Note: data that does not indicate the source is based on the information released by the National Bureau of Statistics.)

2 Business Review

In the first half of 2021, the amount of newly signed contracts of the Company was RMB483.289 billion, representing a year-on-year increase of 58.2%. The Company realized revenue of RMB141.546 billion, representing a year-on-year increase of 34.04%; realized a total profit of RMB6.164 billion, representing a year-on-year increase of 75.98%. The business sectors of the Company are mainly as follows.

2.1 Survey, Design and Consulting Services Business

- (1) The survey, design and consulting services business of the Company primarily provides the business of planning research, consulting, evaluation, engineering survey, design, supervision and others in the field of energy and infrastructure. The Company is an "industry-leading and world-class" energy integration solution provider. In terms of energy and power survey and design technology, the Company is in a leading position. The Company also has international leading advantages in the areas including researches on the industrial policy and development planning in the energy and power field; survey and design technology of the mega-kilowatt ultra-supercritical unit, the third-generation nuclear power conventional island, clean coal-fired power generation, ultra-high voltage AC/DC power transmission and transformation, flexible AC/DC transmission, wind power, solar power generation, etc. The Company keeps expanding and enhancing its cross-industry comprehensive design capabilities, and keeps strengthening the traction of design consulting in order to create higher value for customers with a full-process, high-quality design and consulting service model.

In the first half of 2021, the value of the Company's newly signed contracts for the survey, design and consulting services business amounted to RMB6.042 billion, representing a year-on-year decrease of 2.81%. The revenue before inter-segment elimination was RMB5.701 billion, representing a year-on-year increase of 18.80%.

III. Overview of Business Development

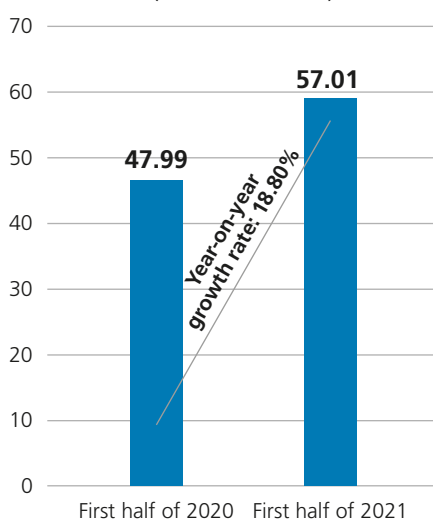
2 Business Review *(Continued)*

2.1 Survey, Design and Consulting Services Business *(Continued)*

(2) Key operating indicators of survey, design and consulting services business in the first half of 2021

| Name of indicators | First half of 2021 | First half of 2020 | Year-on-year change in the first half |
|--|--------------------|--------------------|---------------------------------------|
| Revenue of sector (RMB100 million) | 57.01 | 47.99 | 18.80% |
| Including: Power engineering | 51.46 | 43.89 | 17.25% |
| Non-power engineering | 5.55 | 4.10 | 35.37% |
| Gross profit of sector (RMB100 million) | 17.26 | 15.85 | 8.88% |
| Including: Power engineering | 15.78 | 14.68 | 7.49% |
| Non-power engineering | 1.48 | 1.17 | 26.50% |
| New contract amount of sector (RMB100 million) | 60.42 | 62.17 | -2.81% |
| Including: Power engineering | 53.47 | 55.51 | -3.68% |
| Non-power engineering | 6.95 | 6.66 | 4.35% |

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



III. Overview of Business Development

2 Business Review (Continued)

2.1 Survey, Design and Consulting Services Business (Continued)

(3) Major contracted projects

| Name of projects | Notes |
|---|---------------------------------------|
| 1. Domestic projects | |
| Engineering Survey and Design Technical Service Contract for 4 Sets of 1,000 MW Units of Phase II Project of Zhengning Power Plant of Huaneng Gansu Company (華能甘肅公司正寧電廠二期4台1,000兆瓦工程勘察設計技術服務合同) | Thermal power |
| Design Contract for the Flood Drainage Canal Improvement Project of The Hudiedi Reservoir in Huangjiang Town, Dongguan City (東莞市黃江鎮蝴蝶地水庫排洪渠整治工程設計合同) | Waterworks and hydropower |
| Geotechnical Survey Contract for the Main Plant Area of Guangdong Taipingling Nuclear Power Plant Phase I Project (廣東太平嶺核電廠一期工程主廠區岩土工程勘察合同) | Nuclear power |
| Service Contract for Research and Technical Consulting of Offshore Wind Power Planning and Base Construction in Shanwei and Jieyang, Guangdong (廣東汕尾市、揭陽市海上風電規劃與基地建設方案研究技術諮詢服務合同) | New energy |
| Survey and Design Contract for Guangdong Power Grid DC Back-to-Back Guangzhou Project (Great Bay Area Central Passage DC Back-to-Back) (廣東電網直流背靠背廣州工程(大灣區中通道直流背靠背) 勘察設計合同) | Power transmission and transformation |
| Survey and Design of Water Pollution Comprehensive Treatment Project in the Downstream Area of Dongjiang River in Dongguan City (Second Section of the Sewage Collection System Improvement Project) (東莞市東江下游片區水污染綜合治理工程(污水收集系統完善工程第二標段)勘察設計) | Non-power |
| 2. International projects | |
| Pakistan Binjisheng Phase III 900MW Combined Loop Power Station Project (巴基斯坦濱佳勝三期900MW聯合循環電站項目) | Thermal power |
| Survey and Design Contract for Phase II of Zofia Wind Power Project (佐菲亞風電項目II期勘察設計合同) | New energy |
| Electric Power Project Design Contract for Saysettha Comprehensive Development Zone (賽色塔綜合開發區電力項目設計合同) | Power transmission and transformation |
| Construction and Supervision Service Contract for Philippines PTO – Southern Luzon Project (菲律賓PTO項目-南呂宋施工監理服務合同) | Non-power |
| Survey and Design Service Contract for the 150MIGD Seawater Desalination Project In Umm Al Quwain, United Arab Emirates (阿聯酋烏姆蓋萬150MIGD海水淡化項目勘測設計服務合同) | Non-power |

III. Overview of Business Development

2 Business Review (Continued)

2.1 Survey, Design and Consulting Services Business (Continued)

(4) Certain projects under construction

| Name of projects | Notes |
|--|---------------------------------------|
| 1. Domestic projects | |
| Engineering and Design Contract for Shenhua Fujian Luoyuan Bay Coal Storage Integrated Power Plant (神華福建羅源灣儲煤一體化電廠工程設計合同) | Thermal power |
| Survey and Design Contract of the Nanning Pumped Storage Power Station (南寧抽水蓄能電站勘測設計合同) | Waterworks and hydropower |
| Design and Technical Services Contract for Conventional Islands and the BOP Construction Drawing of Yangjiang Nuclear Power Plant Project (陽江核電廠工程常規島及BOP施工圖設計與技術服務合同) | Nuclear power |
| Technical Services Contract for Feasibility Study and Survey, Design for Guangdong Huadian Yangjiang Qingzhou III Offshore Wind Power Project (廣東華電陽江青洲三海上風電場項目可研和勘測設計技術服務合同) | New energy |
| Technical Consulting Contract for Feasibility Study of Guangdong Power Grid DC Back-to-Back Dongguan Project (South Passage DC Back-to-Back Project) (廣東電網直流背靠背東莞工程(南通道直流背靠背工程)可行性研究技術諮詢合同) | Power transmission and transformation |
| Survey and Design Contract for Survey and Design, Procurement, and Construction EPC Project PPP Project of the New-Type Urbanization in East Area of Dianjiang County (墊江縣東部片區新型城鎮化PPP項目勘察設計、採購、施工總承包項目勘察設計合同) | Non-power |
| Survey and Design Contract for the PPP Project of Municipal Infrastructure Construction in Baiyun New Town Area, Huiyang District (惠陽區白雲新城片區市政基礎設施建設PPP項目勘察、設計合同) | Non-power |

III. Overview of Business Development

2 Business Review (Continued)

2.1 Survey, Design and Consulting Services Business (Continued)

(4) Certain projects under construction (Continued)

| Name of projects | Notes |
|--|---------------------------------------|
| 2. International projects | |
| Survey and Design Contract for 2×1,000MW Coal-Fired Power Station in Khammouan, Laos (老撾甘蒙2×1,000MW燃煤電站勘測設計合同) | Thermal power |
| Survey and Design Contract for NJ Hydropower Project in Pakistan (巴基斯坦NJ水電工程勘測設計合同) | Waterworks and hydropower |
| Design Contract for 700MW Project Project in Dubai (迪拜700MW光熱發電項目設計合同) | New energy |
| Survey and Design Contract for the Converter Station and Auxiliary Engineering of the Phase II Project of ±800kv Ultra High Voltage Direct Current Transformation of Meilishan Hydropower Station in Brazil (巴西美麗山水電±800kV特高壓直流送出二期項目換流站及配套工程勘察設計合同) | Power transmission and transformation |
| Engineering Design and Consulting Contract for Jazan JIGCC Water Intake and Drainage in Saudi Arabia (沙特吉贊JIGCC取排水口工程設計諮詢合同) | Non-power |

2.2 Construction and Contracting Business

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

In the first half of 2021, the value of the Company's newly signed contracts for the construction and contracting business amounted to RMB470.385 billion, representing a year-on-year increase of 60.62%; the revenue before inter-segment elimination was RMB115.021 billion, representing a year-on-year increase of 41.96%.

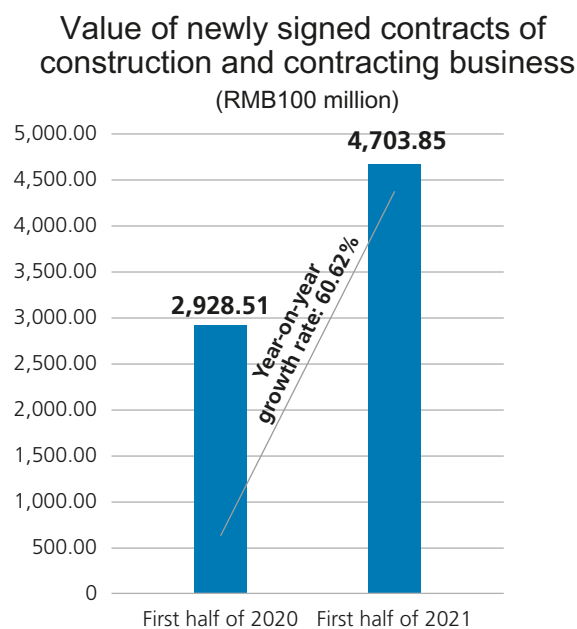
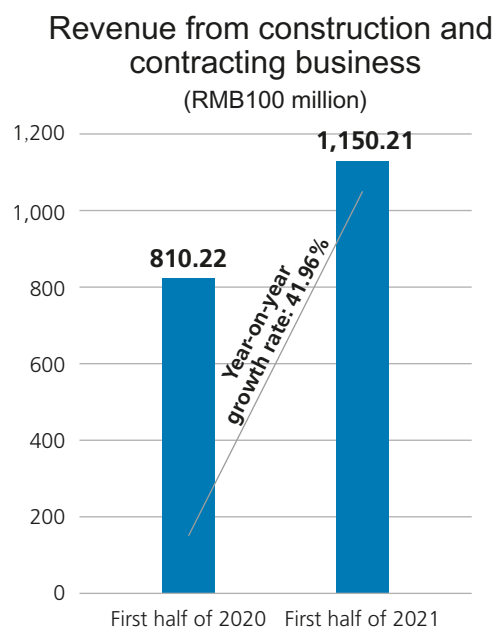
III. Overview of Business Development

2 Business Review *(Continued)*

2.2 Construction and Contracting Business *(Continued)*

(2) Key operating indicators of construction and contracting business in the first half of 2021

| Name of indicators | First half of 2021 | First half of 2020 | Year-on-year change in the first half |
|--|--------------------|--------------------|---------------------------------------|
| Revenue of sector (RMB100 million) | 1,150.21 | 810.22 | 41.96% |
| Including: Power engineering | 787.59 | 581.34 | 35.48% |
| Non-power engineering | 362.62 | 228.88 | 58.43% |
| Gross profit of sector (RMB100 million) | 86.48 | 59.43 | 45.52% |
| Including: Power engineering | 46.64 | 34.76 | 34.18% |
| Non-power engineering | 39.84 | 24.67 | 61.49% |
| New contract amount of sector (RMB100 million) | 4,703.85 | 2,928.51 | 60.62% |
| Including: Power engineering | 2,299.48 | 1,473.56 | 56.05% |
| Non-power engineering | 2,404.37 | 1,454.94 | 65.26% |



III. Overview of Business Development

2 Business Review (Continued)

2.2 Construction and Contracting Business (Continued)

(3) Major contracted projects

| Name of projects | Notes |
|--|---------------------------------------|
| 1. Domestic projects | |
| EPC General Contract Project for 2x660 MW Ultra-Supercritical Air-Cooling Unit Project of State Grid Energy Xinjiang Zhudong Coal and Electricity Co., Ltd. (國網能源新疆准東煤電有限公司 2x660MW超超臨界空冷機組工程EPC總承包工程) | Thermal power |
| General Contract of the River Water Replacement Project for Rural Domestic Water Sources in Li County 2021-2022 (蠡縣2021-2022年農村生活水源江水置換工程項目工程總承包) | Waterworks and hydropower |
| Civil Engineering Contract of Conventional Islands in Units 7 and 8 of Tianwan Nuclear Power Station (田灣核電站7、8號機組常規島土建工程) | Nuclear power |
| EPC General Contract for the Three Gorges Ulanqab New Generation Grid-Friendly Green Power Station Demonstration Project (Phase II) (三峽烏蘭察布新一代電網友好綠色電站示範項目(二期)EPC總承包) | New energy |
| EPC General Contract of the Power Supply Project of Shanxi Synthetic Biological Industry Ecological Park (山西合成生物產業生態園區供電工程EPC總承包) | Power transmission and transformation |
| Xiong'an New District External Backbone Roadway Grid and Baoding "4+2" Ring Road General Main Highways Project (雄安新區對外骨幹路網和保定市"4+2"繞城普通幹線公路項目) | Non-power |
| 2. International projects | |
| Gokui North Phase II 2,100MW Coal-fired Power Plant Project in Zimbabwe (津巴布韋戈奎北二期 2,100MW燃煤電站項目) | Thermal power |
| Kaiba 400MW Hydropower Project in Uganda (烏干達凱壩400MW水電站項目) | Waterworks and hydropower |
| No. 1 350MW Wind Power Project in Ca Mau, Vietnam (越南金甌1號350MW風電項目) | New energy |
| 330/132kV and 132/33kV Substation General Contract in Nigeria (TR2) (尼日利亞330/132kV以及 132/33kV變電站總承包工程(TR2)) | Power transmission and transformation |
| Durban Shaka Ridge Smart City Development Project Contract in South Africa (南非德班沙卡之嶺智 慧城開發項目合同) | Non-power |

III. Overview of Business Development

2 Business Review *(Continued)*

2.2 Construction and Contracting Business *(Continued)*

(4) Certain projects under construction

| Name of projects | Notes |
|--|---------------------------------------|
| 1. Domestic projects | |
| General Contract of Shaanxi Energy Leilongwan Power Plant (2x1,000MW) (陝西能源雷龍灣電廠(2x1,000MW)工程總承包項目) | Thermal power |
| Yulong Kashi Water Conservancy Project in Xinjiang (新疆玉龍喀什水利樞紐工程) | Waterworks and hydropower |
| Tianwan Nuclear Power Plant Conventional Island Project in Jiangsu (江蘇田灣核電站常規島項目) | Nuclear power |
| EPC General Contract Project of Guangdong Zhuhai Jinwan Offshore Wind Farm (廣東珠海金灣海上風電場項目EPC總承包工程) | New energy |
| General Contract Project of 220kV Xiaomei Power Transmission Project of Guangxi Xingyi to Baise Power Transmission Project (廣西興義至百色輸變電工程220千伏小梅送變電工程總承包項目) | Power transmission and transformation |
| Tianlin-Xilin (Dian-Gui) Highway PPP Project (廣西田林至西林(滇桂界)公路工程PPP項目) | Non-power |
| Infrastructure Construction and Shantytown Renovation Project in Fengnan, Tangshan, Hebei (河北唐山豐南基礎建設及棚戶區改造工程) | Non-power |
| 2. International projects | |
| 2x600MW Coal-fired Power Station Project Phase I in Nanding Vietnam (越南南定一期2x600MW燃煤電站項目) | Thermal power |
| President and Governors Dam Project in Argentina (阿根廷總統及省長大壩項目) | Waterworks and hydropower |
| Karachi Nuclear Power Plant Project in Pakistan (巴基斯坦卡拉奇核電廠工程) | Nuclear power |
| 360MWp PV Project in New South Wales, Australia (澳大利亞新南威爾士州360MWp光伏項目) | New energy |
| 500kV Suki-Knari Hydropower Station to Niran Jhelum Power Transmission Line in Pakistan (巴基斯坦500kV蘇基-克納里水電站到尼蘭傑赫勒姆輸電線路) | Power transmission and transformation |
| South al-Mutlaa City Infrastructure Construction Project in Kuwait (科威特南穆塔拉城基礎設施建設項目) | Non-power |
| Road Upgrade Project of the Second Section from Oyon to Ambo, Peru (秘魯奧永至安博第二標段道路升級項目) | Non-power |

III. Overview of Business Development

2 Business Review (Continued)

2.3 Industrial Manufacturing Business

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

In the first half of 2021, the revenue before inter-segment elimination of industrial manufacturing business of the Company was RMB12.318 billion, representing a year-on-year increase of 22.99%. Among which, the revenue from cement production business amounted to RMB4.476 billion, representing a year-on-year increase of 24.89%; the revenue from civil explosives business amounted to RMB2.252 billion, representing a year-on-year increase of 15.37%; the revenue from equipment manufacturing business amounted to RMB5.590 billion, representing a year-on-year increase of 24.78%.

(2) **Key operating indicators of industrial manufacturing business in the first half of 2021**

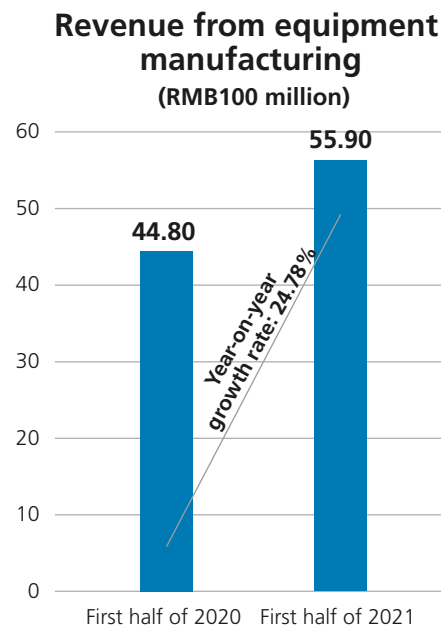
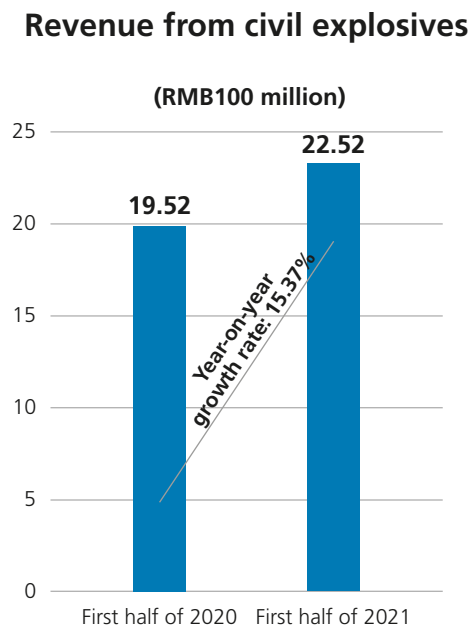
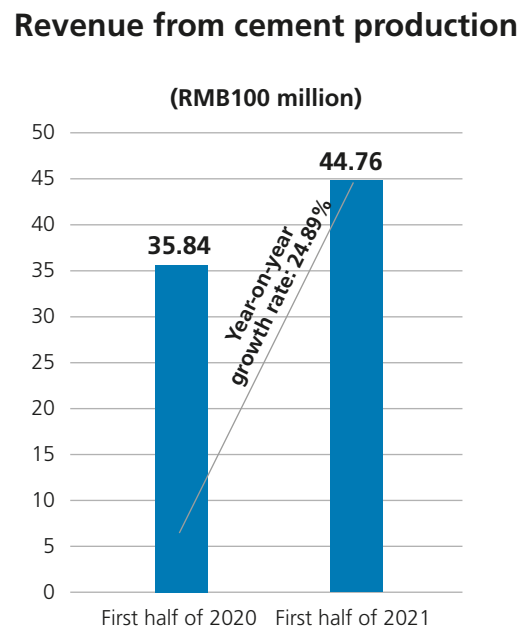
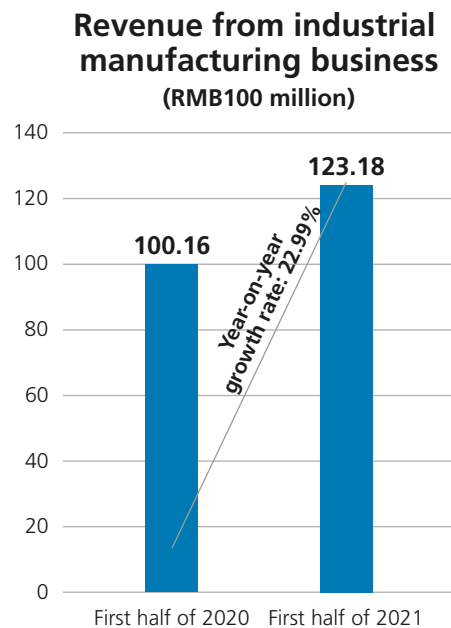
| | First half of 2021 | First half of 2020 | Year-on-year change in the first half |
|--|--------------------|--------------------|---------------------------------------|
| Revenue of sector (RMB100 million) | 123.18 | 100.16 | 22.99% |
| Including: Cement production | 44.76 | 35.84 | 24.89% |
| Civil explosives | 22.52 | 19.52 | 15.37% |
| Equipment manufacturing | 55.90 | 44.80 | 24.78% |
| Gross profit of sector (RMB100 million) | 30.40 | 26.05 | 16.72% |
| Including: Cement production | 17.13 | 15.61 | 9.74% |
| Civil explosives | 5.92 | 4.16 | 42.31% |
| Equipment manufacturing | 7.35 | 6.28 | 17.04% |
| New contract amount of sector (RMB100 million) | | | |
| Including: Cement production | N/A | N/A | N/A |
| Civil explosives | N/A | N/A | N/A |
| Equipment manufacturing | 68.62 | 64.24 | 6.82% |

III. Overview of Business Development

2 Business Review (Continued)

2.3 Industrial manufacturing business (Continued)

(2) Key operating indicators of industrial manufacturing business in the first half of 2021 (Continued)



III. Overview of Business Development

2 Business Review (Continued)

2.4 Clean Energy, Environmental Protection and Water Utilities Business

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

In the first half of 2021, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business of the Company was RMB2.518 billion, representing a year-on-year decrease of 61.66%. Among which, the revenue of clean energy business was RMB0.844 billion, representing a year-on-year increase of 40.90%; the revenue of environmental protection business was RMB1.054 billion, representing a year-on-year decrease of 79.69% , due to the withdrawal of some loss-making environmental protection business; the revenue of water utilities business was RMB0.620 billion, representing a year-on-year decrease of 20.41%.

(2) Key operating indicators of clean energy, environmental protection and water utilities business in 2021

| Name of indicators | First half of 2021 | First half of 2020 | Year-on-year change in the first half |
|---|--------------------|--------------------|---------------------------------------|
| Revenue of sector (RMB100 million) | 25.18 | 65.68 | -61.66% |
| Including: Clean energy | 8.44 | 5.99 | 40.90% |
| Environmental protection business | 10.54 | 51.90 | -79.69% |
| Water utilities business | 6.20 | 7.79 | -20.41% |
| Gross profit of sector (RMB100 million) | 8.26 | 4.38 | 88.50% |
| Including: Clean energy | 4.67 | 3.00 | 55.67% |
| Environmental protection business | 0.47 | (1.63) | -128.83% |
| Water utilities business | 3.12 | 3.01 | 3.65% |

III. Overview of Business Development

2 Business Review *(Continued)*

2.5 Investment and Other Businesses

(1) The Company's investment and other businesses mainly cover real estate investment and development, expressway investment and operation, and financial services and property leasing, etc. The Company actively builds a first-class infrastructure investor and a first-class urban comprehensive development operator. The real estate business of the Company adheres to high-quality positioning and differentiated development, and targets the green, healthy and technological residential market segments. The Company has advantages in the entire industry chain in fields of expressway investment, construction, operation and capital operation. In the first half of 2021, the investment amount of expressway of the Company amounted to RMB6.368 billion. The financial business of the Company provided support for strengthening centralized management of capital and the development of main business projects of its parent enterprises, enriching financing strategies and saving financing costs.

In the first half of 2021, the revenue before inter-segment elimination was RMB12.969 billion, representing a year-on-year increase of 69.34%. Among which, the revenue from real estate business was RMB5.417 billion, representing a year-on-year increase of 62.28%; the revenue from expressway investment and operation business was RMB0.935 billion, representing a year-on-year increase of 99.79%; the revenue from financial service business was RMB0.728 billion, representing a year-on-year increase of 17.42%; the revenue from other business was RMB5.889 billion, representing a year-on-year increase of 82.15%.

(2) *Key operating indicators of investment and other businesses in the first half of 2021*

| Name of indicators | First half of 2021 | First half of 2020 | Year-on-year change in the first half |
|---|--------------------|--------------------|---------------------------------------|
| Revenue of sector (RMB100 million) | 129.69 | 76.59 | 69.34% |
| Including: Real estate business | 54.17 | 33.38 | 62.28% |
| Expressway operation business | 9.35 | 4.68 | 99.79% |
| Financial services | 7.28 | 6.20 | 17.42% |
| Other businesses | 58.89 | 32.33 | 82.15% |
| Gross profit of sector (RMB100 million) | 27.89 | 18.42 | 51.39% |
| Including: Real estate business | 3.91 | 7.58 | -48.42% |
| Expressway operation business | 6.70 | 2.80 | 139.29% |
| Financial services | 4.21 | 3.36 | 25.30% |
| Other businesses | 13.07 | 4.68 | 179.27% |

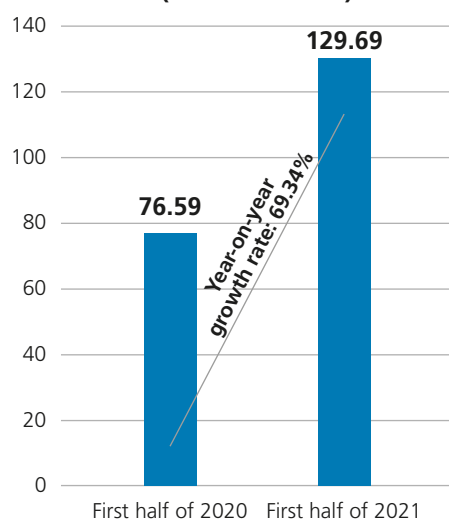
III. Overview of Business Development

2 Business Review *(Continued)*

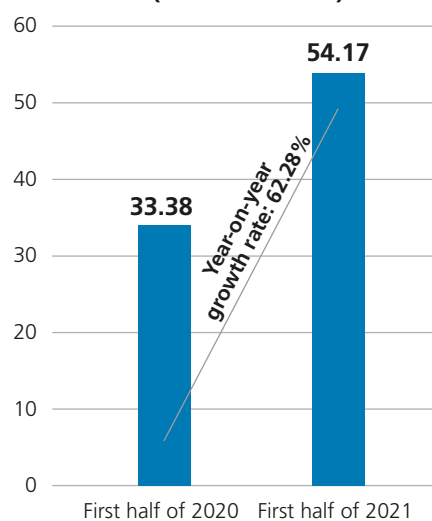
2.5 Investment and Other Businesses *(Continued)*

(2) Key operating indicators of investment and other businesses in the first half of 2021 *(Continued)*

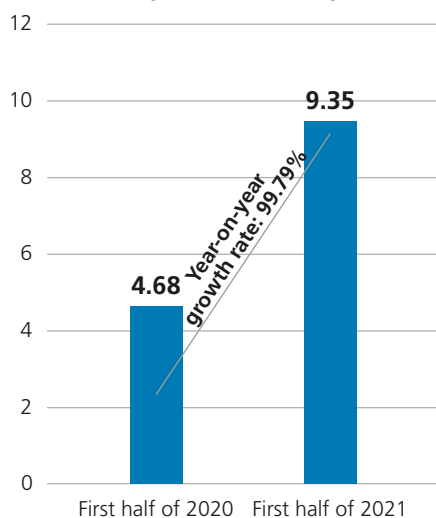
Revenue from investment and other businesses
(RMB100 million)



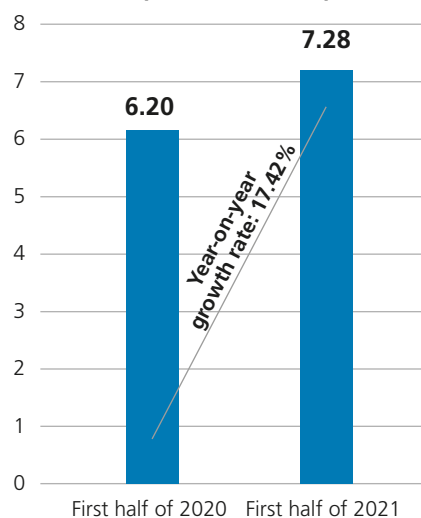
Revenue from real estate business
(RMB100 million)



Revenue from expressway operation business
(RMB100 million)



Revenue from financial services
(RMB100 million)



III. Overview of Business Development

2 Business Review (Continued)

2.6 Summary of Business Development

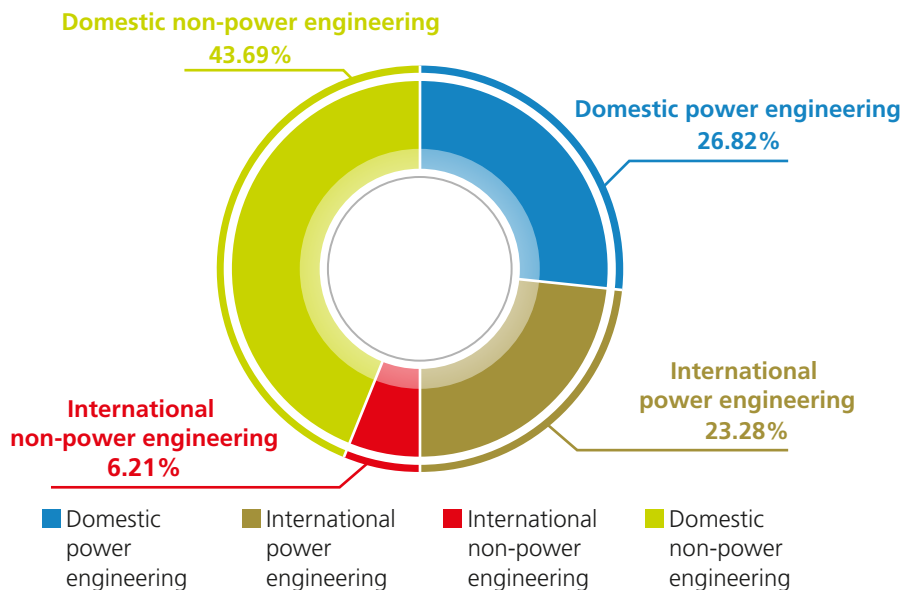
(1) Value of newly signed contracts

In the first half of 2021, the Company continued to optimize the foreign and domestic market and regional layout, perfect and deepen the marketing network, reshape and upgrade the marketing system, the market share continued to increase with the value of newly signed contracts amounting to RMB483.289 billion, representing a year-on-year increase of 58.2%. The Company actively responded to the objectives of “carbon peak and carbon neutral” and “30•60” targets in China, released an action plan (white paper) to implement the “30•60” strategic target, and made breakthroughs in major strategic fields and major project development. The Company has coordinated and developed the overseas business in priority and in quality, and acted as the leading role in the high-quality construction of “One Belt and One Road”. The overseas power engineering business continued to maintain global leadership.

Statistics of value of newly signed contracts of the Company in the first half of 2021

| No. | Name of indicators | Unit RMB | Value of Newly Signed Contracts | | |
|-----------|---|--------------------|---------------------------------|--------------------|---------------------|
| | | | First half of 2021 | First half of 2020 | Year-on-year growth |
| I | Classified by domestic and international projects | 100 million | 4,832.89 | 3,054.91 | 58.20% |
| 1 | Domestic | 100 million | 3,407.49 | 2,081.24 | 63.72% |
| 2 | International | 100 million | 1,425.40 | 973.67 | 46.39% |
| II | Classified by power engineering and non-power engineering projects | 100 million | 4,832.89 | 3,054.91 | 58.20% |
| 1 | Power engineering | 100 million | 2,421.57 | 1,593.31 | 51.98% |
| 2 | Non-power engineering | 100 million | 2,411.32 | 1,461.60 | 64.98% |

Value of Newly Signed Contracts Composition Figure for the First Half of 2021



III. Overview of Business Development

2 Business Review (Continued)

2.6 Summary of Business Development (Continued)

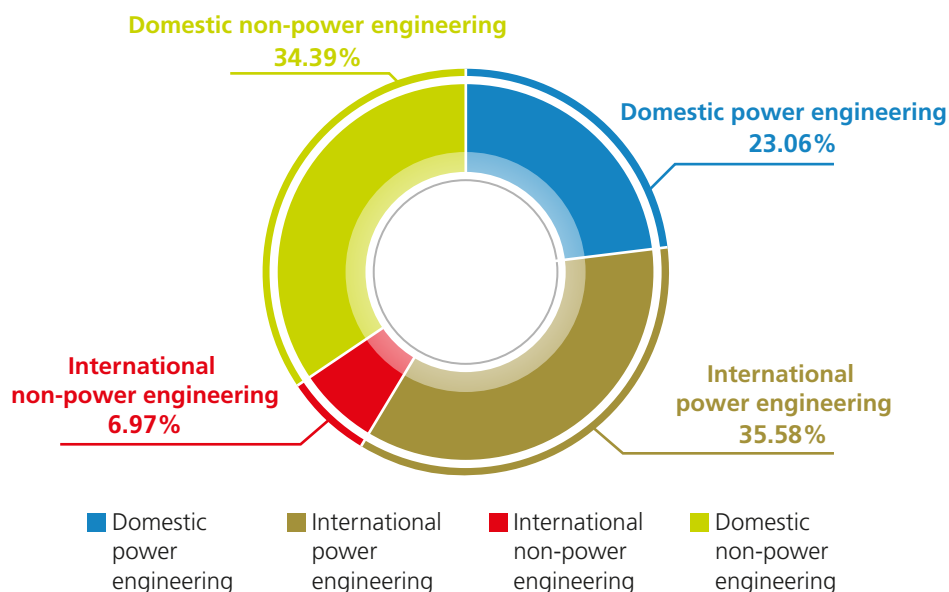
(2) Outstanding contract value of the company

As of the end of the first half of 2021, the outstanding contract value of the Company was RMB1,623.713 billion, representing an increase of 19.08% as compared with the end of the first half of 2020.

Statistics of outstanding contract value of the Company at the end of the first half of 2021

| No. | Name of indicators | Unit RMB | Outstanding Contract Value | | |
|------------|---|-------------|-------------------------------|-------------------------------|---------------------|
| | | | End of the first half of 2021 | End of the first half of 2020 | Year-on-year growth |
| I | Outstanding contract value | 100 million | 16,237.13 | 13,635.69 | 19.08% |
| 1 | Domestic | 100 million | 9,329.05 | 7,562.27 | 23.36% |
| 2 | International | 100 million | 6,908.08 | 6,073.42 | 13.74% |
| II | Classified by power engineering and non-power engineering projects | | | | |
| 1 | Power engineering | 100 million | 9,521.86 | 8,603.57 | 10.67% |
| 2 | Non-power engineering | 100 million | 6,715.27 | 5,032.12 | 33.45% |
| III | Classified by segments | | | | |
| 1 | Survey, design and consulting services | 100 million | 236.36 | 298.99 | -20.95% |
| 2 | Construction and contracting | 100 million | 15,845.26 | 13,192.42 | 20.11% |
| 3 | Equipment manufacturing | 100 million | 155.51 | 144.28 | 7.78% |

Value of Outstanding Contracts Composition Figure for the First Half of 2021



IV. Management Discussion and Analysis

1 Consolidated Operating Results

| Items | Six months ended 30 June | | |
|---|--------------------------|--------------------------|-----------------------------|
| | 2021 (RMB in million) | 2020 (RMB in million) | Percentage of change (%) |
| Revenue | 141,545.7 | 105,597.2 | 34.04 |
| Cost of sales | (124,498.8) | (93,152.2) | 33.65 |
| Other income | 517.6 | 711.7 | (27.27) |
| Net impairment losses on financial assets and contract assets | (184.3) | (549.5) | (66.46) |
| Other net gains and losses | 220.8 | 42.0 | 425.71 |
| Selling expenses | (1,021.0) | (805.1) | 26.82 |
| Administrative expenses | (6,371.4) | (5,246.0) | 21.45 |
| Research and development expenses | (2,426.3) | (1,873.7) | 29.49 |
| Finance income | 300.8 | 356.0 | (15.51) |
| Finance costs | (1,829.5) | (1,696.2) | 7.86 |
| Share of profits of joint ventures | 105.2 | 137.2 | (23.32) |
| Share of losses of associates | (194.8) | (18.6) | 947.31 |
| Profit before taxation | 6,164.0 | 3,502.7 | 75.98 |
| Income tax | (1,643.7) | (1,264.3) | 30.01 |
| Profit for the period | 4,520.3 | 2,238.4 | 101.95 |

IV. Management Discussion and Analysis

1 Consolidated Operating Results *(Continued)*

1.1 Revenue

The revenue for the six months ended 30 June 2021 was RMB141,545.7 million, representing an increase of 34.04% as compared to RMB105,597.2 million for the same period of 2020. The increase in revenue was mainly due to the growth of businesses in construction and contracting segment, equipment manufacturing segment and real estate development segment.

1.2 Cost of Sales and Gross Profit

The cost of sales for the six months ended 30 June 2021 was RMB124,498.8 million, representing an increase of 33.65% as compared to RMB93,152.2 million for the same period of 2020, which was generally in line with the increase in revenue.

The gross profit for the six months ended 30 June 2021 was RMB17,047.0 million, representing an increase of 36.98% as compared to RMB12,445.0 million for the same period of 2020. The increase in gross profit was mainly due to the increase in revenue of construction and contracting business, the increase in revenue and gross profit margin of civil explosives, expressway operation and power generation businesses and the turnaround from loss to profit of the environmental protection business.

1.3 Selling Expenses

The selling expenses for the six months ended 30 June 2021 was RMB1,021.0 million, representing an increase of 26.82% as compared to RMB805.1 million for the same period of 2020. The increase in selling expenses was mainly due to the fact that the production and operation activities of the Company were impacted by the epidemic in the same period of 2020 and resumed stable operation in 2021, resulted in an increase in corresponding expenditures.

1.4 Administrative Expenses

The administrative expenses for the six months ended 30 June 2021 was RMB6,371.4 million, representing an increase of 21.45% as compared to RMB5,246.0 million for the same period of 2020. The increase in administrative expenses was mainly due to the resumption of stable operation of production and operating activities in 2021, resulted in an increase in corresponding expenditures.

1.5 Finance Costs

The finance costs for the six months ended 30 June 2021 was RMB1,829.5 million, representing an increase of 7.86% as compared to RMB1,696.2 million for the same period of 2020. The increase in finance costs was mainly due to the increase in the bank and other borrowings and decrease in capitalized interests for the current period.

IV. Management Discussion and Analysis

2 Operating Results by Segments

| Industry segments | Conditions of Industry Segments of Principal Businesses (For the six months ended 30 June) | | | | | | | | |
|--|--|------------------|---------------------|------------------|-----------------|---------------------|---|---------------|---------------------|
| | 2021 | | | 2020 | | | Increase or decrease as compared with last year (%) / (percentage points) | | |
| | Revenue | Cost of sales | Gross profit margin | Revenue | Cost of sales | Gross profit margin | Revenue | Cost of sales | Gross profit margin |
| (RMB in million) | | (%) | (RMB in million) | | (%) | | | | |
| Survey, design and consulting services | 5,701.1 | 3,975.3 | 30.27 | 4,798.7 | 3,213.6 | 33.03 | 18.80 | 23.70 | (2.76) |
| Construction and contracting | 115,020.8 | 106,373.1 | 7.52 | 81,022.0 | 75,079.4 | 7.33 | 41.96 | 41.68 | 0.19 |
| Industrial manufacturing | 12,318.2 | 9,278.5 | 24.68 | 10,015.6 | 7,411.3 | 26.00 | 22.99 | 25.19 | (1.32) |
| Clean energy, environmental protection and water utilities | 2,518.0 | 1,692.0 | 32.80 | 6,568.1 | 6,129.9 | 6.67 | (61.66) | (72.40) | 26.13 |
| Investment and other businesses | 12,969.1 | 10,179.7 | 21.51 | 7,658.5 | 5,816.0 | 24.06 | 69.34 | 75.03 | (2.55) |
| Inter-segment elimination ⁽¹⁾ | (6,981.4) | (6,999.8) | – | (4,465.7) | (4,498.0) | – | – | – | – |
| Total | 141,545.7 | 124,498.8 | 12.04 | 105,597.2 | 93,152.2 | 11.79 | 34.04 | 33.65 | 0.25 |

Note:

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

IV. Management Discussion and Analysis

2 Operating Results by Segments *(Continued)*

2.1 Survey, Design and Consulting Services Business

For the six months ended 30 June 2021, the revenue before inter-segment elimination of survey, design and consulting services business amounted to RMB5,701.1 million, representing an increase of RMB902.4 million or 18.80% as compared to RMB4,798.7 million for the corresponding period of 2020, mainly due to the increase in revenue recognition attributable to the fact that the COVID-19 pandemic was under certain control in the first half of 2021, the design progress was relatively restored, and the time for owners to confirm the progress was shortened.

For the six months ended 30 June 2021, the cost of sales before inter-segment elimination of survey, design and consulting services business amounted to RMB3,975.3 million, representing an increase of RMB761.7 million or 23.70% as compared to RMB3,213.6 million for the corresponding period of 2020, which was generally in line with the increase in revenue.

For the six months ended 30 June 2021, the gross profit before inter-segment elimination of survey, design and consulting services business amounted to RMB1,725.8 million, representing an increase of RMB140.7 million or 8.88% as compared to RMB1,585.1 million for the corresponding period of 2020, mainly due to the increase in revenue.

2.2 Construction and Contracting Business

For the six months ended 30 June 2021, the revenue before inter-segment elimination of construction and contracting business amounted to RMB115,020.8 million, representing an increase of RMB33,998.8 million or 41.96% as compared to RMB81,022.0 million for the corresponding period of 2020, mainly due to the increase in revenue recognition attributable to the fact that the COVID-19 pandemic was under certain control in the first half of 2021, construction projects resumed work and production, and some large-value projects were at the peak of construction in the first half of 2021.

For the six months ended 30 June 2021, the cost of sales before inter-segment elimination of construction and contracting business amounted to RMB106,373.1 million, representing an increase of RMB31,293.7 million or 41.68% as compared to RMB75,079.4 million for the corresponding period of 2020, which was generally in line with the increase in revenue.

For the six months ended 30 June 2021, the gross profit before inter-segment elimination of construction and contracting business amounted to RMB8,647.7 million, representing an increase of RMB2,705.1 million or 45.52% as compared to RMB5,942.6 million for the corresponding period of 2020, mainly due to the increase in revenue.

IV. Management Discussion and Analysis

2 Operating Results by Segments (Continued)

2.3 Industrial Manufacturing Business

For the six months ended 30 June 2021, the revenue before inter-segment elimination of industrial manufacturing business amounted to RMB12,318.2 million, representing an increase of RMB2,302.6 million or 22.99% as compared to RMB10,015.6 million for the corresponding period of 2020, mainly due to the increase in sales of the equipment manufacturing business segment and cement production and sales business segment.

For the six months ended 30 June 2021, the cost of sales before inter-segment elimination of industrial manufacturing business amounted to RMB9,278.5 million, representing an increase of RMB1,867.2 million or 25.19% as compared to RMB7,411.3 million for the corresponding period of 2020, which was generally in line with the increase in revenue.

For the six months ended 30 June 2021, the gross profit before inter-segment elimination of industrial manufacturing business amounted to RMB3,039.7 million, representing an increase of RMB435.4 million or 16.72% as compared to RMB2,604.3 million for the corresponding period of 2020, mainly due to the increase in sales and gross profit margin of the civil explosives business segment as well as the increase in revenue from the cement production and sales business segment.

2.4 Clean Energy, Environmental Protection and Water Utilities Business

For the six months ended 30 June 2021, the revenue before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB2,518.0 million, representing a decrease of RMB4,050.1 million or 61.66% as compared to RMB6,568.1 million for the corresponding period of 2020, mainly due to the decline in revenue from the environmental protection business segment.

For the six months ended 30 June 2021, the cost of sales before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB1,692.0 million, representing a decrease of RMB4,437.9 million or 72.40% as compared to RMB6,129.9 million for the corresponding period of 2020, which is higher than the change proportion of revenue, mainly due to the fact that the decrease in cost was higher than that in revenue as a result of the reduced volume of business with low gross profit in the environmental protection business for the current period.

For the six months ended 30 June 2021, the gross profit before inter-segment elimination of clean energy, environmental protection and water utilities business amounted to RMB826.0 million, representing an increase of RMB387.8 million or 88.50% as compared to RMB438.2 million for the corresponding period of 2020, mainly due to the exit of environmental protection business with certain loss.

IV. Management Discussion and Analysis

2 Operating Results by Segments *(Continued)*

2.5 Investment and Other Businesses

For the six months ended 30 June 2021, the revenue before inter-segment elimination of investment and other businesses amounted to RMB12,969.1 million, representing an increase of RMB5,310.6 million or 69.34% as compared to RMB7,658.5 million for the corresponding period of 2020, mainly due to the increase in revenue from real estate development business and expressway operation business.

For the six months ended 30 June 2021, the cost of sales before inter-segment elimination of investment and other businesses amounted to RMB10,179.7 million, representing an increase of RMB4,363.7 million or 75.03% as compared to RMB5,816.0 million for the corresponding period of 2020, mainly due to the fact that the increase in the cost of real estate development business was greater than that in revenue.

For the six months ended 30 June 2021, the gross profit before inter-segment elimination of investment and other businesses amounted to RMB2,789.4 million, representing an increase of RMB946.9 million or 51.39% as compared to RMB1,842.5 million for the corresponding period of 2020, mainly due to the increase in gross profit of expressway operation business.

3 Cash Flow

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------|
| | 2021 (RMB in million) | 2020 (RMB in million) |
| Net cash (used in)/generated from operating activities | (11,010.7) | (9,343.2) |
| Net cash (used in)/generated from investing activities | (9,780.8) | (7,805.6) |
| Net cash (used in)/generated from financing activities | 10,421.2 | 12,283.2 |
| Net decrease in cash and cash equivalents | (10,370.3) | (4,865.6) |
| Cash and cash equivalents at the beginning of the period | 49,861.2 | 42,624.6 |
| Effects of exchange rate changes | (21.0) | 223.9 |
| Cash and cash equivalents at the end of the period | 39,470.0 | 37,982.9 |

3.1 Cash Flow Used in Operating Activities

For the six months ended 30 June 2021, the net cash used in operating activities was RMB11,010.7 million, representing an increase of RMB1,667.5 million or 17.85% as compared to the same period of 2020, which was mainly attributable to: (i) the cash outflow of RMB25,552.9 million due to the increase of contract assets and trade receivables as the projects were progressing; (ii) the cash outflow of RMB2,734.7 million due to payment of tax. These cash outflows were partially offset by the cash inflow of RMB9,439.0 million due to the net profit from operating activities during the period and the increase in trade payables and contract liabilities of RMB8,316.6 million.

IV. Management Discussion and Analysis

3 Cash Flow (Continued)

3.2 Cash Flow Used in Investing Activities

For the six months ended 30 June 2021, the net cash used in investing activities was RMB9,780.8 million, representing an increase of RMB1,975.2 million or 25.30% as compared to the same period of 2020, which was mainly attributable to: (i) payment of RMB6,994.7 million in purchasing property, plant and equipment and intangible assets; (ii) capital contributions of RMB5,994.4 million to associates and joint ventures; (iii) payment of RMB2,679.3 million in purchasing financial assets. These cash outflows were partially offset by the proceeds of RMB4,137.1 million from the disposal of financial assets and the decrease in pledged deposits of RMB1,096.7 million.

3.3 Cash Flow Generated from Financing Activities

For the six months ended 30 June 2021, the net cash generated from financing activities was RMB10,421.2 million, representing a decrease of RMB1,862.0 million or 15.16% as compared to the same period of 2020, which was mainly attributable to: (i) the newly increased borrowings of RMB34,570.6 million; (ii) issuance of perpetual capital instruments of RMB11,000.0 million; (iii) the newly increased corporate bonds of RMB5,800.0 million. These cash inflows were partially offset by the repayment of bank borrowings, other borrowings and corporate bonds of RMB32,690.6 million, termination of perpetual capital instruments of RMB4,180.0 million, payment of interests on bank borrowings, other borrowings and corporate bonds of RMB3,058.6 million and payment of interests on perpetual capital instruments of RMB882.2 million.

4 Capital Expenditure

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

| | For the six months ended 30 June | |
|-------------------------------|----------------------------------|--------------------------|
| | 2021 (RMB in million) | 2020 (RMB in million) |
| Property, plant and equipment | 3,208.5 | 2,531.1 |
| Intangible assets | 3,951.1 | 4,318.8 |
| Total | 7,159.6 | 6,849.9 |

5 Capital and Financial Policies

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

IV. Management Discussion and Analysis

6 Indebtedness

As at 30 June 2021, the Company's total liabilities amounted to RMB351,476.8 million and total assets amounted to RMB499,228.9 million, with a gearing ratio of 70.40%, representing a decrease of 0.63 percentage point from 71.03% last year. The Company's total indebtedness amounted to RMB120,771.6 million. The following table sets forth the details of bank borrowings, other borrowings and corporate bonds of the Company as at the dates indicated:

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|--------------------------------|---|---|
| Long-term | | |
| Bank borrowings | | |
| Unsecured | 35,763.3 | 29,288.9 |
| Secured | 36,333.8 | 33,568.3 |
| Other borrowings | | |
| Secured | 147.0 | 117.7 |
| Corporate bonds ⁽¹⁾ | 12,795.9 | 9,995.4 |
| Sub-total | 85,040.0 | 72,970.3 |
| Short-term | | |
| Bank borrowings | | |
| Unsecured | 15,432.6 | 12,731.8 |
| Secured | 4,960.1 | 4,764.5 |
| Other borrowings | | |
| Unsecured | 13,635.6 | 17,588.3 |
| Secured | 111.6 | 79.5 |
| Corporate bonds | 1,591.7 | 9,024.4 |
| Sub-total | 35,731.6 | 44,188.5 |
| Total | 120,771.6 | 117,158.8 |

Note:

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

IV. Management Discussion and Analysis

6 Indebtedness (Continued)

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

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|----------------------|---|---|
| United States Dollar | 14,922.0 | 13,142.1 |
| Japanese Yen | 102.2 | 113.4 |
| Brazilian Real | 2,846.0 | 2,785.0 |
| Euro | 515.0 | 537.7 |
| Total | 18,385.2 | 16,578.2 |

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

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|--|---|---|
| Guaranteed by each of the following parties: | | |
| Third parties | 152.2 | 113.4 |
| Total | 152.2 | 113.4 |

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

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|--|---|---|
| Repayable within 1 year | 35,731.6 | 44,188.5 |
| Repayable after 1 year but within 2 years | 11,232.9 | 6,672.9 |
| Repayable after 2 years but within 3 years | 28,409.5 | 19,318.5 |
| Repayable after 3 years but within 4 years | 4,185.9 | 5,451.7 |
| Repayable after 4 years but within 5 years | 2,595.6 | 1,336.4 |
| Repayable after 5 years | 38,616.1 | 40,190.8 |
| Total | 120,771.6 | 117,158.8 |

IV. Management Discussion and Analysis

6 Indebtedness (Continued)

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

| | As at 30 June 2021 | As at 31 December 2020 |
|------------------|-------------------------------|---------------------------|
| | (%) | (%) |
| Bank borrowings | 0.59-7.50 | 1.05-7.50 |
| Other borrowings | 4.00-4.79 | 4.00-4.79 |
| Corporate bonds | 3.14-5.37 | 3.14-5.37 |

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

| | As at 30 June 2021 | | As at 31 December 2020 | |
|---|---------------------------|------------------|------------------------|-----------|
| | (RMB in million) | (%) | (RMB in million) | (%) |
| Fixed rate bank and other borrowings | 58,666.4 | 1.05-6.70 | 51,178.3 | 1.05-6.70 |
| Floating rate bank and other borrowings | 47,717.6 | 0.59-7.50 | 46,960.6 | 2.30-7.50 |
| Total | 106,384.0 | | 98,138.9 | |

Indebtedness of the Company increased by RMB3,612.8 million from 31 December 2020 to 30 June 2021, mainly due to the increase in bank borrowings.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms, nor was subject to any material restrictive terms in the borrowings. In addition, as at 30 June 2021, the Company had RMB40,000 million of authorized but unutilized debt securities and RMB547,542 million of unutilized and unrestricted bank credit facilities.

IV. Management Discussion and Analysis

7 Pledge of Assets, Contingencies and Contingent Liabilities

7.1 Pledge of Assets

As at 30 June 2021, the Company's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|---------------------------------------|--|---|
| Property, plant and equipment | 732.5 | 821.5 |
| Intangible assets | 32,044.8 | 31,357.3 |
| Trade and bills receivables | 17,012.8 | 18,101.2 |
| Properties under development for sale | 11,828.5 | 17,291.5 |
| Bank deposits | 4,739.9 | 5,836.5 |
| Total | 66,358.5 | 73,408.0 |

7.2 Contingencies

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

IV. Management Discussion and Analysis

7 Pledge of Assets, Contingencies and Contingent Liabilities (Continued)

7.2 Contingencies (Continued)

(b) Guarantees

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

| | As at 30 June 2021 (RMB in million) | As at 31 December 2020 (RMB in million) |
|--|---|---|
| Guarantees given to banks in respect of loan facilities granted to: | | |
| Joint ventures | 18.0 | 18.0 |
| Associates | 877.4 | 1,329.3 |
| Third party | 1,336.2 | 1,390.5 |
| Investee recognized as financial assets at fair value through other comprehensive income | 18.2 | 18.2 |
| | 2,249.8 | 2,756.0 |
| Mortgage loan guarantees provided by the Company to banks in favor of its customers | 5,761.8 | 4,681.1 |
| Total | 8,011.6 | 7,437.1 |

Note:

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

As at the end of the Reporting Period, the fair value of these guarantee contracts is insignificant. There has been no material change in contingent liabilities of the Company since 30 June 2021 and up to the date of this report.

IV. Management Discussion and Analysis

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

7.3 Contingent Liabilities

(i) Legal proceedings with financial institutions

Since 2019, Gezhoubu Huanjia and Huanjia Connected Suppliers (defined in note 5(a) in the “Consolidated Financial Statements” of this interim report) were involved as defendants in 20 legal proceedings with certain financial institutions. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

As at 30 June 2021, these financial institutions sued Gezhoubu Huanjia and other defendants for repayment of loans amounted to RMB1,056 million in total (as at 31 December 2020: RMB1,056 million). Most of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the Investigation (defined in note 5(a) in the “Consolidated Financial Statements” of this interim report) as there are in duty related crimes and/or crimes involved. Based on the advice from the Company’s legal counsel, the Directors believe that Gezhoubu Huanjia will be possibly sued by these financial institutions and subject to further investigations after the completion of the Investigation and that Gezhoubu Huanjia may lose these proceedings under further investigations. As at 30 June 2021, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

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

Since 2019, Gezhoubu Huanjia and Huanjia Connected Suppliers were involved as defendants in 4 legal proceedings with 3 other lenders. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

As at 30 June 2021, the Group made a reversal of provision for estimated liabilities in 2020 amounted to RMB11 million based on the latest rulings of the court and the payment to the lender, which led to the balance of provision for estimated liabilities being RMB108 million for the expected losses to the Group of 3 legal proceedings with other lenders (as at 31 December 2020: RMB119 million). The remaining one legal proceeding with amount sued of RMB268 million was rejected by court, given the legal proceeding is subject to the conclusion of the Investigation. Based on the advice from the Company’s legal counsel, the Directors believe that Gezhoubu Huanjia will be possibly sued by other lenders and subject to further investigations after the completion of the Investigation and that Gezhoubu Huanjia may lose the proceeding under further investigations. As at 30 June 2021, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceeding.

(iii) Legal proceedings with Huanjia Connected Suppliers

During the year ended 31 December 2020, Gezhoubu Huanjia was involved as defendants in 3 legal proceedings with Huanjia Connected Suppliers. As at 31 December 2020, the Group has made full provision of RMB148 million for the estimated liabilities for the 3 legal proceedings that were likely to cause losses to the Group in the above legal proceedings based on the rulings of the court. As at 30 June 2021, the Group has appealed for the above-mentioned legal proceedings, which are still in process.

IV. Management Discussion and Analysis

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

7.3 Contingent Liabilities *(Continued)*

(iv) Legal proceedings with other parties

As at 30 June 2021, Gezhouba Huanjia was also involved as defendants in 23 legal proceedings with other parties in the ordinary course of business (as at 31 December 2020: 27). CGGC Green Technology was also one of the defendants in above-mentioned legal proceedings. As at 30 June 2021, the Group has made full provision of RMB48 million for the estimated liabilities for the 11 legal proceedings that were likely to cause losses to the Group in the above legal proceedings based on the rulings of the court (as at 31 December 2020: RMB46 million for 10 legal proceedings). The remaining 12 legal proceedings with amount sued of RMB86 million are still in process as at 30 June 2021 (as at 31 December 2020: 17 legal proceedings with amount sued of RMB102 million). Based on the advice from the Company's legal counsel, the Company is of the opinion that the likelihood of an outflow of economic benefits will be required in relation to the above-mentioned outstanding legal proceedings is remote.

8 Gearing Ratio

As at 30 June 2021, the gearing ratio of the Company was 81.74%, representing a decrease of 3.20 percentage points as compared to 84.94% of 2020. Gearing ratio represents interest-bearing debts divided by total equity at the end of the period.

9 Risk

9.1 Business Risk

1. Macroeconomic risk. Great changes that have not been seen in the world in a century are currently accelerating. Changes in the global strategic pattern, vaccine research and development progress as well as economic openness level have a profound impact on overall economic transformation and upgrading, industry development and company reform and development in the PRC. Although China's macro economy is improving in stabilization, the differentiated regional economy, increasing pressure on labour forces, the rising of labour cost and carbon cost, and mismatching of the demand and supply of labour forces, the long-term adverse effect of the pandemic and other macroeconomic risks still exist.

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

IV. Management Discussion and Analysis

9 Risk (Continued)

9.1 Business Risk (Continued)

2. International operation risk. Affected by the global political and economic environment, it is still difficult to expand overseas markets for us. The continuing of the overseas pandemic has led to the continued risk of disruption of the global industrial chain and supply chain, and also restricted the flow of personnel, and it is difficult to perform international projects; continued spread of extremism and terrorism, and occasionally occur of armed conflicts and public security and hygiene incidents in some countries or regions have brought threats to the Company's property and our employees' personal safety; the chaos of elections in some countries or regions, the continuous adjustment of policies and laws and regulations, the lack of national governance capabilities, the shortage of funds for infrastructure construction.

Countermeasures: The Company will use the overall advantages of the Group to promote the coordinated development of business segments and enhance the competitiveness in the international market; continue to improve the layout of the international business market, strengthen risk tracking and early warning of key countries and key projects; constantly perfect, identify, monitor, early warning and deal with the "four-in-one" foreign public security management system; actively and steadily carry out the prevention and control of overseas pandemics, and promote the normal performance of international projects.

3. QHSE risk. The Company is in the construction industry with high safety production risk, which is currently in a critical period when deepening reform and high-quality development are promoted simultaneously, and the improvement of traditional businesses and the expansion of emerging fields are advancing side by side. Traditional businesses, inventory risk, new forms of business and new risks are intertwined, and the safety production condition is still complex.

Countermeasures: The Company will adhere to overall development and safety, fully implement various safety production requirements, systematically promote the construction of safety production system, and resolutely prevent systemic and disruptive safety production risks; the Company will take risk prevention and control as the top priority of safety management, strictly implement risk hierarchical management and control responsibilities and measures, deepen the investigation and treatment of hidden dangers of "dynamic, full coverage and seamless", and strictly prevent production safety accidents caused by hidden danger evolution and risk escalation.

IV. Management Discussion and Analysis

9 Risk (Continued)

9.1 Business Risk (Continued)

4. Investment risk. The business transformation of the Company has been accelerated, the investment business field has been continuously expanded, the investment scale has grown rapidly, and the difficulty of scientific decision-making of investment behavior has been improved; issues such as insufficient professional ability and management experience may exist for investment projects in new business fields which may expose the projects not be able to meet the expectations; with the increasingly stringent investment and financial supervision, the projects may subject to the risks of financing difficulties, sudden changes in industrial policies and increasing costs, which will in turn result in the benefit reduction of projects.

Countermeasures: The Company will implement refined and streamlined management, continuously improve operation quality and profitability of projects to ensure the realization of investment expectations; the Company will strengthen pre-investment evaluation, investment supervision and post-investment evaluation, adhere to benefit priority and scientific management, abide by the risk bottom line, scientifically formulate, organize and implement risk countermeasures; the Company will actively introduce professionals in new fields and take every effort to reduce the potential risks of new business projects leveraging on the professional capabilities of third-party institutions.

5. Construction project performance risk. Affected by the pandemic prevention and control measures, the resources required for project performance cannot be allocated in place in time, and some projects were not performed smoothly and delayed, etc. In order to achieve the target milestone specified in the contract, measures to increase construction input are taken on site to speed up the construction progress, which may lead to inadequate subcontracting supervision, resulting in construction quality issues. In addition, the increase in labor costs, pandemic prevention measures costs and project implementation resources costs caused by the pandemic has increased the project implementation cost, and the operation efficiency of projects may be greatly affected.

Countermeasures: Under the premise of effective pandemic prevention and control, the Company will increase resource costs for project implementation, strengthen internal coordinated operations, effectively integrate internal and external resources, further optimize construction organization and technical proposals, and take all effective measures to overcome the adverse impact arising from the pandemic and promote normal project performance under the contract; at the same time, the Company will comprehensively strengthen the construction of project management system, constantly enhance the supervision in a full-process and all-aspect way for project performance. The Company will focus on contract management, sub-contract management and cost management and other key aspects, continuously improve the level of refined management, prevent project performance and operating risks, and ensure that the project achieves expected business objectives.

IV. Management Discussion and Analysis

9 Risk (Continued)

9.2 Exchange Rate Fluctuation Risk

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

10 Number of Employees and Training Program

As of 30 June 2021, the Company has a total of 113,924 employees, including 37,398 management personnel, 39,510 professional technicians and 24,980 technical operating personnel. The Company has 15,402 talents with various national registered qualifications. Also, the Company has a team of top talents of China, including 35 experts who enjoy the Chinese governmental special subsidies, 6 national survey and design masters, 2 national nuclear industry engineering survey and design masters, 5 engineering experts of the “Millions of Talents of the New Century” project, 2 national young and middle-aged experts with outstanding contribution, and 23 national technical experts.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee’s quality and professional skills continuously. The Company planned to train 276,200 employees and actually trained 329,800 employees in the first half of 2021, including on-the-job training for 225,600 employees, continuing education training for 16,200 employees, and other training for 87,900 employees.

IV. Management Discussion and Analysis

11 Remuneration and Equity-incentive Policy

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

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

On 21 November 2016, the Company reviewed and approved the initial grant of the restricted share incentive proposal pursuant to the restricted share incentive scheme at its 2016 first extraordinary general meeting. According to the resolution of the Board on 22 November 2018, 83.994 million restricted shares of 481 participants met the unlocking conditions of the first unlocking period and were allowed to be unlocked; on 21 November 2019, the Board resolved that the restricted shares under the second unlocking period were not allowed to be unlocked due to failure to satisfy the unlocking conditions. On 30 June 2020, the Board resolved that due to the Company's failure to meet the performance appraisal conditions for the third phase of unlocking in 2019, the Company transferred the restricted shares of the Company that are held by participants of incentive scheme and should be unlocked for the third phase of unlocking of incentive scheme back to the entrusted management agency at the grant price.

Save as disclosed above, as of 30 June 2021, according to the restricted share incentive scheme, no restricted share has been granted, lapsed or cancelled. Pursuant to Chapter 17 of the Listing Rules, the restricted share incentive scheme does not constitute a share option scheme but constitutes a discretionary plan of the Company.

IV. Management Discussion and Analysis

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

The Company will pursue the vision of green, low-carbon, innovation development, and advance the achievement of the strategic goals of “carbon peak and carbon neutral” and “30·60”. Under the general requirements of “management of investment, procedures, risks and improvement of returns (管好投向、管住程序、管控風險、提高回報)”, the Company will take reinforcing value creation, building core competitiveness, driving construction business, promoting the transformation and upgrading, improving the general benefits as the goal, grasp the opportunities of China’s deepening reform and development and building new development layout, optimize the investment structure and layout, focus on energy and power, infrastructure, building materials, civil explosives, ecological environmental protection and other core businesses, plan for major projects mainly focusing on core regions to exert the leading role of investment. As for the fields of new infrastructure, new urbanization and important transportation, and water conservancy facilities, the Company will continue to enhance its investment, financing and investment-construction-operation integration capability, conduct investment and merger and acquisition based on its actual condition, and accelerate the creating of new competitive advantages.

The Company will establish and improve the investment rolling development mechanism, explore asset revitalization and capital operation modes of various existed projects such as transfer, capital increase, REITS and asset securitization, improve investment efficiency and form a favorable trend of rolling development and virtuous revolving.

References are made to the announcements of the Company dated 15 October 2020, 27 October 2020, 8 February 2021, 19 March 2021, 7 April 2021, 9 April 2021 and 20 April 2021 as well as the circular of the Second Extraordinary General Meeting of 2021, the Second Domestic Shareholders’ Class Meeting of 2021 and the Second H Shareholders’ Class Meeting of 2021 dated 25 March 2021 (the “**Circular**”), in relation to (among others) the Proposed Absorption and Merger of CGGC through Share Swap by the Issuance of A Shares by the Company to the shareholders of CGGC except for CGGC Group. Unless otherwise defined, the terms used in this paragraph shall have the same meaning as defined in the above announcements and Circular. On 27 October 2020, the Company entered into the merger agreement with CGGC regarding the possible absorption of CGGC through Share Swap. Upon the full implementation of the merger, the Company will (among other things) issue a total of 11,645,760,553 A shares to shareholders of CGGC (except CGGC Group) who are registered on the equity registration date of the merger, in exchange for the shares of CGGC held by these shareholders. Upon the completion of the merger, CGGC will terminate its listing on the Shanghai Stock Exchange. As its surviving company, the Company will inherit and undertake all the assets, liabilities, business, contracts, qualifications, personnel and all other rights and obligations of CGGC through the receiving party, CGGC Group. CGGC will eventually cancel its legal personality. The Company will apply for listing of the A shares issued by the Company as a result of the merger on the main board of the Shanghai Stock Exchange. The Company’s original domestic shares will be converted into A shares and be applied for listing on the main board of the Shanghai Stock Exchange.

IV. Management Discussion and Analysis

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

On 11 August 2021, CGGC received a notice from the CSRC, which stated that the absorption and merger of CGGC by the Company was reviewed and unconditionally approved at the eighteenth working meeting in 2021 of the Merger and Reorganization Audit Committee of Listed Companies of the CSRC held on 11 August 2021. The Company was informed that CGGC has received the Approval of the Absorption and Merger of China Gezhouba Group Company Limited by China Energy Engineering Corporation Limited through the Issuance of Shares (Zheng Jian Xu Ke No. [2021] 2757) (the “**Approval**”) from the CSRC on 25 August 2021, which approved (among others) the absorption and merger of CGGC by the Company through the issuance of 11,670,767,272 shares (the “**Transaction**”). The Approval will be valid within 12 months from the date of issuance. The Company will perform its information disclosure obligations on the progress of the Transaction in a timely manner. As at the date of this announcement, the Transaction is still subject to the fulfillment of other conditions precedent in the Circular. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

In addition to the above projects, in the first half of 2021, the Company did not hold any significant investment projects that are required to be approved by the meeting of the Board as required by the articles of association of the Company.

13 Outlook

13.1 Outlook of Domestic Power Industry

According to relevant forecast by the China Electricity Council, the growth rate of the national electricity consumption in 2021 is expected to be 7% to 8%. The newly added installed generating capacity for the year may reach approximately 180,000MW. As an important industry for supporting the transformation of the China’s economy to high-quality development, there still exist rigid demands for moderately advanced development of the power industry and market room for supporting infrastructure construction. Meanwhile, in the context of striving to achieve the goal of “carbon peak and carbon neutral” and “30-60”, the clean utilization of China’s traditional energy, the large-scale development of clean energy with new energy as the main body, the optimization of power grid layout with the goal of alleviating power supply and demand, and the comprehensive energy services and other fields will grow rapidly.

13.2 Domestic Non-power Market

According to the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Goals for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”, during the “14th Five-Year Plan” period, China will promote the construction of a series of major projects, including the layout and construction of new infrastructure such as information infrastructure, integration infrastructure and innovation infrastructure, advancing the construction of strategic backbone access, high-speed railways, normal railways, expressways, port and shipping facilities, modern airports, urban agglomerations and urban rail transit and other transportation engineering projects, and promoting the further release of infrastructure market space. In addition, China’s major strategies continue to be further promoted, and efforts to make up for shortcomings in new urbanization, high-end manufacturing, water conservancy, ecological environmental protection and other fields are expected to continue to increase. As the first year of the “14th Five-Year Plan”, in 2021, on basis of scientific pandemic prevention, it is necessary to put more effort in construction in all aspects and stabilize social and economic growth.

IV. Management Discussion and Analysis

13 Outlook *(Continued)*

13.2 Domestic Non-power Market *(Continued)*

From the perspective of industry:

Construction industry. In the field of comprehensive transportation, China will strengthen the construction of strategic backbone channels and the interconnection with neighboring countries; basically complete the “Eight Vertical and Eight Horizontal” high-speed railways, and accelerate the construction of world-class port clusters, airport clusters, intercity railways and urban (suburban) railways so as to construct the highway loop system; accelerate the construction of border-to-border highways and improve road safety facilities. In the field of water conservancy projects, China will promote five major types of key projects, including flood control and disaster reduction, optimal allocation of water resources, irrigation water saving and water supply, water ecological protection and restoration as well as smart water conservancy. In the field of new infrastructure, China will build a high-speed ubiquitous, integrated and interconnected, safe and efficient information infrastructure; accelerate the digital transformation of traditional infrastructure such as transportation, energy and municipal administration; open up diversified investment channels and build a new infrastructure standard system.

Manufacturing industry. During the course of pandemic prevention and control and economic recovery in China, the manufacturing industry shows very strong development toughness and presents the advantages of sound and perfect industrial chain layout. As the increasingly obvious results of pandemic prevention and control in China, the recovery of the PRC’s market may be gradually accelerated. It is expected that the demand for cement, civil explosives and equipment manufacturing will continue to increase.

Ecological environmental protection. The National Conference on Ecological Environmental Protection put forward that, we should continue to promote the development of environmental protection industry; advance the construction of national ecological industrial demonstration parks; continue to implement water pollution prevention and control actions and comprehensive marine pollution control actions; deepen actions to prevent and control soil pollution; push ahead the construction of the “One Belt and One Road” green development international alliance and research institutes, and build an international think tank and cooperation platform. As the continuous promotion of ecological and environmental protection policies, there will be great achievements in the fields of comprehensive prevention and control of flood and drought disasters, protection of key water sources, soil and water conservation, utilization of renewable resources, solid waste and garbage treatment, sewage treatment, treatment of damaged rivers and lakes, garbage sorting, green lifestyle, etc.

Real estate. Under the long-term mechanism of “houses are for inhabitation, not for speculation”, the tightening of real estate regulation is still the main theme. However, taking into account the in-depth promotion of regional development strategies, from the perspective of investment, the third and fourth tier cities in the Yangtze River Delta and the Pearl River Delta are still regional markets worthy of attention.

IV. Management Discussion and Analysis

13 Outlook (Continued)

13.3 International Market Trend and Countermeasures

In the short term, the global economic outlook has improved. According to the International Monetary Fund (IMF) forecasts, the global economy is expected to grow by 6% in 2021. According to the Global Trade Information and Outlook (《全球貿易數據與展望》) released by the World Trade Organization, the global merchandise trade will increase by 8% in 2021. According to the World Investment Report 2021 (《2021年世界投資報告》) released by the United Nations, global foreign direct investment will hit the bottom and rebound in 2021, with a growth rate of 10% to 15%. In the medium and long term, the global pandemic may continue for a long time. Governments of many countries will still adhere to infrastructure construction as an important means of stabilizing economic growth, and adopt a series of monetary policies and tax reduction policies to stimulate the infrastructure market. The Company will strengthen the follow-up of international condition, analyze the policy environment, optimize the international market layout, seize opportunities for market recovery and intensify market development.

Also, China's great success in the pandemic prevention and control has greatly lifted up the national image in overseas markets. Combined with the improvement of the opening level of China's capital market, it will attract more international capital to participate in the construction of the "One Belt and One Road". The Company will expand cooperation in third-party markets, proactively participate in international production capacity cooperation, implement the "One Belt and One Road" initiative, and promote the high-quality development of international businesses.

13.4 Objectives and Outlook of Overall Development for the Second Half of 2021

2021 is the first year of the "14th Five-Year Plan". Scientific planning for the "14th Five-Year Plan" work and comprehensive commencement of key tasks are meaningful to support the Company's new journey of building a world-class enterprise with global competitiveness. In the second half of 2021, in the face of the new situation and new tasks, the Company will stand firm and stay focused and center on the goal for building a world-class enterprise with global competitiveness by planning for operation, strengthening management, well implementing and promoting integration, so as to accumulate energy for the stable operation of the overall situation and the creation of a new situation of development, and strive to promote rapid growth in all major operating indicators throughout the year.

V. Material Events

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

There is no purchase, sale or redemption of the listed securities of the Company by the Company or any subsidiaries for the six months ended 30 June 2021.

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

For the six months ended 30 June 2021, based on the information available to the Company and to the best knowledge of the Directors, saved as disclosed in this section, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

When the Company implemented the initial grant of the restricted share incentive scheme in 2016, Mr. He Jiansheng, the non-employee supervisor of the Company, and Mr. Wu Daozhuan, the employee supervisor, participated in the restricted share incentive scheme as a grantee. Pursuant to which, as of 30 June 2021, each of Mr. He Jiansheng and Mr. Wu Daozhuan has interest in 214,000 H shares of the Company.

V. Material Events

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

As at 30 June 2021, after the reasonable enquiry by the Directors of the Company, the persons below (other than the Directors, supervisors and chief executives of the Company) have interests or short positions in the shares or underlying shares which will have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which will be required to record in the register maintained by the Company pursuant to section 336 of the SFO:

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

V. Material Events

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

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

- (1) The calculation is based on the approximate shareholding in the Company's 9,262,436,000 issued H shares, 20,757,960,364 issued domestic shares and 30,020,396,364 shares of the total issued share capital as at 30 June 2021.
- (2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in the 98,542,651 domestic shares, representing 0.47% of the domestic share capital of the Company. Therefore, Energy China Group is deemed to be interested in the domestic shares held by EPPE Company.
- (3) These shares are directly held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司). China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司) is wholly owned by China Huaxing Group Company (中國華星集團公司); and China Huaxing Group Company (中國華星集團公司) is wholly owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). Therefore, China Huaxing Group Company (中國華星集團公司) and China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) are deemed to be interested in shares held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司).
- (4) These shares are directly held by Silk Road Fund Co., Ltd. (絲路基金有限公司), and Buttonwood Investment Holding Company Ltd. holds 65% equity interests in Silk Road Fund Co., Ltd. Therefore, Buttonwood Investment Holding Company Ltd. is deemed to be interested in shares held by Silk Road Fund Co., Ltd.
- (5) Central Huijin Investment Ltd. holds 57.31% equity interests in China Construction Bank Corporation. Therefore, Central Huijin Investment Ltd. is deemed to be interested in shares held by China Construction Bank Corporation.
- (6) These shares are directly held by State Grid International Development Limited. State Grid International Development Limited is wholly-owned by State Grid International Development Co., Ltd.; while the latter is wholly-owned by State Grid Corporation of China. Therefore, State Grid International Development Co., Ltd. and State Grid Corporation of China are deemed to be interested in the shares held by State Grid International Development Limited.

V. Material Events

4 Compliance with the Code Provisions of Corporate Governance Code

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

For the six months ended 30 June 2021, 4 Board meetings were convened and held by the Company, considering and voting for 47 resolutions and proposing 31 resolutions to the general meeting; 7 general meetings (i.e. the first extraordinary general meeting of 2021, the first domestic shareholders' class meeting of 2021, the first H shareholders' class meeting of 2021, the second extraordinary general meeting of 2021, the second domestic shareholders' class meeting of 2021, the second H shareholders' class meeting of 2021 and the 2020 annual general meeting of the Company) were convened and held, considering and voting for 35 resolutions. 1 strategy committee meeting of the Board was held, considering and voting for 1 resolution; 1 nomination committee meeting of the Board was held, considering and voting for 1 resolution; 1 remuneration and assessment committee meeting of the Board was held, considering and voting for 2 resolutions; and 3 audit committee meetings of the Board were held, considering and voting for 15 resolutions.

For the six months ended 30 June 2021, the Company has complied with code provisions of the Corporate Governance Code under Appendix 14 to the Listing Rules.

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

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

According to the registration of Directors' and supervisors' trading of the Company shares as required by the management system of the Company and having made enquiries with all the Directors and supervisors, the Company confirmed that each of the Directors and supervisors has complied with all requirements of the Model Code for Securities Transactions during the six months ended 30 June 2021.

V. Material Events

6 Changes in Information of Directors and Supervisors

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

Mr. Cheung Yuk Ming resigned as the independent non-executive Director of the second session of the Board on 5 February 2021 upon expiration of session.

On 5 February 2021, as considered and approved at the first extraordinary general meeting of 2021 and the class meetings, Mr. Li Shulei was appointed as the non-executive Director of the third session of the Board, Dr. Ngai Wai Fung was appointed as the independent non-executive Director of the third session of the Board, their term of office is from 5 February 2021 to the date of expiry of the third session of the Board.

On 5 February 2021, due to the expiration of their terms, Mr. Wang Zengyong has resigned as the chairman of the second session of the Board of Supervisors, and Mr. Fu Dexiang and Mr. Wei Zhongxin have resigned as the supervisors of the second session of the Board of Supervisors.

On 5 February 2021, as considered and approved at the first extraordinary general meeting of 2021 and the class meetings of the Company, Mr. He Jiansheng, Mr. Mao Fengfu and Mr. Lv Shisen were appointed as the supervisors of the third session of the Board of Supervisors, their term of office is from 5 February 2021 to the date of expiry of the third session of the Board of Supervisors.

On 5 February 2021, as considered and approved at the first meeting of the third session of the Board of Supervisors, Mr. He Jiansheng was appointed as the chairman of the third session of the Board of Supervisors, his term of office is from 5 February 2021 to the date of expiry of the third session of the Board of Supervisors.

On 12 May 2021, Dr. Ngai Wai Fung, an independent non-executive Director has resigned as an independent non-executive director of BBMG Corporation* (北京金隅集團股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2009).

On 26 May 2021, Mr. Li Fangyi resigned as an employee representative supervisor of the Company due to work arrangement, and Mr. Wu Daozhuan has been elected as an employee representative supervisor of the Company with term of office until the end of the term of the third session of the Board of Supervisors.

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

V. Material Events

7 Subsequent Events

Details of the subsequent events of the Company for the period ended 30 June 2021 are set out in note 30 to the “Consolidated Financial Statements” of this interim report.

8 Appointment and Removal of Auditors

Being considered and approved at the 2020 annual general meeting held on 8 June 2021, KPMG was appointed as the international independent auditor of the Company for the year of 2021 and Da Hua Certified Public Accountants (Special General Partnership) as the domestic independent auditor of the Company for the year of 2021.

9 Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

10 Acquisition and Disposal of Subsidiaries

On 18 June 2021, the Company entered into the equity transfer agreement of Zhongnengjian Fund Management Co., Ltd. (中能建基金管理有限公司) (“**Fund Company**”) and 40% Equity Transfer Agreement of China Energy Engineering Group Financial Leasing Co., Ltd. (中國能源建設集團融資租賃有限公司) (“**Financial Leasing Company**”) with Energy China Group; and China Energy Engineering (Hong Kong) Company Limited (中國能源建設香港有限公司), a subsidiary of the Company, entered into the 25% equity transfer agreement of Financial Leasing Company with China Energy Engineering Group (Hong Kong) Company Limited (中國能源建設集團香港有限公司). After the completion of the transaction, the Company no longer has control over Fund Company and Financial Leasing Company.

On 24 June 2021, the Company entered into equity transfer agreement with Energy China Group regarding the remaining 35% equity interests in Financial Leasing Company. The Transaction was completed on 23 July 2021. Since then, the Company no longer holds equity in Financial Leasing Company.

11 Review of Interim Report

On 27 August 2021, the Audit Committee of the Board has reviewed the interim results announcement for the six months ended 30 June 2021, the 2021 interim report of the Company and the unaudited interim financial statements for the six months ended 30 June 2021 which have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

Report on Review of Consolidated Financial Statements

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

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 49 to 98 which comprises the consolidated statement of financial position of China Energy Engineering Corporation Limited (“**the Company**”) and its subsidiaries (collectively referred to as “**the Group**”) as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

27 August 2021

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

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Revenue | 3 | 141,545,737 | 105,597,203 |
| Cost of sales | | (124,498,782) | (93,152,188) |
| Gross profit | | 17,046,955 | 12,445,015 |
| Other income | 4 | 517,621 | 711,701 |
| Net impairment losses on financial assets and contract assets | 5(a) | (184,307) | (549,521) |
| Other net gains and losses | 5(b) | 220,752 | 42,040 |
| Selling expenses | | (1,020,979) | (805,120) |
| Administrative expenses | | (6,371,374) | (5,246,037) |
| Research and development expenses | | (2,426,344) | (1,873,719) |
| Finance income | 6 | 300,774 | 355,972 |
| Finance costs | 6 | (1,829,461) | (1,696,191) |
| Share of profits of joint ventures | | 105,241 | 137,172 |
| Share of losses of associates | | (194,830) | (18,640) |
| Profit before taxation | 7 | 6,164,048 | 3,502,672 |
| Income tax | 8 | (1,643,744) | (1,264,299) |
| Profit for the period | | 4,520,304 | 2,238,373 |

The notes on pages 59 to 98 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

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

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Other comprehensive income for the period: | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| – Remeasurement of defined benefit obligations | (940) | (225,630) |
| – Income tax relating to remeasurement of defined benefit obligations | 36 | 6,319 |
| – Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling) | (135,064) | (18,806) |
| – Income tax relating to equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling) | 19,101 | 2,143 |
| | (116,867) | (235,974) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| – Exchange differences on translating foreign operations | 82,581 | 13,593 |
| | 82,581 | 13,593 |
| Other comprehensive income for the period | (34,286) | (222,381) |
| Total comprehensive income for the period | 4,486,018 | 2,015,992 |
| Profit for the period attributable to: | | |
| Equity holders of the Company | | |
| – Shareholders | 2,258,181 | 859,539 |
| – Perpetual capital instruments holders | 192,745 | 59,490 |
| | 2,450,926 | 919,029 |
| Non-controlling interests | | |
| – Shareholders | 1,379,962 | 816,934 |
| – Perpetual capital instruments holders | 689,416 | 502,410 |
| | 2,069,378 | 1,319,344 |
| | 4,520,304 | 2,238,373 |

The notes on pages 59 to 98 form part of this interim financial report.

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

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | | |
| – Shareholders | | 2,294,691 | 652,936 |
| – Perpetual capital instruments holders | | 192,745 | 59,490 |
| | | 2,487,436 | 712,426 |
| Non-controlling interests | | | |
| – Shareholders | | 1,309,166 | 801,156 |
| – Perpetual capital instruments holders | | 689,416 | 502,410 |
| | | 1,998,582 | 1,303,566 |
| | | 4,486,018 | 2,015,992 |
| Earnings per share | | | |
| Basic and diluted (RMB cents) | 9 | 7.56 | 2.88 |

The notes on pages 59 to 98 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2021 (Expressed in Renminbi)

| | Note | At 30 June 2021 RMB'000 | At 31 December 2020 RMB'000 |
|--|-------|-------------------------------|-----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 52,333,997 | 50,343,979 |
| Investment properties | | 709,063 | 750,449 |
| Intangible assets | 11 | 56,085,374 | 52,689,188 |
| Investments in joint ventures | | 7,833,073 | 7,450,187 |
| Investments in associates | | 26,383,302 | 21,503,857 |
| Goodwill | | 2,140,397 | 2,140,397 |
| Deferred tax assets | | 2,327,453 | 2,276,429 |
| Trade receivables | 13 | 40,053,437 | 34,650,825 |
| Prepayments, deposits and other receivables | 14 | 2,091,027 | 1,602,839 |
| Other loans | 15(a) | 450,000 | – |
| Finance lease receivables | 15(b) | – | 4,235,234 |
| Financial assets at fair value through other comprehensive income | 12(a) | 2,206,763 | 2,310,578 |
| Financial assets at fair value through profit or loss | 12(b) | 6,888,352 | 6,686,063 |
| | | 199,502,238 | 186,640,025 |
| Current assets | | | |
| Inventories | | 13,887,268 | 11,955,535 |
| Properties under development for sale | | 45,023,194 | 44,937,703 |
| Completed properties for sale | | 2,860,116 | 4,636,074 |
| Contract assets | 16(a) | 62,328,663 | 48,237,627 |
| Trade and bills receivables | 13 | 71,157,366 | 65,171,266 |
| Prepayments, deposits and other receivables | 14 | 50,777,023 | 49,784,026 |
| Other loans | 15(a) | 7,104,062 | 5,039,244 |
| Assets held for sale | 29 | 641,899 | – |
| Financial assets at fair value through profit or loss | 12(b) | 1,256,885 | 2,957,693 |
| Finance lease receivables | 15(b) | – | 257,808 |
| Pledged deposits | 17 | 4,739,852 | 5,836,505 |
| Bank and cash balances | 17 | 39,950,373 | 50,598,406 |
| | | 299,726,701 | 289,411,887 |

The notes on pages 59 to 98 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2021 (Expressed in Renminbi)

| | Note | At 30 June 2021 RMB'000 | At 31 December 2020 RMB'000 |
|--|-------|-------------------------------|-----------------------------------|
| Current liabilities | | | |
| Trade and bills payables | 18 | 121,336,704 | 113,564,004 |
| Contract liabilities | 16(b) | 60,196,754 | 58,832,766 |
| Other payables and accruals | 19 | 32,208,662 | 31,434,480 |
| Income tax payable | | 2,031,032 | 2,766,108 |
| Bank and other borrowings | 20 | 34,139,918 | 35,164,008 |
| Defined benefit obligations | | 1,021,199 | 1,110,222 |
| Corporate bonds | 21 | 1,591,748 | 9,024,438 |
| Lease liabilities | | 265,632 | 297,193 |
| Provisions | | 882,207 | 909,103 |
| | | 253,673,856 | 253,102,322 |
| Net current assets | | 46,052,845 | 36,309,565 |
| Total assets less current liabilities | | 245,555,083 | 222,949,590 |
| Non-current liabilities | | | |
| Other payables and accruals | 19 | 986,744 | 854,150 |
| Bank and other borrowings | 20 | 72,244,125 | 62,974,897 |
| Corporate bonds | 21 | 12,795,910 | 9,995,381 |
| Lease liabilities | | 924,300 | 596,678 |
| Defined benefit obligations | | 8,699,695 | 8,539,784 |
| Deferred tax liabilities | | 1,393,524 | 1,344,089 |
| Provisions | | 41,288 | 40,973 |
| Deferred revenue | | 717,404 | 674,781 |
| | | 97,802,990 | 85,020,733 |
| NET ASSETS | | 147,752,093 | 137,928,857 |

The notes on pages 59 to 98 form part of this interim financial report.

Consolidated Statement of Financial Position – Unaudited

At 30 June 2021 (Expressed in Renminbi)

| | Note | At 30 June 2021 RMB'000 | At 31 December 2020 RMB'000 |
|---|-------|-------------------------------|-----------------------------------|
| CAPITAL AND RESERVES | | | |
| Issued share capital | 22(b) | 30,020,396 | 30,020,396 |
| Perpetual capital instruments | 23 | 9,500,000 | 9,500,000 |
| Reserves | | 30,516,036 | 28,896,522 |
| Equity attributable to equity holders of the Company | | 70,036,432 | 68,416,918 |
| Perpetual capital instruments | 23 | 37,808,504 | 30,984,433 |
| Non-controlling interests | | 39,907,157 | 38,527,506 |
| TOTAL EQUITY | | 147,752,093 | 137,928,857 |

Approved and authorised for issue by the Board of Directors on 27 August 2021.

Song Hailiang

Director

Sun Hongshui

Director

The notes on pages 59 to 98 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Attributable to equity holders of the Company | | | | | | | | | | | | | |
|---|---|--|--|----------------------------|------------------------------|----------------------------|---|--|---|------------------------------|--|--|--------------------------------------|-------------------------|
| | Issued share capital RMB'000 | Perpetual capital instruments RMB'000 | Shares held under restricted share incentive scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Special reserve RMB'000 | Defined benefit obligation remeasurement reserve RMB'000 | Investments revaluation reserve (non-recycling) RMB'000 | Foreign currency translation reserve RMB'000 | Retained earnings RMB'000 | Total equity attributable to equity shareholders of the Company RMB'000 | Perpetual capital instruments RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| | | | | | | | | | | | | | | |
| Balance at 1 January 2021 | 30,020,396 | 9,500,000 | (203,082) | 8,310,808 | 4,461,490 | 557,757 | 1,412,827 | (18,442) | (1,270,609) | 15,645,773 | 68,416,918 | 30,984,433 | 38,527,506 | 137,928,857 |
| Total comprehensive income for the period | - | 192,745 | - | - | - | - | (1,007) | (44,663) | 82,180 | 2,258,181 | 2,487,436 | 688,416 | 1,309,166 | 4,486,018 |
| Issue of perpetual capital instruments (note 23) | - | - | - | - | - | - | - | - | - | - | - | 11,000,000 | - | 11,000,000 |
| Repayment of perpetual capital instruments | - | - | - | - | - | - | - | - | - | - | - | (4,180,000) | - | (4,180,000) |
| Exchange adjustment of perpetual capital instruments | - | - | - | - | - | - | - | - | - | - | - | 4,071 | - | 4,071 |
| Capital contributed by non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | 647,395 | 647,395 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (30,022) | (30,022) |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (7,865) | (7,865) |
| Transfer to reserves | - | - | - | - | - | 97,276 | - | - | - | (97,276) | - | - | - | - |
| Dividends declared to perpetual capital instruments holders | - | (192,745) | - | - | - | - | - | - | - | - | (192,745) | (688,416) | - | (882,161) |
| Dividends declared (note 22(a)) | - | - | - | - | - | - | - | - | - | (675,459) | (675,459) | - | - | (675,459) |
| Dividends declared to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | (539,023) | (539,023) |
| Others | - | - | - | 282 | - | - | - | - | - | - | 282 | - | - | 282 |
| Balance at 30 June 2021 | 30,020,396 | 9,500,000 | (203,082) | 8,311,090 | 4,461,490 | 655,033 | 1,411,820 | (63,105) | (1,188,429) | 17,131,219 | 70,056,432 | 37,808,504 | 39,907,157 | 147,752,093 |

The notes on pages 59 to 98 form part of this interim financial report.

Consolidated Statement of Changes in Equity – Unaudited

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

| | Attributable to equity holders of the Company | | | | | | | | | | | Total equity attributable to equity shareholders of the Company RMB'000 | |
|---|---|--|---|----------------------------|---------------------------------|----------------------------|--|--|--|---------------------------------|--|--|---|
| | Issued share capital RMB'000 | Perpetual capital instruments RMB'000 | Shares held under restricted share incentive scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Special reserve RMB'000 | Defined benefit obligation remeasurement reserve RMB'000 | Investments revaluation reserve (non- recycling) RMB'000 | Foreign currency translation reserve RMB'000 | Retained earnings RMB'000 | Perpetual capital instruments RMB'000 | | Non- controlling interests RMB'000 |
| Balance at 1 January 2020 | 30,020,396 | 3,000,000 | (203,082) | 8,306,090 | 3,077,703 | 548,048 | 1,013,664 | (300,929) | (658,561) | 13,341,433 | 23,900,000 | 31,245,590 | 113,290,352 |
| Total comprehensive income for the period | - | 59,490 | - | - | - | - | (185,195) | (12,634) | (8,774) | 859,539 | 502,410 | 801,156 | 2,015,992 |
| Issue of perpetual capital instruments (note 23) | - | 1,000,000 | - | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Capital contributed by non-controlling interests | - | - | - | (26,761) | - | - | - | - | - | - | - | 1,117,431 | 1,090,670 |
| Transfer to reserves | - | - | - | - | - | 33,315 | - | - | - | (33,315) | - | - | - |
| Dividends declared to perpetual capital instruments holders | - | (59,490) | - | - | - | - | - | - | - | - | (502,410) | - | (561,900) |
| Dividends declared (note 22(a)) | - | - | - | - | - | - | - | - | - | (918,624) | - | - | (918,624) |
| Dividends declared to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (63,468) | (63,468) |
| Others | - | - | - | (42,650) | - | - | - | - | - | - | - | - | (42,650) |
| Balance at 30 June 2020 | 30,020,396 | 4,000,000 | (203,082) | 8,236,679 | 3,077,703 | 581,363 | 828,469 | (313,563) | (667,335) | 13,249,033 | 23,900,000 | 33,100,709 | 115,810,372 |

The notes on pages 59 to 98 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Net cash used in operating activities | | (11,010,748) | (9,343,180) |
| Investing activities | | | |
| Interest received | | 219,397 | 349,022 |
| Payments for addition to property, plant and equipment | | (3,424,937) | (1,965,590) |
| Payments for addition to intangible assets | | (3,569,742) | (3,915,674) |
| Capital contributions to joint ventures | | (279,645) | (770,203) |
| Capital contributions to associates | | (5,714,784) | (1,956,269) |
| Net cash purchase of from investments | | (88,508) | (5,044) |
| Purchase of financial assets at fair value through other comprehensive income | | (31,249) | (41,351) |
| Purchase of financial assets at fair value through profit or loss | | (2,648,080) | (2,335,555) |
| Proceeds from disposal of property, plant and equipment | | 393,540 | 212,469 |
| Proceeds from disposal of investment property | | – | 123 |
| Proceeds from disposal of intangible assets | | 1,958 | 29,519 |
| Proceeds from disposal of associates | | 150 | 419,023 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | – | 47,479 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 4,137,057 | 1,984,953 |
| Net decrease in pledged deposits | | 1,096,653 | 342,746 |
| Dividends received from associates | | 559,637 | 212,630 |
| Dividends received from joint ventures | | 2,000 | 63,376 |
| Dividends received from financial assets at fair value through other comprehensive income | 4 | 21,707 | 35,589 |
| Dividends received from financial assets at fair value through profit or loss | 4 | 42,811 | 32,980 |
| Net withdrawal of deposits with original maturity of over three months | | 256,755 | 36,905 |
| Acquisition of subsidiaries, net of cash acquired | | (9,274) | (540,620) |
| Disposal of subsidiaries, net of cash disposed | | 238,566 | – |
| Net increase in other loans and receivables | | (1,211) | (62,702) |
| Net (increase)/decrease in loan to related parties | | (983,607) | 20,605 |
| Net cash used in investing activities | | (9,780,806) | (7,805,589) |

The notes on pages 59 to 98 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2021 (Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Financing activities | | | |
| Capital injections from non-controlling interests | | 647,395 | 1,090,660 |
| Issue of perpetual capital instruments | 23 | 11,000,000 | 1,000,000 |
| Interests paid on perpetual capital instruments | | (882,161) | (419,760) |
| Interests paid on bank and other borrowings | | (2,409,639) | (2,515,889) |
| Interests paid on corporate bonds | | (649,009) | (723,385) |
| New bank and other borrowings | | 34,570,584 | 35,364,973 |
| Repayment of bank and other borrowings | | (22,670,555) | (20,259,229) |
| New corporate bonds | | 5,800,000 | – |
| Repayment of corporate bonds | | (10,020,070) | (600,000) |
| Repayment of perpetual capital instruments | | (4,180,000) | – |
| Capital elements of lease rentals paid | | (158,724) | (156,274) |
| Interest elements of lease rentals paid | | (33,905) | (29,301) |
| Net decrease in borrowings from related parties | | (482,859) | (398,285) |
| Dividends paid to non-controlling interests | | (109,819) | (70,317) |
| Net cash generated from financing activities | | 10,421,238 | 12,283,193 |
| Net decrease in cash and cash equivalents | | (10,370,316) | (4,865,576) |
| Cash and cash equivalents at the beginning of the period | | 49,861,244 | 42,624,579 |
| Effects of exchange rate changes | | (20,962) | 223,912 |
| Cash and cash equivalents at the end of the period | | 39,469,966 | 37,982,915 |

The notes on pages 59 to 98 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION

Segment reporting

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

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

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

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 30 June 2020 (Unaudited)

| | Survey, design and consulting services | Construction and contracting | Industrial manufacturing | Clean energy, environmental protection and water utilities | Investment and other businesses | Eliminations | Total |
|---|--|------------------------------------|-----------------------------|---|---------------------------------------|--------------|-------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Disaggregated by timing of revenue recognition | | | | | | | |
| Point in time | – | – | 9,897,991 | 6,568,089 | 6,813,446 | – | 23,279,526 |
| Over time | 4,751,366 | 77,566,311 | – | – | – | – | 82,317,677 |
| External segment revenue | 4,751,366 | 77,566,311 | 9,897,991 | 6,568,089 | 6,813,446 | – | 105,597,203 |
| Inter-segment revenue | 47,353 | 3,455,693 | 117,561 | – | 845,069 | (4,465,676) | – |
| Segment revenue | 4,798,719 | 81,022,004 | 10,015,552 | 6,568,089 | 7,658,515 | (4,465,676) | 105,597,203 |
| Segment results | 102,802 | 2,514,691 | 1,349,760 | 419,120 | 774,781 | 48,685 | 5,209,839 |
| Unallocated items | | | | | | | |
| Other income | | | | | | | 217,061 |
| Net impairment losses on financial assets and contract assets | | | | | | | (549,521) |
| Other net gains and losses | | | | | | | 42,040 |
| Administrative expenses | | | | | | | (195,060) |
| Finance income | | | | | | | 355,972 |
| Finance costs | | | | | | | (1,696,191) |
| Share of profits of joint ventures | | | | | | | 137,172 |
| Share of losses of associates | | | | | | | (18,640) |
| Profit before taxation | | | | | | | 3,502,672 |

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

Segment assets and liabilities

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

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)

Geographical information

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

| | Six months ended 30 June | |
|--------------------------|--|--|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Segment revenue | | |
| Mainland China | 121,641,219 | 91,555,163 |
| Overseas: | | |
| Vietnam | 5,358,849 | 1,247,360 |
| Pakistan | 2,797,707 | 2,637,576 |
| The United Arab Emirates | 1,887,161 | 641,202 |
| Indonesia | 856,287 | 1,128,967 |
| Bangladesh | 806,517 | 786,857 |
| Uzbekistan | 767,694 | – |
| Others | 7,430,303 | 7,600,078 |
| Total | 141,545,737 | 105,597,203 |
| | | |
| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
| Non-current assets | | |
| Mainland China | 125,661,504 | 116,222,790 |
| Overseas: | | |
| Vietnam | 11,479,056 | 10,595,686 |
| Pakistan | 7,697,041 | 6,967,754 |
| Kazakhstan | 812,209 | 834,305 |
| Spain | 502,177 | 488,652 |
| Brazil | 199,813 | 157,655 |
| Argentina | 160,714 | 172,181 |
| Kuwait | 147,595 | 164,221 |
| Malaysia | 125,667 | 132,774 |
| Others | 790,457 | 744,879 |
| Total | 147,576,233 | 136,480,897 |

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

Notes to the Unaudited Interim Financial Report

3 SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

Revenue from major customers

There is no major individual customer contributing over 10% of the total revenue of the Group for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

4 OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Government grants | | |
| – grants related to income (note) | 321,385 | 540,247 |
| – grants related to assets | 15,300 | 12,272 |
| Dividend income from financial assets at fair value through other comprehensive income (“ FVOCI ”) | 21,707 | 35,589 |
| Dividend income from financial assets at fair value through profit or loss (“ FVPL ”) | 42,811 | 32,980 |
| Compensation income from project owners and other parties | 39,820 | 11,890 |
| Others | 76,598 | 78,723 |
| Total | 517,621 | 711,701 |

Note: Government grants include various government subsidies received by the Group from the relevant government bodies primarily in connection with enterprise expansion, technology advancement and value-added tax refund. There were no unfulfilled conditions or contingencies relating to these grants and subsidies as at 30 June 2021.

Notes to the Unaudited Interim Financial Report

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

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Trade receivables | 194,450 | 212,154 |
| Contract assets | (16,973) | (4,915) |
| Other receivables | 6,830 | 63,020 |
| Other receivables from Huanjia Connected Suppliers (note) | – | 279,262 |
| Total | 184,307 | 549,521 |

Note: During the year ended 31 December 2018, Gezhoubu Huanjia (Dalian) Renewable Resources Company Limited (葛洲壩環嘉(大連)再生資源有限公司, "Gezhoubu Huanjia"), in which a wholly owned subsidiary of China Gezhoubu Group Stock Company Limited (中國葛洲壩集團股份有限公司, "CGGC"), CGGC Group Green Technology Company Limited (中國葛洲壩集團綠園科技有限有限公司, "CGGC Green Technology") and Mr. Wang Jinping hold 55% and 45% equity interests, respectively, made prepayments of RMB1,741 million to certain suppliers. From the year of 2015 to 2019, Mr. Wang Jinping was the director and general manager of Gezhoubu Huanjia, and the chairman and shareholder of Dalian Huanjia Group Co., Ltd. (大連環嘉集團有限公司) (now renamed as Huanjia Group Co., Ltd. (環嘉集團有限公司), "Huanjia Group"). As these suppliers subsequently failed to deliver relevant goods to Gezhoubu Huanjia, the balances were reclassified to other receivables. As at 30 June 2021, the gross amount of outstanding other receivables amounted to RMB1,475 million has been fully impaired.

Since 2019, Mr. Wang Jinping, certain directors and management personnel of Gezhoubu Huanjia have been kept in detention and investigated by the Committee of Supervisory of Wuhan City (武漢市監察委員會) for duty related crimes and/or crimes (the "Investigation", see note 26(c)). These suppliers were found to be connected to Huanjia Group ("Huanjia Connected Suppliers", see note 26(c)).

Certain inventories of Gezhoubu Huanjia were stored in sites, which were leased from Huanjia Group. As at 30 June 2021, inventories of Gezhoubu Huanjia with carrying amount of RMB708 million (as at 31 December 2020: RMB708 million), which were stored in these sites, were seized by court orders for enforcement as a result of a number of legal proceedings against Huanjia Group. Based on available documents and the opinion of legal adviser of the Company, the Directors are of the opinion that these inventories are lawfully owned by Gezhoubu Huanjia.

Notes to the Unaudited Interim Financial Report

5 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS AND OTHER NET GAINS AND LOSSES (CONTINUED)

(b) Other net gains and losses

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Net foreign exchange (loss)/gain | (128,198) | 22,737 |
| (Loss)/gain on disposal of: | | |
| – Financial assets at FVPL | (8,402) | 44 |
| – Property, plant and equipment | 385,879 | 66,480 |
| – Intangible assets | (1,130) | 28,279 |
| – Subsidiaries | 6,396 | – |
| Impairment loss recognised in respect of: | | |
| – Property, plant and equipment | (6,296) | – |
| Fair value changes of financial assets at FVPL | (1,140) | (50,923) |
| Loss on compensation, penalties and fines | (56,012) | (34,926) |
| Others | 29,655 | 10,349 |
| Total | 220,752 | 42,040 |

Notes to the Unaudited Interim Financial Report

6 FINANCE INCOME AND FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Interest income on: | | |
| Bank and cash balances and pledged deposits | 154,685 | 168,540 |
| Other loans | 146,089 | 180,649 |
| Defined benefit plan assets | – | 6,783 |
| Total finance income | 300,774 | 355,972 |
| Interest expenses on: | | |
| Bank and other borrowings | 2,132,095 | 2,275,100 |
| Corporate bonds | 236,918 | 400,051 |
| Asset-backed securities (“ABS”) and asset-backed notes (“ABN”) | 112,624 | 29,579 |
| Lease liabilities | 33,905 | 29,301 |
| Discounted bills | 17,540 | 10,590 |
| Defined benefit obligations | 159,269 | 176,444 |
| | 2,692,351 | 2,921,065 |
| Less: Interest capitalised into | | |
| – Construction in progress | (110,755) | (481,306) |
| – Properties under development for sale | (312,644) | (340,470) |
| – Intangible assets | (439,491) | (403,098) |
| Total finance costs | 1,829,461 | 1,696,191 |

Notes:

- (i) Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings and corporate bonds.
- (ii) The borrowing costs have been capitalised at rates of 3.30% to 6.50% for the six months ended 30 June 2021 (six months ended 30 June 2020: 2.92% to 6.50%).

Notes to the Unaudited Interim Financial Report

7 PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Salaries and other labour costs | 9,428,843 | 8,451,994 |
| Retirement benefits and pensions | 1,424,920 | 817,891 |
| Other social benefits | 2,356,922 | 1,954,473 |
| Total staff and labour costs | 13,210,685 | 11,224,358 |
| Less: Capitalised into construction in progress | (49,914) | (46,468) |
| Less: Capitalised into properties under development for sale | (58,804) | (70,405) |
| | 13,101,967 | 11,107,485 |
| Cost of inventories recognised as expense | 22,298,025 | 19,340,859 |
| Leases expenses | 163,231 | 302,234 |
| Gross rental income from investment properties | (17,135) | (17,633) |
| Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income | 23,298 | 25,379 |
| | 6,163 | 7,746 |

Notes to the Unaudited Interim Financial Report

8 INCOME TAX

| | Six months ended 30 June | |
|-------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Current enterprise income tax | 1,501,787 | 1,149,693 |
| Deferred tax | (7,552) | (37,469) |
| Land appreciation tax ("LAT") | 149,509 | 152,075 |
| | 1,643,744 | 1,264,299 |

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

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

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB2,258 million (six months ended 30 June 2020: RMB860 million), and the weighted average of 29,855,864,000 ordinary shares in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 29,855,864,000 shares).

(b) Diluted earnings per share

There was no dilutive effect arising from restricted share incentive scheme for the six months ended 30 June 2021.

Notes to the Unaudited Interim Financial Report

10 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of leasehold land and buildings, plants, machineries and equipment, and therefore recognised the additions to right-of-use assets of RMB300 million (six months ended 30 June 2020: RMB168 million).

(b) Other property, plant and equipment

During the six months ended 30 June 2021, the Group incurred costs for construction in progress of RMB1,997 million (six months ended 30 June 2020: RMB1,008 million) and acquired buildings at a cost of RMB141 million (six months ended 30 June 2020: RMB95 million), machinery at a cost of RMB524 million (six months ended 30 June 2020: RMB328 million), and transportation vehicles/vessels at a cost of RMB135 million (six months ended 30 June 2020: RMB425 million) for the purpose of expanding the Group's business.

11 INTANGIBLE ASSETS

During the six months ended 30 June 2021, additions to intangible assets amounted to RMB3,951 million (six months ended 30 June 2020: RMB4,319 million), which comprised concession rights of RMB3,240 million (six months ended 30 June 2020: RMB4,225 million).

12 FINANCIAL ASSETS

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

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| Listed investments: | | |
| Equity securities listed in Mainland China | 1,123,886 | 1,254,093 |
| Unlisted investments: | | |
| Private companies (note (i)) | 1,056,400 | 1,025,151 |
| Listed company (note (ii)) | 26,477 | 31,334 |
| Total | 2,206,763 | 2,310,578 |
| Analysed for reporting purposes: | | |
| Non-current | 2,206,763 | 2,310,578 |

Notes to the Unaudited Interim Financial Report

12 FINANCIAL ASSETS (CONTINUED)**(a) Financial assets at FVOCI (non-recycling) (continued)**

Notes:

- (i) The unlisted investments in private companies represent equity securities of private entities established in the PRC. These investments are designated at FVOCI, as they are held for strategic purposes. The Group does not intend to dispose of them in the near future.
- (ii) This investment represents non-tradable shares of GITI Corporation Limited (“GITI”, a PRC established company), the A shares of which were listed on the Shanghai Stock Exchange in 1999.

(b) Financial assets at FVPL

| | At 30 June 2021 | At 31 December 2020 |
|---|--------------------------------|------------------------|
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Listed investments: | | |
| Equity securities listed in Mainland China | 54,101 | 62,278 |
| Unlisted investments: | | |
| Private companies | 5,694,564 | 5,770,235 |
| Units in funds and other non-equity investments | 2,396,572 | 3,811,243 |
| Total | 8,145,237 | 9,643,756 |
| Analysed for reporting purposes: | | |
| Non-current | 6,888,352 | 6,686,063 |
| Current | 1,256,885 | 2,957,693 |
| | 8,145,237 | 9,643,756 |

Notes to the Unaudited Interim Financial Report

13 TRADE AND BILLS RECEIVABLES

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| Trade receivables | 66,020,929 | 54,421,760 |
| Retention receivables | 18,643,782 | 17,397,551 |
| Less: loss allowance | (4,574,277) | (4,419,331) |
| | 80,090,434 | 67,399,980 |
| Bills receivable | 10,574,180 | 13,229,407 |
| Build-Transfer (“BT”)/Build-Operate-Transfer (“BOT”) project receivables | 20,546,189 | 19,192,704 |
| Total trade and bills receivables | 111,210,803 | 99,822,091 |
| Analysed for financial reporting purpose: | | |
| Non-current | 40,053,437 | 34,650,825 |
| Current | 71,157,366 | 65,171,266 |
| | 111,210,803 | 99,822,091 |

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

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

As at 30 June 2021, the Group pledged its trade and bills receivables amounting to approximately RMB17,013 million (as at 31 December 2020: RMB18,101 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 27.

As at 30 June 2021, trade receivables of RMB3,610 million (as at 31 December 2020: RMB5,114 million) had been transferred in accordance with relevant ABS and ABN issuances. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

Notes to the Unaudited Interim Financial Report

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

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

| | At 30 June 2021 | At 31 December 2020 |
|--------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| 0 to 6 months | 72,189,115 | 68,890,581 |
| 6 months to 1 year | 17,440,156 | 10,392,942 |
| 1 year to 2 years | 10,307,163 | 10,026,957 |
| 2 years to 3 years | 4,913,662 | 4,884,002 |
| 3 years to 4 years | 2,644,684 | 2,236,599 |
| 4 years to 5 years | 1,244,483 | 2,265,774 |
| Over 5 years | 2,471,540 | 1,125,236 |
| | 111,210,803 | 99,822,091 |

(b) Related parties of trade and bills receivables

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

| | At 30 June 2021 | At 31 December 2020 |
|---------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Fellow subsidiaries | 31,095 | 26,683 |
| Joint ventures | 2,451,965 | 1,531,626 |
| Associates | 6,670,531 | 6,792,511 |
| Total | 9,153,591 | 8,350,820 |

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

Notes to the Unaudited Interim Financial Report

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Advance to suppliers | 26,727,782 | 25,257,704 |
| Other receivables (note) | 16,205,601 | 17,506,165 |
| Prepayments for purchase of property, plant and equipment | 1,547,854 | 1,188,075 |
| Prepaid taxes | 8,214,989 | 7,348,474 |
| Dividends receivable | 90,112 | 86,112 |
| Interests receivable | 81,712 | 335 |
| | 52,868,050 | 51,386,865 |
| Analysed for financial reporting purpose: | | |
| Non-current | 2,091,027 | 1,602,839 |
| Current | 50,777,023 | 49,784,026 |
| | 52,868,050 | 51,386,865 |

Note: Other receivables mainly represent bidding bonds, performance bonds and various deposits required for the Group's business operations.

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

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--------------------------|--|--|
| Ultimate holding company | 3,083 | 2,573 |
| Fellow subsidiaries | 736,283 | 740,756 |
| Joint ventures | 238,739 | 230,387 |
| Associates | 1,147,279 | 1,559,464 |
| Total | 2,125,384 | 2,533,180 |

Notes to the Unaudited Interim Financial Report

15 OTHER LOANS AND FINANCE LEASE RECEIVABLES

(a) Other loans

At 30 June 2021, the amounts due from fellow subsidiaries, associates and third parties included in other loans are all unsecured, further details of which are analysed as follows:

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Amounts due from: | | |
| Fellow subsidiaries | 3,058,700 | 1,225,200 |
| Associates | 3,904,996 | 3,224,889 |
| Third parties | 590,366 | 589,155 |
| | 7,554,062 | 5,039,244 |
| Analysed for financial reporting purpose: | | |
| Non-Current | 450,000 | – |
| Current | 7,104,062 | 5,039,244 |
| | 7,554,062 | 5,039,244 |
| Loans: | | |
| With ultimate holding company guarantee | 513,800 | 184,300 |
| Without guarantees | 7,040,262 | 4,854,944 |
| | 7,554,062 | 5,039,244 |
| Interest-bearing loans (fixed rate) | 4,145,517 | 2,404,809 |
| Interest-free loans repayable on demand | 3,408,545 | 2,634,435 |
| | 7,554,062 | 5,039,244 |
| Range of interest rate (per annum) | 3.65% to 10.00% | 3.70% to 10.00% |

Notes to the Unaudited Interim Financial Report

15 OTHER LOANS AND FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Finance lease receivables

Finance lease receivables all come from a wholly-owned subsidiary of the Group, China Energy Engineering Group Financial Leasing Co., Ltd. (中國能源建設集團融資租賃有限公司 “**Financial Leasing Company**”). According to the equity interests transactions described in note 29(i), the Group lost its control in Financial Leasing Company and the carrying amount of the finance lease receivables amounted to nil as at 30 June 2021 (as at 31 December 2020: RMB4,493 million).

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

| | At 30 June 2021 | At 31 December 2020 |
|--|--------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Contract assets | | |
| Arising from performance under construction contracts | 62,328,663 | 48,237,627 |
| Receivables from contracts with customers within the scope of IFRS15, which are included in “Trade and bills receivables” (note 13) | 90,664,614 | 80,629,387 |

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

| | At 30 June 2021 | At 31 December 2020 |
|---------------------|--------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Fellow subsidiaries | 9,513 | 257 |
| Joint ventures | 376,506 | 184,173 |
| Associates | 4,027,160 | 719,975 |
| | 4,413,179 | 904,405 |

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

Notes to the Unaudited Interim Financial Report

16 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Contract liabilities | | |
| Billings in advance of performance under construction contracts | 16,493,269 | 17,545,267 |
| Advances for the sale of properties | 16,988,869 | 15,464,480 |
| Other advances received from customers | 26,714,616 | 25,823,019 |
| | 60,196,754 | 58,832,766 |

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

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---------------------|--|--|
| Fellow subsidiaries | 37,179 | 16,033 |
| Joint ventures | 235,213 | 187,131 |
| Associates | 1,759,995 | 1,295,958 |
| | 2,032,387 | 1,499,122 |

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

Notes to the Unaudited Interim Financial Report

17 BANK AND CASH BALANCES, PLEDGED DEPOSITS

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| Bank and cash balances | 39,339,216 | 50,242,720 |
| Time deposits | 5,351,009 | 6,192,191 |
| | 44,690,225 | 56,434,911 |
| Less: Pledged deposits for | | |
| Bills payable | 987,061 | 1,464,767 |
| Letter of credit | 1,002,545 | 1,066,171 |
| Others | 2,750,246 | 3,305,567 |
| | 4,739,852 | 5,836,505 |
| Bank and cash balances at the end of the period | 39,950,373 | 50,598,406 |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired | 480,407 | 737,162 |
| Cash and cash equivalents in the consolidated statement of cash flows | 39,469,966 | 49,861,244 |

18 TRADE AND BILLS PAYABLES

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|----------------|--|--|
| Trade payables | 110,412,545 | 100,468,882 |
| Bills payable | 10,924,159 | 13,095,122 |
| | 121,336,704 | 113,564,004 |

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

As at 30 June 2021, retention payables of RMB7,041 million (as at 31 December 2020: RMB6,570 million) were included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

Notes to the Unaudited Interim Financial Report

18 TRADE AND BILLS PAYABLES (CONTINUED)

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

| | At 30 June 2021 | At 31 December 2020 |
|-------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Within 1 year | 105,555,810 | 97,560,648 |
| 1 to 2 years | 7,714,458 | 8,415,605 |
| 2 to 3 years | 3,264,900 | 2,982,896 |
| More than 3 years | 4,801,536 | 4,604,855 |
| | 121,336,704 | 113,564,004 |

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

| | At 30 June 2021 | At 31 December 2020 |
|---------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Fellow subsidiaries | 163,674 | 120,913 |
| Joint ventures | 344,091 | 192,446 |
| Associates | 54,363 | 42,649 |
| | 562,128 | 356,008 |

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

Notes to the Unaudited Interim Financial Report

19 OTHER PAYABLES AND ACCRUALS

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Other payables (note) | 25,180,701 | 25,565,933 |
| Accrued payroll and welfare | 2,281,825 | 2,127,767 |
| Other tax payables | 3,280,104 | 2,969,273 |
| Dividend payables | 1,886,410 | 781,747 |
| Interest payables | 566,366 | 843,910 |
| | 33,195,406 | 32,288,630 |
| Analysed for financial reporting purpose: | | |
| Current | 32,208,662 | 31,434,480 |
| Non-current | 986,744 | 854,150 |
| | 33,195,406 | 32,288,630 |

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

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

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--------------------------|--|--|
| Ultimate holding company | 404,698 | 54,339 |
| Fellow subsidiaries | 505,604 | 557,876 |
| Joint ventures | 72,383 | 60,584 |
| Associates | 615,272 | 1,398,800 |
| | 1,597,957 | 2,071,599 |

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

Notes to the Unaudited Interim Financial Report

20 BANK AND OTHER BORROWINGS

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|--|--|--|
| Current | | |
| Short-term bank borrowings: | | |
| – unsecured | 13,074,776 | 8,056,185 |
| – secured | 3,497,617 | 3,366,775 |
| Short-term other borrowings: | | |
| – unsecured | 13,635,600 | 17,588,277 |
| Current portion of long-term bank borrowings: | | |
| – unsecured | 2,357,842 | 4,675,625 |
| – secured | 1,462,463 | 1,397,695 |
| Current portion of long-term other borrowings: | | |
| – secured | 111,620 | 79,451 |
| | 34,139,918 | 35,164,008 |
| Non-current | | |
| Long-term bank borrowings: | | |
| – unsecured | 35,763,313 | 29,288,939 |
| – secured | 36,333,812 | 33,568,287 |
| Long-term other borrowings: | | |
| – secured | 147,000 | 117,671 |
| | 72,244,125 | 62,974,897 |

Notes to the Unaudited Interim Financial Report

20 BANK AND OTHER BORROWINGS (CONTINUED)

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

| | At 30 June 2021 | At 31 December 2020 |
|--------------------------|--------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Ultimate holding company | 1,817,183 | 2,367,370 |
| Fellow subsidiaries | 1,629,275 | 1,210,403 |
| Joint ventures | 3,573,400 | 3,508,882 |
| Associates | 4,299,479 | 4,715,541 |
| | 11,319,337 | 11,802,196 |

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

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

| | At 30 June 2021 | At 31 December 2020 |
|-----------------------------|--------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Guaranteed by third parties | 152,235 | 113,404 |

Notes to the Unaudited Interim Financial Report

20 BANK AND OTHER BORROWINGS (CONTINUED)

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

| | At 30 June 2021 | | At 31 December 2020 | |
|---|------------------------|--------------------|----------------------|-------------|
| | RMB'000 (Unaudited) | % | RMB'000 (Audited) | % |
| Fixed rate bank and other borrowings | 58,666,444 | 1.05 – 6.70 | 51,178,278 | 1.05 – 6.70 |
| Floating rate bank and other borrowings | 47,717,599 | 0.59 – 7.50 | 46,960,627 | 2.30 – 7.50 |
| | 106,384,043 | | 98,138,905 | |

The floating rate bank and other borrowings are arranged at the interest rate based on Loan Prime Rate issued by People's Bank of China, London Interbank Offered Rate or Europe Interbank Offered Rate.

21 CORPORATE BONDS

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|---|---|
| Carrying amount repayable based on repayment term (note): | | |
| Within one year | 1,591,748 | 9,024,438 |
| More than one year but within two years | 2,995,910 | – |
| More than two years but within three years | 9,800,000 | 5,995,381 |
| More than three years but within four years | – | 4,000,000 |
| | 14,387,658 | 19,019,819 |
| Less: | | |
| Amounts shown under current liabilities | 1,591,748 | 9,024,438 |
| Amounts shown under non-current liabilities | 12,795,910 | 9,995,381 |
| Effective interest rate – floating rate (per annum) | n/a | n/a |
| Effective interest rate – fixed rate (per annum) | 3.14% – 5.37% | 3.14% – 5.37% |

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

Notes to the Unaudited Interim Financial Report

22 CAPITAL, RESERVES AND DIVIDEND

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the six months ended 30 June 2021:

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the six months ended 30 June 2021:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Final dividend in respect of the previous financial year, approved during the six months ended 30 June 2021, of RMB0.0225 per share (2020: RMB0.0306 per share) | 675,459 | 918,624 |

(b) Issued share capital

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

| | At 30 June 2021 | | At 31 December 2020 | |
|---|---|---|---------------------------------------|---------------------------------------|
| | Number of shares '000 (Unaudited) | Nominal value RMB'000 (Unaudited) | Number of shares '000 (Audited) | Nominal value RMB'000 (Audited) |
| Registered, issued and fully paid | | | | |
| State legal person shares of RMB1.00 each | 20,757,960 | 20,757,960 | 20,757,960 | 20,757,960 |
| H Shares of RMB1.00 each | 9,262,436 | 9,262,436 | 9,262,436 | 9,262,436 |
| | 30,020,396 | 30,020,396 | 30,020,396 | 30,020,396 |

Notes to the Unaudited Interim Financial Report

22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)

(c) Group's reserves

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

(d) Restricted share incentive scheme

On 21 November 2016, the Company adopted a restricted share scheme (the "**Scheme**") with a duration of ten years and the Board of Directors approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 287,500,000 restricted shares, representing approximately 0.96% of the issued share capital of the Company as at 31 December 2016, were granted to 542 selected Scheme participants at the grant price of HK\$0.66 per share. These restricted shares would vest gradually after the Scheme participants complete a period of 2-4 years from the date of grant. The vesting conditions of restricted shares are subject to achievement of financial performance of the Group and individual performance assessment of participants over the unlocking period. The shares which will be acquired from the market will be held as restricted shares by a trustee before they are vested.

As at 30 June 2021, 263,936,000 shares have been granted, with 83,994,000 shares vested upon the fulfillment of vesting conditions in 2018, and 179,942,000 shares forfeited due to unrealisation of the performance assessment conditions in 2019 and 2020. As at 30 June 2021, 248,526,000 shares were acquired from the market (as at 31 December 2020: 248,526,000 shares), and 164,532,000 shares were still held by the trustee.

Notes to the Unaudited Interim Financial Report

23 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 30 June 2021:

| Issuance Date | Distribution Rate p.a % | Amount RMB'000 |
|-------------------|-------------------------------|-------------------|
| 21 July 2016 | 3.48 | 2,500,000 |
| 3 August 2016 | 3.43 | 3,000,000 |
| 21 September 2016 | 3.76 | 3,000,000 |
| 20 May 2019 | 4.35 | 5,000,000 |
| 18 December 2019 | 4.17 | 5,000,000 |
| 18 December 2019 | 3.90 | 3,000,000 |
| 19 June 2020 | 3.50 | 1,000,000 |
| 28 August 2020 | 3.99 | 1,000,000 |
| 15 October 2020 | 4.14 | 3,000,000 |
| 16 October 2020 | 3.67 | 3,500,000 |
| 28 October 2020 | 3.97 | 2,000,000 |
| 28 October 2020 | 4.25 | 1,000,000 |
| 25 November 2020 | 4.15 | 1,308,504 |
| 29 December 2020 | 4.65 | 2,000,000 |
| 30 March 2021 | 4.69 | 5,000,000 |
| 08 April 2021 | 3.80 | 3,000,000 |
| 21 May 2021 | 4.70 | 500,000 |
| 21 May 2021 | 4.70 | 500,000 |
| 30 June 2021 | 4.70 | 2,000,000 |
| Total | | 47,308,504 |

Notes to the Unaudited Interim Financial Report

23 PERPETUAL CAPITAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

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

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

| | Carrying amounts at | | Fair values at | |
|--|---|---|---|---|
| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | 58,666,444 | 51,178,278 | 59,049,639 | 51,742,222 |
| Corporate bonds (fixed rate) | 14,387,658 | 19,019,819 | 14,469,496 | 19,085,040 |
| Total | 73,054,102 | 70,198,097 | 73,519,135 | 70,827,262 |

Fair value hierarchy as at 30 June 2021

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|-------------------|
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | – | 59,049,639 | – | 59,049,639 |
| Corporate bonds (fixed rate) | – | 14,469,496 | – | 14,469,496 |
| Total | – | 73,519,135 | – | 73,519,135 |

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair value hierarchy as at 31 December 2020

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|-------------------|
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | – | 51,742,222 | – | 51,742,222 |
| Corporate bonds (fixed rate) | – | 19,085,040 | – | 19,085,040 |
| Total | – | 70,827,262 | – | 70,827,262 |

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

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

| Financial assets | Fair value at | | Fair value hierarchy |
|--|--|--|----------------------|
| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) | |
| Tradable listed equity securities classified as financial asset at FVOCI | 1,123,886 | 1,254,093 | Level 1 |
| Tradable unlisted equity securities classified as financial asset at FVOCI | 1,082,877 | 1,056,485 | Level 3 |
| Total | 2,206,763 | 2,310,578 | |
| Tradable listed equity securities classified as financial assets at FVPL | 54,101 | 62,278 | Level 1 |
| Tradable unlisted equity securities classified as financial asset at FVPL | 8,091,136 | 9,581,478 | Level 3 |
| Total | 8,145,237 | 9,643,756 | |

Notes to the Unaudited Interim Financial Report

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 fair value measurements

| Industry | Amount RMB'000 (Unaudited) | Valuation techniques | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|-----------------------|----------------------------------|--|--|---|
| Finance | 3,145,530 | Market comparable companies | Discount for lack of marketability | The higher the discount for lack of marketability, the lower the fair value |
| Others | 668,754 | | | |
| Toll road and railway | 4,496,332 | Discounted cash flow | Expected future cashflow Discount rate that correspond to the expected risk level | The higher the future cashflow, the higher the fair value The lower the discount rate, the higher the fair value |
| Power Plant | 768,480 | | | |
| Others | 68,440 | | | |
| Manufacturing | 26,477 | Adjusted quoted price on active market | Discount for lack of liquidity | The higher the discount for lack of liquidity, the lower the fair value |

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Balance at 1 January | 10,637,963 | 9,224,781 |
| Payment for purchases | 2,679,327 | 2,374,209 |
| Disposal for the period | (4,145,456) | (2,032,387) |
| Changes in fair value recognised in profit or loss during the period | 7,036 | (45,665) |
| Changes in fair value recognised in other comprehensive income during the period | (4,857) | (2,885) |
| Balance at 30 June | 9,174,013 | 9,518,053 |

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

Notes to the Unaudited Interim Financial Report

25 CAPITAL COMMITMENTS**Capital expenditure:**

| | At 30 June 2021 | At 31 December 2020 |
|---------------------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Contracted for but not provided | | |
| Property, plant and equipment | 2,652,294 | 2,665,838 |

Investment commitments:

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

| | At 30 June 2021 | At 31 December 2020 |
|----------------------------|----------------------------|------------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Investment commitments in: | | |
| – Joint ventures | 366,700 | 366,700 |
| – Associates | – | 4,450 |
| | 366,700 | 371,150 |

26 CONTINGENCIES AND CONTINGENT LIABILITIES

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

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

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantees

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---|--|--|
| Guarantees given to banks in respect of loan facilities granted to: (note (i)) | | |
| Joint ventures (note 28(a)) | 18,000 | 18,000 |
| Associates (note 28(a)) | 877,449 | 1,329,347 |
| Third party (note (ii)) | 1,336,200 | 1,390,489 |
| Investee recognised as financial assets at FVOCI | 18,200 | 18,200 |
| | 2,249,849 | 2,756,036 |
| Mortgage loan guarantees provided by the Group to banks in favour of its customers (note (iii)) | 5,761,772 | 4,681,147 |
| | 8,011,621 | 7,437,183 |

Notes:

- (i) In the opinion of the Directors, the fair value of these guarantee contracts is insignificant as at the end of the reporting period.
- (ii) CGGC has provided guarantee to the Ministry of Finance of Argentina in respect of a bank loan contract with an amount of RMB1,336 million (as at 31 December 2020: RMB1,390 million).
- (iii) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

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

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities

(i) *Legal proceedings with financial institutions*

Since 2019, Gezhouba Huanjia and Huanjia Connected Suppliers (defined in note 5(a)) were involved as defendants in 20 legal proceedings with certain financial institutions. Mr. Wang Jinping was also one of the defendants in certain above-mentioned legal proceedings.

At 30 June 2021, these financial institutions sued Gezhouba Huanjia and other defendants for repayment of loans amounted to RMB1,056 million in total (as at 31 December 2020: RMB1,056 million). Most of the above-mentioned legal proceedings have been rejected by courts given these legal proceedings are subject to the conclusions of the Investigation (defined in note 5(a)) as there are in duty related crimes and/or crimes involved. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by these financial institutions and subject to further investigations after the completion of the Investigation and that Gezhouba Huanjia may lose these proceedings under further investigations. As at 30 June 2021, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceedings.

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

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

As at 30 June 2021, the Group made a reversal of provision amounted to RMB11 million based on the latest rulings of the court and the payment to the lender, which led to the reduction in the balance of provision to RMB108 million for the expected losses to the Group of 3 legal proceedings with other lenders (as at 31 December 2020: RMB119 million). One legal proceeding with amount sued of RMB268 million was rejected by court, given the legal proceeding is subject to the conclusion of the Investigation. Based on the advice from the Company's legal counsel, the Directors believe that Gezhouba Huanjia will be possibly sued by other lenders and subject to further investigations after the completion of the Investigation and that Gezhouba Huanjia may lose the proceeding under further investigations. As at 30 June 2021, given the Investigation is yet to be concluded, the Company cannot reasonably estimate the outcome and potential financial impact, if any, of the above-mentioned legal proceeding.

(iii) *Legal proceedings with Huanjia Connected Suppliers*

During the year ended 31 December 2020 Gezhouba Huanjia was involved as defendants in 3 legal proceedings with Huanjia Connected Suppliers. As at 31 December 2020, the Group has made full provision of RMB148 million for the expected losses to the Group of these 3 legal proceedings based on the rulings of the court. As at 30 June 2021, the Group has appealed for the above-mentioned legal proceedings, which are still in process.

Notes to the Unaudited Interim Financial Report

26 CONTINGENCIES AND CONTINGENT LIABILITIES (CONTINUED)

(c) Contingent liabilities (continued)

(iv) *Legal proceedings with other parties*

As at 30 June 2021, Gezhouba Huanjia was also involved as defendants in 23 legal proceedings with other parties in the ordinary course of business (as at 31 December 2020: 27). CGGC Green Technology was also one of the defendants in certain above-mentioned legal proceedings. As at 30 June 2021, the Group has made full provision of RMB48 million for the expected losses to the Group of 11 legal proceedings based on the rulings of the court (as at 31 December 2020: RMB46 million for 10 legal proceedings). The remaining 12 legal proceedings with amount sued of RMB86 million was still in process as at 30 June 2021 (as at 31 December 2020: 17 legal proceedings with amount sued of RMB102 million). Based on the advice from the Company's legal counsel, the Company is of the opinion that the likelihood of an outflow of economic benefits will be required in relation to the above-mentioned outstanding legal proceedings is remote.

27 PLEDGE OF ASSETS

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

| | Note | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|---------------------------------------|------|--|--|
| Property, plant and equipment | 10 | 732,546 | 821,469 |
| Intangible assets | 11 | 32,044,796 | 31,357,300 |
| Trade and bills receivables | 13 | 17,012,781 | 18,101,222 |
| Properties under development for sale | | 11,828,538 | 17,291,460 |
| Bank deposits | 17 | 4,739,852 | 5,836,505 |
| | | 66,358,513 | 73,407,956 |

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Sales of goods | | |
| Fellow subsidiaries | 4,179 | 3,097 |
| Associates | 2,329 | – |
| | 6,508 | 3,097 |
| Provision of construction services | | |
| Fellow subsidiaries | 3,607 | 1,472 |
| Joint ventures | 2,672,766 | 1,106,223 |
| Associates | 10,622,482 | 7,463,655 |
| | 13,298,855 | 8,571,350 |
| Purchase of goods | | |
| Fellow subsidiaries | 57,348 | 97 |
| Associates | 13,204 | 17,849 |
| | 70,552 | 17,946 |
| Purchase of services | | |
| Fellow subsidiaries | 82,001 | 163,629 |
| Joint ventures | – | 1,850 |
| | 82,001 | 165,479 |
| Lease expense | | |
| Fellow subsidiaries | 52,438 | 28,531 |
| Finance income | | |
| Ultimate holding company | 358 | – |
| Fellow subsidiaries | 26,346 | 20,619 |
| Joint ventures | 5,432 | – |
| Associates | 42,753 | 79,669 |
| | 74,889 | 100,288 |

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (continued)

| | Six months ended 30 June | |
|-----------------------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Finance costs | | |
| Ultimate holding company | 7,565 | 17,613 |
| Fellow subsidiaries | 2,924 | 5,068 |
| Joint ventures | 55,321 | – |
| Associates | – | 8,917 |
| | 65,810 | 31,598 |
| Loans from related parties | | |
| Joint ventures | 66,519 | – |
| Associates | 124,950 | 370,002 |
| | 191,469 | 370,002 |
| Loans to related parties | | |
| Ultimate holding company | 853,017 | – |
| Fellow subsidiaries | 678,700 | 349,200 |
| Joint ventures | 6,740 | 22,046 |
| Associates | 654,290 | 96,365 |
| | 2,192,747 | 467,611 |

Notes to the Unaudited Interim Financial Report

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Significant related party transactions (continued)**

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

| | At 30 June 2021 RMB'000 (Unaudited) | At 31 December 2020 RMB'000 (Audited) |
|-----------------------------|--|--|
| Joint ventures (note 26(b)) | 18,000 | 18,000 |
| Associates (note 26(b)) | 877,449 | 1,329,347 |
| | 895,449 | 1,347,347 |

During the six months ended 30 June 2021, the Group had transactions with enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively “**State-owned Enterprises**”) including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group’s business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(b) Outstanding balances with related parties

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

29 ASSETS HELD FOR SALE

| | At 30 June 2021 RMB'000 (Unaudited) |
|--|--|
| Interest in associates (note (i) (ii)) | 490,399 |
| Properties under development for sale (note (iii)) | 151,500 |
| | 641,899 |

Notes to the Unaudited Interim Financial Report

29 ASSETS HELD FOR SALE (CONTINUED)

Notes:

- (i) On 18 June 2021, the Group entered into a 40% equity transfer agreement of Financial Leasing Company with its ultimate holding company, Energy China Group, and a 25% equity transfer agreement of Financial Leasing Company with its fellow subsidiary, China Energy Engineering Group (Hong Kong) Company Limited (中國能源建設集團香港有限公司) to transfer its equity interests at considerations of RMB468 million and RMB268 million respectively. Upon the transaction, the Group lost its control in Financial Leasing Company and recognized loss on disposal of subsidiaries amounted to RMB55 million. The remaining equity interests of Financial Leasing Company is remeasured at fair value and classified to interest in associates, accounted for using equity method.

As at 30 June 2021, the Group resolved to dispose the remaining equity interests of Financial Leasing Company to Energy China Group within 2021, and classified the related equity interests amounted to RMB409 million as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The transaction was completed on 23 July 2021.

- (ii) Two subsidiaries of the Group, China Energy Engineering Group Southern Construction & Investment Co., Ltd. (中國能源建設集團南方建設投資有限公司, “**CEESC**”) and China Energy Engineering Group Anhui Electric Power Design Institute Co., Ltd. (中國能源建設集團安徽省電力設計院有限公司, “**Anhui Institute**”) entered into equity transfer agreements with China Energy Engineering Group Asset Management Co., Ltd (中國能源建設集團資產管理有限公司, “**Asset Company**”) respectively. CEESC agreed to transfer 40% equity interest held by it in Shanglin Weicheng Construction Investment Co., Ltd.* (上林衛城建設投資有限公司), and Anhui Institute agreed to transfer 30% equity held by it in Hefei Gezhouba Real Estate Co., Ltd.* (合肥葛洲壩置業有限公司). These transactions were expected to be completed in the year of 2021. The related equity interests amounted to RMB81 million were classified as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- (iii) One subsidiary of the Group, China Energy Engineering Group Guangxi Hydroelectric Construction Bureau co., Ltd (中國能源建設集團廣西水電工程局有限公司, “**GHCB**”), resolved to dispose its land use right, which used to be accounted for as properties under development for sale, in Nanning, Guangxi Zhuang Autonomous Region to the local government according to authority’s requirements. As at 30 June 2021, GHCB entered into a prepurchase agreement with the local government, and expected to complete the transaction in the year of 2021. The Group classified the related assets amounted to RMB151 million as assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

30 SUBSEQUENT EVENT

On 27 October 2020, the Company entered into a Merger Agreement with CGGC in relation to the possible absorption and merger of CGGC through share swap (“**the Merger**”). The Merger, when fully implemented, will involve (among other things) the issuance of a total of 11,645,760,553 A shares by the Company to the shareholders of CGGC (other than China Gezhouba Group Company Limited (中國葛洲壩集團有限公司)) on the registration date of implementation of the Merger, in exchange for all the CGGC shares held by them. The Merger was approved by CSRC on 11 August 2021.

VIII. Glossary of Vocabulary and Technical Terms

| | |
|--|--|
| “Company” or “our Company” | refers to China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock company with limited liability established in the PRC on 19 December 2014 |
| “Group” or “our Group” | refers to the Company and its subsidiaries |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Energy China Group” | refers to China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), a wholly state-owned company with limited liability established in the PRC on 28 September 2011, the Controlling Shareholder and one of the promoters of our Company, and thus a connected person of our Company |
| “EPPE Company” | refers to Electric Power Planning & Engineering Institute Co., Ltd. (電力規劃總院有限公司), a limited liability company established in the PRC on 17 July 2014 and a wholly-owned subsidiary of Energy China Group and one of the promoters of our Company, and thus a connected person of our Company |
| “CGGC Group” | refers to China Gezhouba Group Company Limited (中國葛洲壩集團有限公司), a subsidiary of our Company |
| “Board” | refers to the board of directors of the Company |
| “Director(s)” | refers to the director(s) of the Company |
| “Board of Supervisors” | refers to the board of supervisors of the Company |
| “Reporting Period” | refers to the period of six months ended 30 June 2021 |
| “year-on-year” | refers to comparison with the same period of the previous year |
| “14th Five-Year Plan” | refers to the Fourteenth Five-Year Planning Outline for National Economic and Social Development of the People’s Republic of China for the year of 2021-2025 |
| “Corporate Governance Code” | refers to the Corporate Governance Code as contained in Appendix 14 to the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| “SFO” | refers to Hong Kong Securities and Future Ordinance |
| “Model Code for Securities Transactions” or “Model Code” | refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |

VIII. Glossary of Vocabulary and Technical Terms

| | |
|---------------------------------|--|
| “China” or “PRC” | refers to the People’s Republic of China |
| “MOC” | refers to the Ministry of Commerce of the People’s Republic of China |
| “SASAC under the State Council” | refers to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) |
| “National Bureau of Statistics” | refers to the National Bureau of Statistics of the People’s Republic of China |
| “Stock Exchange” | refers to The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “CEC” | refers to the China Electricity Council |
| “One Belt and One Road” | refers to the cooperative initiative, proposed by the People’s Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and ocean-going “Maritime Silk Road” |
| “MW” | refers to the measurement of electric power equal to 1,000,000 watts, alternatively 1 MW equals to 1,000 kW |
| “PPP” | refers to public-private-partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector |
| “QHSE” | refers to quality, health, environment and safety |
| “PV” | refers to the abbreviation of solar photovoltaic system, a technology that directly converts solar energy into electrical energy by making use of the photovoltaic effect of semiconductor materials |
| “CSRC” | refers to the China Securities Regulatory Commission |



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