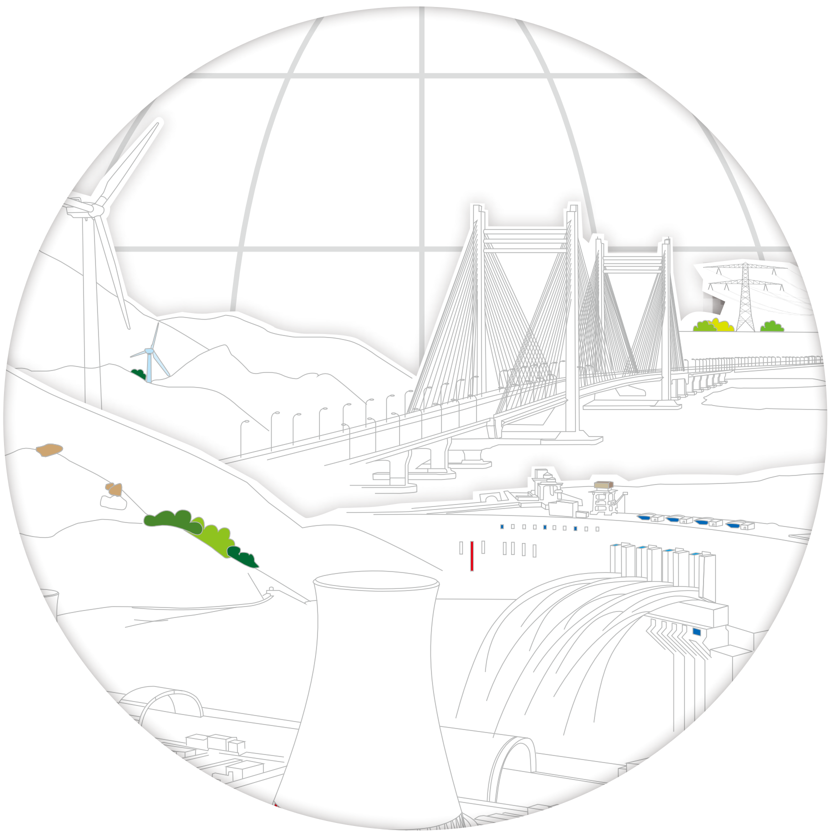
中国能建
ENERGY CHINA

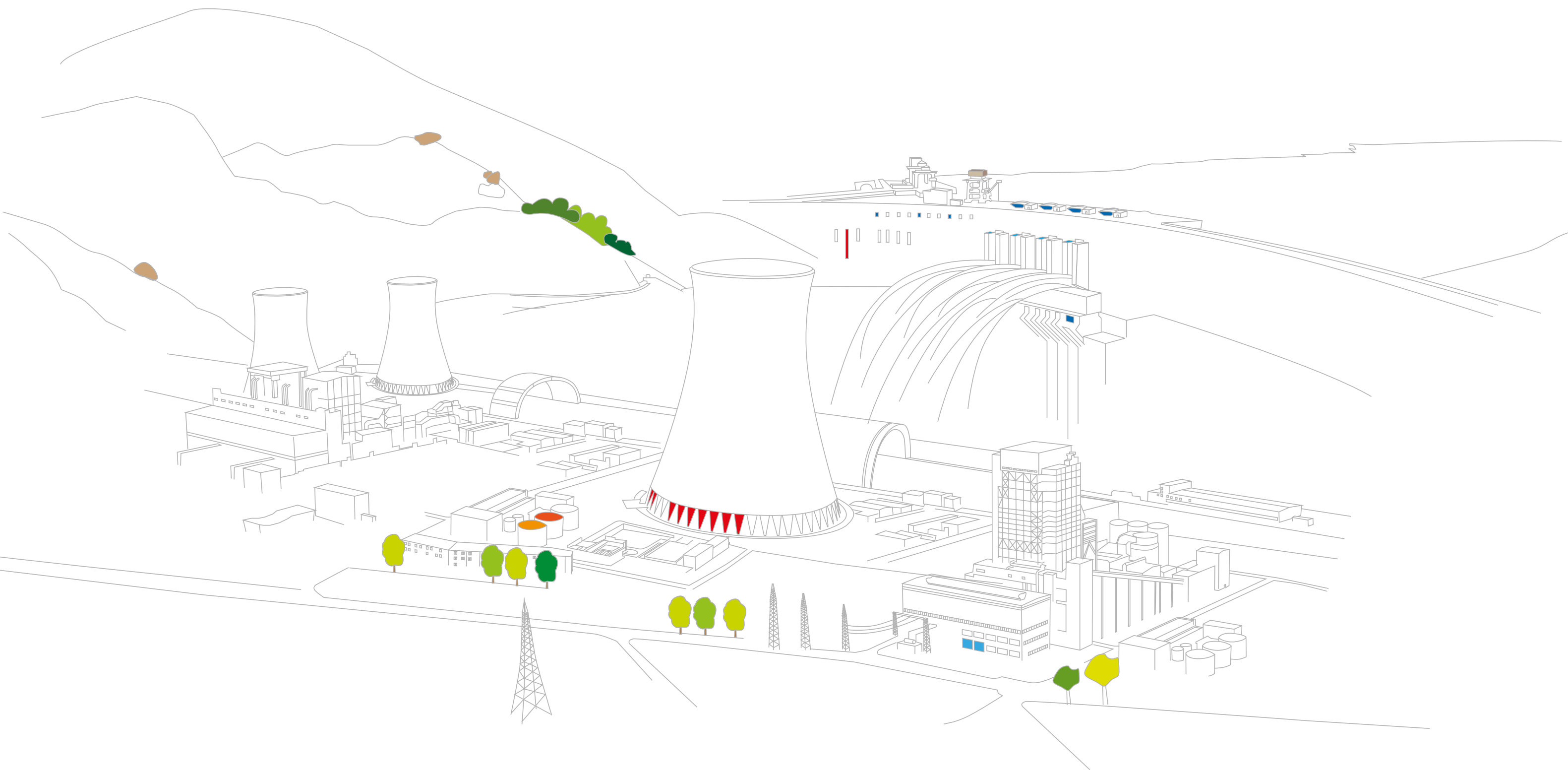


中国能源建设股份有限公司
CHINA ENERGY ENGINEERING CO., LTD.

ANNUAL REPORT 2016

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

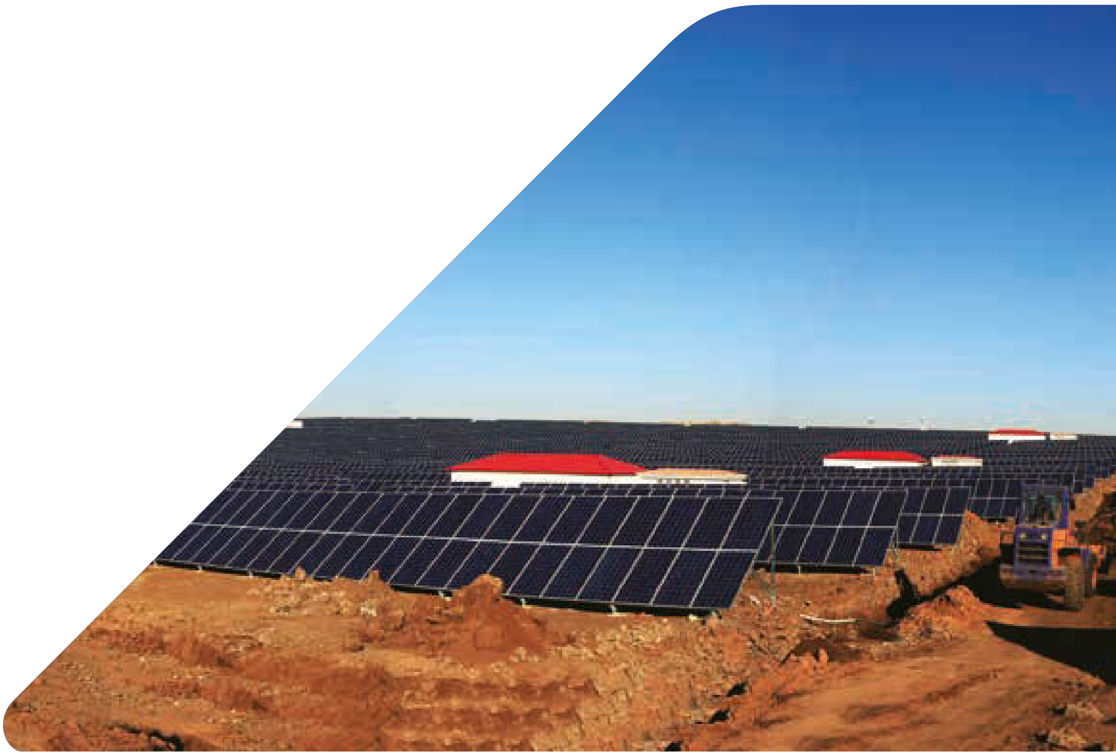
(Stock Code: 3996)



Ever-improving professional competence and operational capacity

To achieve harmonious collaboration and solid development

Bringing Energy
to the World



Company Profile

The Company, which was established on 19 December 2014, is a limited liability company co-sponsored by the China Energy Engineering Group Co., Ltd. (a central enterprise supervised and administered by SASAC) and its wholly-owned subsidiary, Electric Power Planning Institute Co., Ltd.. On 10 December 2015, the initial public offering of H shares of the Company was listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 3996.HK).

The Company is one of the largest comprehensive solutions providers for the power industry in China and globally. Its core business covers survey, design and consultancy, construction and contracting, equipment manufacturing, civil explosives and cement production and investment operations. The Company has set up 197 overseas branches in 76 countries and regions with businesses across all provinces, regions and cities in China and more than 100 countries and regions.

The Company has undertaken the mission of national planning and research on electricity and energy resources, contributing to over 90% of the standards in survey and design for fossil-fuel power plants, conventional islands of nuclear plants and power grids in China. Also, the Company undertook 65% of the Three Gorges' hydropower engineering project, which attained the world's highest technological standard in terms of architecture and construction. In addition, it designed and constructed "two AC and six DC" (「兩交六直」) UHV and smart grids engineering project which represented the world's highest technological standard, generally contracting fossil-fuel engineering of Tongling, Ma'anshan and Hefei power plants by way of Energy Construction EPC "Chinese Roads" (能源建設EPC「中國道路」). The Company is the largest supplier of auxiliary equipment of power plants, providing whole series of products and advanced technology, whereas possessing products with leading international technology, such as chain-hammer crushers with the maximum power output, coal grinding equipment and gigantic drum filters of nuclear plants. The production capacity of the civil explosive segment of the Company has been among the highest in China. We have the largest production base for specialty cement production in China. The total length of expressways invested and constructed by the Company exceeds 1,000 km, while the attributable installed capacity of hydropower and fossil-fuel power projects invested and constructed by the Company exceeds 200 MW. The Company is one of the first state-owned enterprises approved by the SASAC to commence real estate development business. China Gezhouba Group Real Estate Development Co., Ltd., a member of the Group, has been awarded one of the " (State-owned) Top 10 China's Real Estate Companies in Brand Value" (中國房地產公司品牌價值十強(國有)).

As at the end of 2016, the Company owned 2 national enterprise technology centers, 1 academician and expert workstation, 5 postdoctoral research and development workstations, 40 provincial research institutions, 61 high-tech enterprises as well as 6,766 effective patents, whereas having prepared and revised nearly 1,000 national and industry standards. In addition, the Company was awarded more than 1,200 national and industrial Science and Technology Progress awards.

The Company would adhere to the business philosophy of "lean creates value, quality leads the future", shoulder the mission of "World Energy, China Energy", capitalize on the new driving force brought by the "One Belt and One Road", seize new opportunities and seek new development. Dedicated to enhancing the core competitiveness of the electric power construction, the Company strives to contribute world-class quality projects to China and the world, thus fostering the best interests for customers, shareholders, employees and the society.

Contents

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: Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC
Head Office in the PRC: Building 1, No. 26 West Dawang Road, Chaoyang District, Beijing, the PRC
Principal Place of Business in Hong Kong: 36/F, Tower 2, 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: CHINA ENERGY ENG
Stock Code: 3996

Executive Directors

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

Non-Executive Director

Mr. Ma Chuanjing

Independent Non-Executive Directors

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

Supervisors

Mr. Wang Baoguo *(Chairman)*
(resigned on 27 July 2016)
Mr. Wang Zengyong *(Chairman)*
(appointed as a Supervisor on 21 November 2016; and elected as the Chairman of the Supervisory Committee on 30 December 2016)
Mr. Lian Yongjiu
Mr. Mao Xiangqian
(resigned on 4 May 2016)
Mr. Kan Zhen
(appointed on 4 May 2016)
Mr. Fu Dexiang
Mr. Wei Zhongxin

Authorized representatives

Mr. Wang Jianping
Mr. Duan Qiurong

Strategy Committee

Mr. Wang Jianping *(Chairman)*
Mr. Ding Yanzhang
Mr. Ma Zhuanjing

Nomination Committee

Mr. Wang Jianping *(Chairman)*
Mr. Wang Bin
Mr. Cheung Yuk Ming

Company Information

Remuneration and Assessment Committee

Mr. Zheng Qiyu *(Chairman)*
Mr. Zhang Xianchong
(resigned on 29 March 2016)
Mr. Wang Bin
Mr. Cheung Yuk Ming
(appointed on 29 March 2016)

Audit Committee

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

Joint Company Secretaries

Mr. Duan Qiurong
Ms. Yung Mei Yee
(resigned on 29 March 2016)
Ms. Mok Ming Wai
(appointed on 29 March 2016)

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

Deloitte Touche Tohmatsu
35/F, One Pacific Place, 88 Queensway, 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

Compliance Adviser

Shenwan Hongyuan Capital (H.K.) Limited
Level 19, 28 Hennessy Road, Wanchai, Hong Kong

Principal Bankers

China Construction Bank Beijing Jin'an Sub-branch
Bank of China Beijing Beichen West Road Sub-branch
China Everbright Bank Beijing Fengtai Sub-branch

Financial Summary

1 Summary of Consolidated Statement of Profit or Loss

	For the year ended 31 December					
	2016 (RMB in million)	2015 (RMB in million)	2014 (RMB in million)	2013 (RMB in million)	2012 (RMB in million)	Changes of 2016 over 2015 (%)
Revenue						
Survey, design and consulting	**12,972.6**	12,454.7	12,432.2	12,293.5	11,736.4	4.16
Infrastructure construction contracts	**161,058.2**	153,172.8	142,436.6	119,245.2	108,128.3	5.15
Equipment manufacturing	**10,471.1**	9,698.0	8,897.4	8,919.9	8,254.6	7.97
Civil explosives and cement production	**8,328.5**	7,880.3	8,117.7	7,209.1	5,844.1	5.69
Investment and other businesses	**37,498.1**	29,074.7	16,446.4	10,982.8	9,288.8	28.97
Intersegment elimination and adjustment	**(8,157.5)**	(6,587.6)	(4,506.3)	(5,015.1)	(4,074.1)	–
Total	**222,171.0**	205,692.9	183,824.0	153,635.4	139,178.1	8.01
Gross profit	**25,312.8**	23,058.1	20,216.5	16,536.1	15,623.6	9.78
Profit before tax	**9,647.0**	8,585.8	6,017.8	4,054.2	4,083.3	12.36
Profit for the year	**7,438.6**	6,470.4	4,095.6	2,617.5	2,769.3	14.96
Profit for the year attributable to owners of the Company	**4,281.3**	4,235.7	2,152.8	1,344.2	1,548.3	1.08
Basic and diluted earnings per share (RMB)	**0.14**	0.19	0.10	0.06	0.07	(26.32)

Financial Summary

2 Summary of Consolidated Statement of Financial Position

	As at 31 December					
	2016	2015	2014	2013	2012	Changes of 2016 over 2015
	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(%)
Current assets	**212,729.1**	184,877.1	148,160.3	126,728.6	104,889.0	15.07
Non-current assets	**79,928.4**	75,720.8	70,724.8	54,402.0	49,188.8	5.56
Total assets	**292,657.5**	260,597.9	218,885.1	181,130.6	154,077.8	12.30
Current liabilities	**163,742.2**	151,934.7	131,207.3	113,550.0	93,715.1	7.77
Non-current liabilities	**54,926.3**	47,870.9	43,676.3	39,704.3	37,939.5	14.74
Total liabilities	**218,668.5**	199,805.6	174,883.6	153,254.3	131,654.6	9.44
Total equity	**73,989.0**	60,792.3	44,001.5	27,876.3	22,423.2	21.71
Total equity and liabilities	**292,657.5**	260,597.9	218,885.1	181,130.6	154,077.8	12.30

Chairman's Statement

We are willing to cooperate with friends in China and overseas genuinely hand in hand, to seek for business development, to share development results and to create bright future together!

Wang Jianping Chairman

Dear all shareholders,

On behalf of the board of directors of China Energy Engineering Corporation Limited, I would like to express my sincere gratitude to the shareholders for giving the Company care and support in the past year. I am pleased to present the annual results report of the Company for 2016.

The year 2016 marked the Company's first full year of operation governed by the Listing Rules upon listing. Over the year, the Company took initiatives to act against the complicated economic situation. We fully participated in global market competition whilst continuously enhancing and optimizing our management, speeding up business transformation and upgrade and pushing forward internal reforms. Each of the initiatives achieved remarkable results, thus facilitating the sustainable and healthy development of the Company.

During the year, the value of newly signed contracts amounted to RMB410.947 billion, representing a year-on-year increase of 17.32%; revenue amounted to RMB222.171 billion, representing a year-on-year increase of 8.01%; net profit attributable to owners of the parent company was RMB4.281 billion, representing a year-on-year increase of 1.08%. The Company managed to deliver stable development in operating results with enhanced quality, facilitating a significant improvement in development quality.

The Company continuously optimises business structure and accelerates transformation and upgrade. General contracting business and non-power construction business grew rapidly, with the year-on-year increase in the value of newly signed contracts of 68.53% and 19.10%, respectively. The structure of international business continued to optimize. The scale of high-end business continued to expand whereas overseas power business delivered a year-on-year growth of 23.33%, maintaining leading position among Chinese enterprises. With the accelerated development of new business model, the number of domestic contracts for PPP projects increased by 34.26% year-on-year. Meanwhile, we pushed forward the technological innovation and prepared 39 national and industry technology standards. We were granted 1 National Science and Technology Award, 119 software copyrights and 1,456 patent licenses, demonstrating significant improvement in our innovative development.

The Company exercises in-depth implementation of internal reform. The first implementation of restricted share incentive scheme promoted the diversity of equity structure. We orderly pushed forward the three reforms which comprise the disposal of "zombie companies" and of destitute companies, compression of the management hierarchy and reduction of the number of legal entities as well as the three reforms on separation, transfer and "lean and healthy" of the "Three Supply and One Industry". As a result, the special treatment of loss-making enterprises achieved significant results. By establishing platform companies such as technology tailored rationalization development companies, financial leasing companies and e-commerce companies, enterprise functions continued to improve.

The Company exercises continual enhancement of standardized management. The general meeting of shareholders, the Board, the Supervisory Committee and the special committees of the Board operate compliantly in line with laws. Directors and supervisors fulfil their duties conscientiously and management on information disclosure, connected transaction, market price and investor relations are further enhanced. The Company deepens the management and control on operation, impels cost reduction and efficiency increase, strengthens internal supervision and promotes the continuous increase in economic benefits. The Company also stepped up effort in project management. Among the constructions, 7 were granted National Quality Construction Golden Award, 24 were granted the National Quality Construction Award of the Year, 1 was granted the Annual Luban Award and 39 were awarded the Annual Premium Quality Power Construction in China.

Chairman's Statement

The year 2017 is a year of significance for China to implement the "13th Five-Year Plan" and further deepen the supply-side structural reform. The Company will focus on promoting stable growth of improved quality and enhanced efficiency, and concentrated its effort in the following four key tasks.

Firstly, maintaining stable growth. Capitalizing the advantage of integration of the entire industry chain, the Company will continue to strengthen the collaborative operation and strive to grasp overseas and domestic opportunities to develop global power and infrastructure construction market in depth. Further, the Company will heighten the incentive and restriction, fully explore development potentials and inspire internal impetus so as to ensure the achievement of every key development indicators for the year.

Secondly, deepening reform with focused effort. The Company will actively push forward the mixed ownership reform and accelerate the promotion of the three reforms of "lean and healthy", while stepping up efforts in internal resources integration and external M&A and restructuring with an aim to stimulate the development vitality.

Thirdly, continuously enhancing management. The Company will adhere to the reform direction of establishing modern corporate system and optimize the corporate governance structure in effort to develop law-based corporate governance, compliant operation and standardized management. The Company will strengthen the management system and mechanism, enforce the control responsibilities of all levels and implement sophisticated management. It will also strive to reduce costs and enhance efficiency, grasp on project management and safety production, and strengthen execution and supervision so as to build up the management foundation.

Fourthly, strengthening innovative driver. Pursuing the concept of innovative development, the Company will strengthen the innovation of management means, facilitate technology and financing innovation, stimulate elements of vitality, promote the transformation and upgrading of the corporate growth model while speeding up transformation and upgrading of industrial layout and innovation of commercial model so as to effectively unleash the function of platform companies in the fields of investment, international, finance and technology development. Meanwhile, the Company will continue to promote the rapid development of general contracting, non-power, international, PPP and investment businesses, thereby developing new competitive edge.

In 2017, the Company will continue to speed up the establishment of internationally competitive engineering company. Meanwhile, we will grasp new opportunities and seek for new development so as to serve the society, reward the shareholders and benefit the employees with sound performance.

I hope that shareholders and all parties and friends who make long-term attention to the Company will continue to give us help and support!

Wang Jianping
Chairman

29 March 2017

World-class
Industrial Top leader

Business Overview

1 Overview of Industry Development

Construction industry. In 2016, the total output value of the national construction industry reached RMB19.3567 trillion, representing a year-on-year increase of 7.1%. The added value of the construction industry reached RMB4.9522 trillion, representing a year-on-year increase of 6.6% and an accelerated growth rate. The aggregate investment in new construction projects amounted to RMB49.3295 trillion, representing a year-on-year growth of 20.9%.

Power industry. In 2016, the national power industry maintained growth. The power grid and power generation projects completed investment of RMB885.5 billion, representing a year-on-year growth of 3.22%. According to the statistics of National Energy Administration, the power grid projects of nationwide major power enterprises completed investment of RMB542.6 billion, representing a year-on-year growth of 16.9%, mainly benefited from a series of policies by the State such as the Action Plan for the Construction and Reform of Distribution Power Grid (配電網建設改造行動計劃) and the new round of rural power grid restructuring and upgrading (新一輪農村電網改造升級). The power generation projects completed investment of RMB342.9 billion, representing a year-on-year decrease of 12.9%. Among the power generation investments, the fossil-fuel power investment reached RMB117.4 billion, representing a year-on-year increase of 0.9%; the hydropower investment reached RMB61.2 billion, representing a year-on-year decrease of 22.4%; the nuclear power investment reached RMB50.6 billion, representing a year-on-year decrease of 10.5%; the completed investment of wind power registered a year-on-year decrease of 25.3%, which was its first decline. In 2016, the net increase in power generation installed capacity nationwide was 120,610MW, representing a year-on-year decrease of 21,860MW. Among which, hydropower reached 11,740MW, representing a year-on-year decrease of 4,340MW; fossil-fuel power reached 48,360MW, representing a year-on-year decrease of 15,640MW; nuclear power reached 33,640MW, representing a year-on-year increase of 23.8%; grid-connected wind power reached 148,640MW, representing a year-on-year increase of 13.2%; and grid-connected solar power generation reached 77,420MW, representing a year-on-year growth of 81.6%.

Fixed asset investment. The investment in fixed assets in China (excluding rural households) amounted to RMB59,650.1 billion in 2016, representing a year-on-year nominal growth of 8.1% and an actual growth of 8.8% after excluding the price factors. Infrastructure investment swayed at high level, but the growth rate slowed down. In 2016, infrastructure investment (excluding power, heat, gas and water production and supply) reached RMB11,887.8 billion, representing a year-on-year growth of 17.4%; it accounted for 19.9% of the total investment, with a year-on-year increase of 1.5 percentage points. Among which, water conservancy management investment reached RMB872.5 billion, representing a year-on-year growth of 20.4% with the growth rate up by 0.2 percentage point; public facility management investment reached RMB5,677.6 billion, representing a year-on-year growth of 22.9% with the growth rate down by 0.6 percentage point; road transport investment reached RMB3,293.7 billion, representing a year-on-year growth of 15.1% with the growth rate down by 1.8 percentage points; and railway transport investment reached RMB774.8 billion, representing a year-on-year decrease of 0.2%.

Business Overview

Foreign contracting. In 2016, the contracting business of Chinese enterprises in the international engineering construction market continued to grow. In 2016, the turnover of China's overseas contracting projects business reached RMB1.06 trillion (equivalent to US$159.4 billion), representing a year-on-year growth of 3.5%; the value of newly signed contracts reached RMB1.6 trillion (equivalent to US$244.0 billion), representing a year-on-year growth of 16.2%. In 2016, the value of newly signed contracts by Chinese enterprises for overseas contracting projects in countries along the "One Belt and One Road" reached US$126.0 billion, representing a year-on-year growth of 36%; it accounted for 51.6% of the value of newly signed contracts for overseas contracting projects of China for the same period, with an increase of 7.6 percentage points year-on-year; in 2016, the turnover of overseas contracting projects undertaken by Chinese enterprises in countries along the "One Belt and One Road" reached US$76.0 billion, accounting for 47.7% of the total turnover of overseas contracting projects for the same period.

Cement industry. In 2016, the total cement production in China amounted to 2,403 million tonnes, representing a year-on-year growth of 2.5%; the commodity concrete production amounted to 1,792 million m^3, representing a year-on-year growth of 7.4% and an increase of 5.3 percentage points in growth rate year-on-year; in December, the average cement price in national market rose as compared to last month. According to the statistics of China Cement Association, in 2016, the Chinese cement industry achieved revenue and profit of RMB876.4 billion and RMB51.8 billion, representing a year-on-year growth of 1.2% and 55%, respectively.

Civil explosives industry. China is the largest civil explosives market in the world. Under the impact of continual economic downturn, civil explosives industry currently suffers from an excess capacity. Overseas markets and military machinery have become the direction of business expansion. Despite the removal of restrictions on the prices of civil explosives products and the change in sales channels, civil explosives industry is still a core industry subject to state control, thus having a relatively higher entry threshold. The continual development of integrated service model as well as industrial reorganization and integration has promoted the continual concentration of civil explosives industry. The gross enterprise product of manufacturing enterprises which rank top 15 has accounted for 50% of the gross product among the entire industry.

Real estate industry. The investment for real estate development for the year amounted to RMB10,258.1 billion, representing a year-on-year growth of 6.9%. In particular, the investment in residential housing grew by 6.4% to RMB6,870.4 billion. At the end of the year, the total gross floor area of commodity properties for sale was 695.39 million sq.m, representing a decrease by 23.14 million sq.m. as compared to the end of last year. As of the end of year, the total gross floor area of commodity housing for sale amounted to 402.57 million sq.m., representing a decrease by 49.91 million sq.m. as compared to the end of last year.

Note: Based on the statistics of National Bureau of Statistics unless source is indicated.

2 Overview of Business Development

The Company is one of the largest comprehensive solutions providers for the power industry in China and in the globe, mainly engaged in survey, design and consultancy, construction and contracting, equipment manufacturing, civil explosives and cement production, investment and other businesses.

In 2016, facing the complicated domestic and global economic environment coupled with the intense market competition as well as undertaking hard and heavy reform and development tasks, the Company went out all for enhancing quality and effectiveness so as to stabilize the growth, leading all of its production and operational indicators to reach a new level and the Company to make a new step towards the sustainable healthy development. In general, the Company continued to achieve a relatively good market performance in terms of its major business, of which the core power and energy construction businesses maintained a strong competitive strength, and the rankings of other key businesses in industry segments and target regional markets were stable and rising. In particular, a better growth momentum was seen in a series of transforming businesses, such as international construction, general contracting business, non-power projects and new business model. The Company coordinated and promoted the optimization and adjustment of business structure and organizational structure, and completed the conversion of invested branches into subsidiaries and the equity adjustment in finance companies. Apart from establishing platform companies in areas such as international operation, technological development, e-commerce and finance lease, the Company constantly improved its corporate development function and resources allocation, which provided strong support to enhancing its operational level, expanding business layout, developing emerging businesses, improving business chains and enhancing the sustainability of the Company.

In 2016, guided by China's "13th Five-Year Plan", the Company made early plans for market development, grasped the opportunities arising from investment in key sectors and key areas and the incremental opportunities arising from the ultra low emissions of coal-fired power plants and energy saving transformation, new energy and other infrastructure construction markets, maintained its advantageous position of power business and enhanced its competitiveness of non-power business. In particular, the number of signed contracts for general contracting business and new business model experienced a rapid growth, while new breakthroughs were constantly made in hot areas such as integrated treatment of water environment and urban comprehensive pipe gallery. The Company actively explored the international market and closely followed the Chinese government's material diplomatic strategies such as "One Belt and One Road" and international capacity cooperation, implemented various measures of priorities of international businesses and closely monitored the key international markets. It also continuously enhanced international operation capabilities and optimized international business structure. Contract amounts of direct contracts and general contracting projects significantly increased while those of high-end projects and large-scale projects were stable and rising. Besides, the Company also continued to maintain a leading position in overseas power business among Chinese enterprises.

The following table sets forth the details of the amount of new contracts of the Company in 2016:

Currency: RMB Unit: 100 million Yuan

	New contract amounts		
Categories of the business segments:	**2016**	2015	Percentage of change
Survey, design and consulting services business	**121.27**	122.96	-1.37%
Among which: Fossil-fuel power	**34.96**	49.27	-29.04%
Hydropower	**1.13**	0.27	318.52%
Nuclear power	**4.61**	4.00	15.25%
New energy	**9.39**	8.17	14.93%
Power transmission and transformation	**57.88**	52.10	11.09%
Non-power and others	**13.30**	9.14	45.51%
Infrastructure construction contracts business	**3,865.09**	3,224.96	19.85%
Among which: Fossil-fuel power	**1,164.65**	853.05	36.53%
Hydropower	**465.92**	614.73	-24.21%
Nuclear power	**38.87**	58.79	-33.88%
New energy	**570.88**	339.01	68.40%
Power transmission and transformation	**129.19**	103.45	24.88%
Non-power and others	**1,495.58**	1,255.92	19.08%
Equipment manufacturing business	**123.11**	154.73	-20.44%
Total	**4,109.47**	3,502.65	17.32%

In 2016, the Company recognized RMB410.947 billion as to the value of new contracts, representing a year-on-year increase of 17.32%, which over-fulfilled its annual target for contract sign-ups. The quality of contracted projects has steadily improved with a more diversified structure. Among which, the value of domestic new contracts amounted to RMB294.939 billion, representing a year-on-year increase of 21.50% and international new contracts amounted to RMB116.008 billion, representing a year-on-year increase of 7.89%.

As of 31 December 2016, the outstanding contract value of the Company was RMB902.021 billion, representing a year-on-year increase of 22.81%.

2.1 Survey, Design and Consulting Services Business

The survey, design and consulting services business of the Company primarily provides survey, design and consulting services for power generation projects and grid projects, as well as the policy consultation for the power industry, evaluation, assessment and supervision for power projects. In 2016, the operating revenue before inter-segment elimination of survey, design and consulting services business was RMB12.973 billion, representing a year-on-year increase of 4.16%. The new contract amount was RMB12.127 billion, representing a year-on-year decrease of 1.37%. Among which, the value of new contracts of the fossil-fuel power, hydropower, nuclear power, new energy, power transformation and transmission, non-power and others were RMB3.496 billion, RMB0.113 billion, RMB0.461 billion, RMB0.939 billion, RMB5.788 billion, RMB1.330 billion and representing a year-on-year increase of -29.04%, 318.52%, 15.25%, 14.93%, 11.09%, 45.51% respectively.

As of 31 December 2016, the outstanding contract value of survey, design and consulting services business was RMB23.521 billion, representing an increase of 22.37% as compared to that of the end of 2015.

In 2016, capturing the growth opportunities arising from investment in domestic grid engineering, hydropower and major infrastructure, the company maintained a growth momentum in the value of contracted projects of survey, design and consultancy business, including power transformation and transmission, nuclear and hydropower while achieved a rapid growth in non-power and other businesses. As affected by the domestic regulatory policies on coal-fired power and a year-on-year decrease in investment in power generation projects, the value of contracted projects of the fossil-fuel power business decreased year-on-year. The Company continued to maintain its leading position in terms of survey and design of large-capacity USC units and ultra high (extra high) voltage alternating and direct current transmission by entering into of survey and design contracts for representative engineering projects, including the national model engineering project, Zhongxing Penglai 2x1,000 MW Efficient and Ultra-clean Coal-fired Power Plant (中興蓬萊2×1,000兆瓦高效超淨燃煤電廠), conventional islands for units 1-4 of Zhangzhou Nuclear Power Plant (漳州核電廠1-4號機組常規島), Jiuquan – Hunan ±800 KV ultra high-voltage direct current transmission lines (酒泉-湖南±800千伏直流特高壓輸電線路) and Huainan – Nanjing – Shanghai 1,000 KV ultra high-voltage alternating current transformation and transmission lines (淮南-南京-上海1000千伏交流特高壓輸變電線路). The Company showed initiative in expanding the international survey, design and consultancy market, and developed the guiding role of its planned strategies so as to gain a share in the international power business market including countries covered by "One Belt and One Road". It executed survey and design contracts for several engineering projects, including Balloki 1,223 MW Combined Cycle Power Plant in Pakistan (巴基斯坦百路凱1,223兆瓦聯合循環電站), Laos 500 KV Pakading-Nabong Power Transformation and Transmission (老撾500千伏Pakading-Nabong輸變電) and Hassyan 4×600 MW Clean Coal-fired Power Plant in Dubai (迪拜哈翔4×600兆瓦潔淨燃煤電廠).

In 2016, the Company made smooth progress in key engineering projects which were undertaken by the Company with regard to survey and design, such as Jiangsu Huadian Jurong Phase II 2×1,000 MW USC (江蘇華電句容二期2×1,000兆瓦超超臨界), Zhundong – Wannan ±1,100 KV ultra high-voltage direct current transformation and transmission (准東-皖南±1,100千伏直流特高壓輸變電), Huainan – Nanjing – Shanghai 1,000 KV ultra high-voltage alternating current transformation and transmission (淮南-南京-上海1,000千伏特交流高壓輸變電), comprehensive pipe gallery for Sutong GIL ultra high-voltage alternating current transmission lines (蘇通GIL交流特高壓輸電線路綜合管廊) and 2×1,000 MW Coal-fired Power Plant in Cilacap, Indonesia (印度尼西亞芝拉紮2×1,000兆瓦燃煤電站). Key engineering projects which were undertaken by the Company in respect of survey and design, including expansion of USC Coal-fired Power Generating Unit in Tuoketuo, Inner Mongolia (內蒙古托克托超超臨界燃煤發電機組擴建), Unit 4 of Yangjiang Nuclear Power Plant (陽江核電4號機組) and Ximeng – Shandong 1,000 KV ultra high-voltage alternating current transformation and transmission (錫盟-山東1,000千伏特交流高壓輸變電), were officially put into operation.

2.2 Infrastructure Construction Contracts Business

The infrastructure construction contracts business of the Company primarily undertakes large-scale power generation projects and power grid projects in China and overseas, as well as other infrastructure projects. In 2016, the operating revenue before inter-segment elimination of infrastructure construction contracts business was RMB161.058 billion, representing a year-on-year growth of 5.15%. The Company strengthened the expansion of domestic and foreign markets. Benefited from the increase in investment in domestic power grid engineering, "One Belt and One Road" power engineering and infrastructure, the value of contracted power transformation and transmission, fossil-fuel power and non-power projects continued to maintain the growth momentum; the value of contracted new power projects grew at a rapid pace; and the value of contracted hydropower and nuclear power projects showed a year-on-year decrease. The new contract amount of the infrastructure construction contracts business was RMB386.509 billion, representing a year-on-year increase of 19.85%. Among this, the value of new contracts of the fossil-fuel power, hydropower, nuclear power, new energy, power transformation and transmission, non-power and others were RMB116.465 billion, RMB46.592 billion, RMB3.887 billion, RMB57.088 billion, RMB12.919 billion, RMB149.558 billion, representing a year-on-year increase of 36.53%, -24.21%, -33.88%, 68.40%, 24.88%, 19.08% respectively. The value of new contracts for operation maintenance and overhauling of domestic power projects was RMB5.507 billion, representing a year-on-year increase of 26.80%. The Company undertook "replacing small capacity generating units with large capacity generating units", ultra-clean emissions as well as energy-saving upgrading and transformation projects, which extended the scope of full-life cycle services for power projects.

As of 31 December 2016, the outstanding contract value of infrastructure construction contracts business was RMB868.518 billion, representing an increase of 23.37% as compared to that of the end of 2015.

In 2016, the Company further researched and deployed the innovation of business model, the prioritized development of international business and the scientific development of investment business, and formulated and determined target missions and measures for major business development in a more systematic and specific manner. While the Company insisted on consolidating its existing advantages in power businesses with a market-oriented approach, it also speeded up its transformation in the new business area with huge market demand and rapid growth, and continuously optimized the business structure, resulting in a continued rapid growth in the value of new contracts of the infrastructure construction contracts business.

The structure of international business was further optimized. Seizing the opportunities arising from the implementation of "One Belt and One Road" strategies and international capacity cooperation, the Company vigorously promoted the prioritized development of international business. In 2016, the Company achieved value of international new contracts of RMB116.008 billion, representing a proportion of 28.22%. With the continued optimization of business structure, direct contracts and EPC general contracting projects accounted for 96.21% and 90.05% of international contract amount respectively, representing a year-on-year increase of 10.71 and 28.94 percentage points respectively. The Company maintained its advantages in overseas power business by achieving a year-on-year growth of 23.33%, and therefore continued to enjoy a leading position among Chinese enterprises. In particular, it entered into contracts for major international projects, including CPHGC 2x660 MW Coal-fired Power Plant in Pakistan (巴基斯坦胡布2×660兆瓦燃煤電站), Payra 2x660 MW SC Coal-fired Power Plant in Bangladesh (孟加拉國帕亞拉2×660兆瓦超臨界燃煤電站), Phase I and II of Water Project in Kerman, Iran (伊朗克爾曼輸水一期及二期工程) and Malabo Water Supply and Pipeline Project in Equatorial Guinea (赤道幾內亞馬拉博供水及管網). The Company achieved breakthroughs with respect to the contract value of international operating platform companies established by it, and successfully entered into a contract for General Contracting Project of Songon Coal-fired Combined Cycle Power Generation in Cote d'Ivoire (科特迪瓦松貢燃氣聯合循環發電總承包項目).

The general contracting business experienced strong growth. The Company actively undertook the domestic and international general contracting business, consolidating its leading position in the power engineering market. In 2016, the Company achieved value of new contracts of RMB263.575 billion, representing a year-on-year increase of 68.53% and a proportion of 62.34%. In particular, it entered into contracts for representative general contracting projects, such as Shenwan Hefei Lujiang 2×660 MW coal-fired power generation (神皖合肥廬江2×660兆瓦燃煤發電), Shanxi Zhaozhuang Jinguang 2×660 MW low calorific value coal power generation (山西趙莊金光2×660兆瓦低熱值煤發電工程), Vietnam Hai Duong 2×600 MW Coal-Fired Power Plant project (越南海陽2×600兆瓦燃煤電站) and 200 MW wind farm in Armenia (亞美尼亞200兆瓦風電場).

Business Overview

The non-power project business developed rapidly. The Company proactively integrated internal resources to strengthen its internal synergy, and optimized operating strategies by stepping up its efforts in expansion of non-power market. Upon the successful contract sign-ups for key projects in areas such as roads, railways, comprehensive pipe gallery, municipal administration, environmental protection and water supply, mine and housing construction, the Company further broadened the room for development of its core engineering business. In 2016, the Company achieved value of new contracts of RMB150.326 billion, representing a year-on-year increase of 19.10% and a proportion of 36.58%. In particular, it entered into contracts for representative non-power engineering projects, including construction of Qinhan Avenue in Lintong District of Xi'an (西安市臨潼區秦漢大道建設), Xuchang East to Junction of Henan and Anhui Section of Yubo Railway (禹亳鐵路許昌東至豫皖省界段), construction of Small and Medium Enterprises Pioneering Park of Chongming Industrial Park (崇明工業園區中小企業創業園建設), integrated treatment of water environment of water bodies of Zhupi in Jingmen City (荊門市竹皮河流域水環境綜合治理), general contracting project of mine construction of Xinjiang Shengxiong Energy Co., Ltd. (新疆聖雄能源股份有限公司礦山施工總承包工程), Residential Community for Civil Servants in Miro, Angola (安哥拉米羅公務員住宅小區) and Diamond Cement Plant in Karbala, Iraq (伊拉克卡爾巴拉鑽石水泥廠).

The Company achieved breakthroughs in the development of the new business model. The Company proactively adapted to the new trend of domestic construction and contracting business by strengthening the high-end operation, internal synergy and project planning so as to optimize the market layout. Moreover, it also stepped up its efforts in the development of large-scale and high-end projects with the new business model (including investment and financing construction, such as equity investment and PPP) and enhanced the development quality of engineering business. In 2016, the contract value of domestic new business model was RMB93.657 billion in aggregate, which accounted for 31.75% of the contract value of domestic market. In particular, the contract value of PPP projects was RMB71.926 billion, representing a year-on-year increase of 34.26%, and accounted for 24.38% of the contract value of domestic market, representing a year-on-year increase of 2.11 percentage points. The Company entered into contracts for a series of PPP projects, including Qinhan Avenue in Lintong District of Xi'an (西安市臨潼區秦漢大道), Road from Pingliang to Huating of Route S216 in Gansu (甘肅S216線平涼至華亭公路), integrated development and construction project for Chongqing Nanchuan Industrial Park (重慶市南川區工業園區整體開發建設) and integrated treatment of water environment of water bodies of Yaweixi and Dongpo Lake, Haikou (海口市鴨尾溪及東坡湖等水體水環境綜合治理). As more subsidiaries actively participated in the project development of the new business model by leveraging their respective strengths, the Company also entered into contracts for projects, namely construction of infrastructure in Baiyun, Guiyang (貴陽市白雲區基礎設施建設).

In 2016, the Company made smooth progress in key engineering projects which were undertaken by the Company with regard to construction, such as Tianjin Huadian Nanjiang Thermal Power Plant (天津華電南疆熱電燃機電廠), Xinjiang Henglian Wucaiwan Power Plant (新疆恆聯五彩灣電廠), Jiangsu Huadian Yangzhou Gas Turbine (江蘇華電揚州燃機), Wudongde Hydropower Station (烏東德水電站), Baihetan Hydropower Plant (白鶴灘水電站), integrated treatment of water environment of water bodies of Zhupi in Jingmen City (荊門市竹皮河流域水環境綜合治理工程), as well as Coastal Phase I fossil-fuel Power Plant in Vietnam (越南沿海一期火力發電廠), FDC Misamis in the Philippines (菲律賓FDC Misamis), Neelum-Jhelum Hydropower Station in Pakistan (巴基斯坦尼魯姆•傑魯姆水電站), Nuclear Power Plant in Karachi, Pakistan (巴基斯坦卡拉奇核電廠), Bibiyana Gas Turbine in Bangladesh (孟加拉比比亞那燃機) and Shahjibazar Thermal Power Plant (沙吉巴扎火電). Key engineering projects which were undertaken by the Company in respect of construction, including Chongqing Shenhua Wanzhou Power Plant (重慶神華萬州電廠), Phase I of Ningde Nuclear Power Project (寧德核電一期), Xuzhou Jiawang Jiangzhuang Low Speed Wind Farm (徐州賈汪江莊低風速風電場), Highway from Yichang to Zhangjiajie (宜昌至張家界高速公路) as well as Sopladora Hydropower Station in Ecuador (厄瓜多爾索普拉朵拉水電站) and Indonesia South Sumatra Lahat Unit Project (印度尼西亞南蘇門答臘Lahat市機組工程), were successfully put into operation.

2.3 Equipment Manufacturing Business

The equipment manufacturing business of the Company primarily undertakes the manufacturing, sales and integrated services of auxiliary equipment for power plants, power grid equipment, line materials, energy-efficient equipment, steel structure, shipbuilding and maintenance, distributed energy, energy storage and other high-end equipment, and is able to provide complete sets of equipment for large power plants.

In 2016, the operating revenue before inter-segment elimination of equipment manufacturing business of the Company was RMB10.471 billion, representing a year-on-year increase of 7.97%. The new contract amount was RMB12.311 billion, representing a year-on-year decrease of 20.44%. As of 31 December 2016, the outstanding contract value of the equipment manufacturing business was RMB9.982 billion, representing a decrease of 11.59% as compared to that of the end of 2015.

The Company strengthened the expansion of domestic and foreign markets for the equipment business and actively pushed forward the innovation of sales model whilst exploring the business of complete equipment supply and general contracting. Apart from making certain improvements to the industrial product structure, the Company strengthened the scientific and technological innovation and showed initiative in exploring the ultra high voltage market, which further expanded the market share. In 2016, products of the Company won the tenders of equipment supply for projects such as Ningxia Fangjiazhuang Power Plant (寧夏方家莊電廠), Fangchenggang Nuclear Power Plant (防城港核電站), expansion of ZYZY (Yanchi) New Energy Liujiagou Wind Power Equipment (中贏正源（鹽池）新能源劉家溝風電擴建), Linyi Convertor Station of Shanghai Temple - Shandong Ultra High-voltage Direct Current Power Plant (上海廟-山東直流特高壓臨沂換流站), complete equipment supply for Laos Banha power transformation and transmission project (老撾班哈輸變電工程項目設備成套供貨), Brazil Belo Monte Hydropower DC Distribution Phase II (巴西美麗山水電直流二期) and JIGCC water intakes and outlets, stoplog gate and flat screen equipment for Saudi Arabian Oil Company (沙特阿美石油公司JIGCC取排水口疊梁砸門及平板濾網設備). It also entered into contracts for EPC general contracting projects such as Shenmu Hongjing's coal dust production line with coal slime cleaning (神木縣宏景煤泥淨化工程煤粉生產線) and Pakistan Wind Power Project (巴基斯坦風電工程). Besides that, it vigorously promoted the development of high-end equipment business such as distributed energy and energy storage, set its layout in the global market leveraging its international marketing strategy, and successfully entered into contracts for a series of international major projects such as the construction, operation and maintenance project of N'Djamena 100 MW crude oil power plant in Chad (乍得恩賈梅納100兆瓦原油電站建設運維項目) and the construction project of 400 MW heavy oil power plant in Ghana (加納400兆瓦重油電站建設項目).

2.4 Civil Explosive and Cement Production Business

In 2016, the civil explosive business of the Company took the initiative to cope with the continued downward pressure of the mining economy with its advantage of complete industry chain. By adopting various measures to promote growth and enhance effectiveness, the Company maintained a leading position in the industry in terms of profitability. Leveraging the inventory market, the Company promoted the extension of business chain to general contracting for mine construction and consolidated the integrated core civil explosive business. Taking advantage of the market layout and technological edge, the Company optimized the business structure and made effort to develop the markets in, amongst others, hydropower, non-ferrous metal, and infrastructure. The Company also innovated new business model whilst pushing forward the expansion of international business markets, thereby achieving new breakthroughs in developing key country markets, such as Liberia and Pakistan. Further, the Company enhanced the technological research and development capacity and successfully registered the post-doctoral workstation, possessing multiple leading core technologies with a top ranking industrial comprehensive strength in civil explosives business. In 2016, the production capacity for industrial explosives of the civil explosive business of the Company reached 310,500 tonnes, representing a year-on-year increase of 21.76%; its production capacity for industrial explosives of the civil explosive business ranked the third in the China market. The Company produced 178,300 tonnes of industrial explosives and 26.17 million industrial detonators.

In 2016, benefited from the accelerated structural adjustment, transformation and upgrade of cement production business of the Company, while overcoming the negative influence of the complex economic situation and overcapacity of the industry, amongst others, the sales structure of cement products was continuously optimized. The Company made every effort to secure key regional engineering projects and took advantages of the contribution of key projects to sales volume to maintain a stable but rising sales volume from the civil market. In China, as the Company conducted investment, mergers and acquisitions of cement projects, capacity replacement and construction of advanced capacity in a proactive and stable manner, the market development capacity in key regions was steadily enhanced. By speeding up the implementation of overseas cement projects, the Kazakhstan cement project was under the stage of implementation. The Company strengthened the cost control and therefore maintained its profitability at a market-leading level. In 2016, the Company's annual production capacity for cement reached 24.30 million tonnes and that for clinker amounted to 16.47 million tonnes, ranking 13th in the cement industry of China. Its overall strength of cement business ranked 4th among listed cement companies in China. The annual sales of cement and clinker, in aggregate, amounted to 24.46 million tonnes, representing a year-on-year increase of 11.65%. The Company effectively extended the industrial chain and accelerated the capacity allocation for concrete in core regional market. Annual production capacity for concrete reached 5.70 million cubic meters, representing a year-on-year increase of 17.52%. The Company utilized its own mine resources to speed up the construction of the production line of aggregates. The aggregate production capacity for aggregates reached 7.70 million tonnes, representing a year-on-year increase of 18.46%.

In 2016, the operating revenue before inter-segment elimination of civil explosives and cement production business was RMB8.329 billion, representing a year-on-year increase of 5.69%. Among which, the operating revenue before inter-segment elimination of civil explosives business was RMB2.779 billion, representing a year-on-year growth of 1.20%; and the operating revenue before inter-segment elimination of cement production was RMB5.550 billion, representing a year-on-year growth of 8.08%.

2.5 Investment and Other Businesses

In 2016, the investment and other businesses of the Company took the advantages to focus on building principal businesses. Apart from the active and stable investment, merger and acquisition and restructuring of various areas in renewable clean energy, electricity, environmental protection and water supply as well as highway, the Company increased the investment in premium overseas projects and speeded up the establishment of an industrial investment segment characterized by unique features, reasonable layers and sustainability. With the synergic development of the industry driven by the investment platform, the Company further improved the investment landscape of the Company and therefore enhanced the investment scale and effectiveness. The annual investment amount reached a record high and the Company completed investment of RMB37.469 billion in total, representing a year-on-year increase of 19.98%. In 2016, the operating revenue before inter-segment elimination of investment and other businesses was RMB37.498 billion, representing a year-on-year growth of 28.97%. Among which, the operating revenue of real estate business was RMB9.933 billion, representing a year-on-year growth of 29.72%;

the operating revenue of power generation business was RMB1.139 billion, representing a year-on-year decrease of 4.85%; the operating revenue of highway was RMB1.313 billion, representing a year-on-year growth of 8.24%; the operating revenue of environmental protection and water supply was RMB14.480 billion, representing a year-on-year growth of 115.64%; the operating revenue of other businesses was RMB10.633 billion, representing a year-on-year decrease of 13.50%.

With respect of renewable clean energy, several projects in which the Company made investments, including Yunnan Yongsheng PV Power Plant (雲南永勝光伏電站), Jiangsu Changzhou Distributed PV Power Plant (江蘇常州分布式光伏發電), Guangdong Nanxiong Liniu Plateau wind power (廣東南雄犁牛坪風電) and Anhui Taihe PV power generation (安徽太和光伏發電), were put into operation. In 2016, the total power generation of the Company amounted to 71.61 million KWh, and the on-grid power generation amounted to 70.50 million KWh. The Company made smooth progress in a number of projects, such as Guangdong Shaoguan Nanxiong Industrial Park PV and Zishan'ao Wind Farm (廣東韶關南雄市工業園區光伏及梓杉坳風電場), Zhejiang Qingyuan Baihuayan wind power (浙江慶元百花岩風電) and Yunnan Yongsheng PV power generation (雲南永勝光伏發電), which preliminarily led to the rolling development and scale development of key regions.

For the overseas power investment, the Company focused on developing quality fossil-fuel power and hydropower projects. And the Company has successfully pushed forward the Vietnam Hai Duong Coal-Fired Power Plant project (越南海陽燃煤電站項目), which is the project of PRC enterprises with the largest single investment in Vietnam and is one of the largest fossil-fuel projects invested overseas by PRC enterprises. Pakistan SK project and Azad Pattan Project progressed in an orderly manner.

With respect to environmental protection and water supply, by implementing the development concept of green, investment merger and acquisition as well as business expansion were accelerating and market share and influence in the industry were rapidly improved. The regional presence of renewable resources was gradually going into the whole country. The business scale of wastewater and sludge treatment expanded rapidly. The Company obtained a batch of patented technologies by innovation. The Company further enhanced the research efforts in new technologies, such as steel slag utilization, and new eco-friendly materials. The newly-established model line at Laohekou of collaborative treatment of urban solid waste by cement kilns, with daily waste treatment capacity of 500 tonnes which treated 74,900 tonnes of waste, achieved good operating results. Through investment, merger and acquisition of water companies including Kardan, Hunan Haichuanda and Beijing Zhongkai, the Company currently held 45 water companies of a wide variety, which are in operation and under construction, reaching daily water treatment volume of 2.4 million tonnes and established a specialized company in water supply operation and management. Moreover, the Company showed initiative in the development of PPP water projects, including Water Diversion Project in Nandu River of Haikou(海口南渡江水務), Waterwork Project for Comprehensive Environmental Treatment in Zhupi River of Jingmen (荊門竹皮河流域環境綜合治理), Water Project for Environmental Treatment in subsidiary center of Tongzhou and Beijing (通州 • 北京城市副中心水環境治理), and all the aforesaid projects achieved an orderly progress.

As for road investment, focusing on "centralization, specialization and standardization", the Company has optimized its road investment and construction as well as operational systems and institutions, established a specialized company in highway operation and management, facilitating resources in centralized yet efficient utilization and at the same time optimizing its allocation. Leveraging on its solid foundation on management, strengthening operational and daily maintenance management and revitalizing idle assets, the highway business sector has realized earnings and overall well-performing operations. In 2016, the Company successfully tendered the Bazhong-Wanyuan expressway project in Sichuan Province (四川省巴中至萬源高速公路項目) for investment and construction in PPP model. In January 2017, the Company invested in the construction of 3 highway projects, namely Jinan-Tai'an (濟南至泰安) expressway, Juye-Shanxian (Junction of Shandong and Anhui) Part of National Highway Deshang Line (國家高速德上線巨野至單縣（魯皖界）段), and Zaozhuang-Heze Part of Rizhao (Lanshan)-Heze Line (日照（嵐山）至菏澤公路棗莊至菏澤段) using the BOT model. Highway business landscape further improved and exhibited greater development potentials.

With respect to real estate business, the Company has adhered to quality enhancement to build itself as a high-end real-estate brand and reinforce its competitiveness in the industry. The Company has further optimized the strategic planning for the development of the real estate business, persisted in a sound and steady development with sustainability. The Company ploughed into first tier cities, targeting at high-end market while continuing to innovate development mode and philosophy and enhance the centralization and standardization standard of real estate development and therefore significantly improving its market standing and brand influence among the national real estate enterprises. In 2016, The Company's newly added reserved land was eight, newly added investment from interest in land was with a total site area of 197,400 sq.m., newly added investment from interest in land amounted to RMB8.499 billion, the planning gross floor area of land reserve from interest was 450,700 sq.m.. In addition, the Company has new construction area of 963,700 sq.m., completed construction area of 1,066,300 sq.m., interests in on-going construction of 2,267,700 sq.m.; achieved sold area of 521,100 sq.m. and the available for sale area was 513,600 sq.m..

In 2016, Guangdong Thermal Power Engineering Co., Ltd. and Guangdong Electric Power Design Institute Co., Ltd., each being a wholly-owned subsidiary of the Company, successfully obtained the qualification for sales of electricity and were included in the list of companies for sales of electricity in Guangdong province, which further broadened the business scope of the Company.

3 Science and Technology Innovation

In 2016, the Company has actively implemented its technology development plan in accordance with "13th Five-Year Plan" with the objective of enhancing its self-innovation and core competitiveness. Apart from initiating its research and development in diversified businesses including electric power planning, survey and design, construction and contracting, equipment manufacturing, the Company also obtained key technologies with self-intellectual properties in clean energy, smart grid and high-end equipment areas and thus supporting the relevant business development of the Company. Moreover, the Company continued to optimize the science and technology innovation system, upgraded the research and development platform and established companies engaging in technology development, which represented as professional and centralized entities transforming the research and development progress and results in facilitating the innovation, transformation and upgrading of R&D businesses of the Company. In addition, 3 provincial enterprise technology centers and 11 high-tech enterprises were newly built. The technology research and development system was formed with the academician and expert workstation, 5 postdoctoral research and development workstations, 2 national research institutions and 40 provincial research institutions as the main body, and the number of high-tech enterprises has reached 61.

In 2016, the Company achieved major scientific research results, including two sub-topics under the national major science and technology projects named "Large-scale Advanced Pressurized Gas-cooled Nuclear Power Plant CAP1400" (「大型先進壓水堆核電站CAP1400」) and significant R&D results of "Research on Precision Measurement Technology for Installation of Large-scale Hydroelectric Turbine Generators" (「大尺寸水輪發電機組安裝精密測量技術研究」), "Application Research on Energy-saving Composite Materials and Metallic Parts" (「節能型複合材料金具應用研究」), "Research on Key Technology for Selection and Design Optimization for Durability and Structure of Supporting Sub-structure of Offshore Wind Power" (「近海風電支撐結構耐久性及結構選型與設計優化關鍵技術研究」). Throughout the year, it has won 1 national science and technology award, 126 science and technology awards in provincial, ministerial and industry levels, 9 China Power Innovation Awards; prepared and published 39 national and industry technology standards; obtained 119 software copyrights; obtained 1,456 patent licenses, representing an increase of 7.9% on a year-on-year basis, including 352 invention patents, representing an increase of 39.7% on a year-on-year basis and cumulatively owned 6,766 effective patents, including 968 invention patents.

4 Outlook

In 2017, Chinese economy will slow down its development pace while emphasizing quality and structure optimization and conversion of dynamic energy. Tie-in effects between demand-side stimulating policies and supply-side structural reformation will be further elaborated. Various regions or economic units actively participate in the "One Belt and One Road" initiative. Synergetic development of Beijing–Tianjin–Hebei is smoothly underway while Yangtze River Economic Belt accelerates its pace of development by virtue of optimizing the layout of coastal-focused and railway-focused economic belts. Moreover, China is expected to further enhance its "comparative advantages" globally and continue its economic trend of steady slowdown amidst stability and even improvement, with an expected Gross Domestic Product growth rate of approximately 6.5% in 2017.

4.1 Outlook of Construction Industry

With the gradual implementation of "One Belt and One Road" initiative, we see rich opportunities in international construction projects. PPP mode will further attract investment. In particular, hydraulic work, transportation, urban infrastructures and other construction projects will become the focused areas of infrastructure investments. Emerging concepts and modes such as green construction, construction industrialization and "Internet+" will help promote the industrial upgrade. Since 2016, the Chinese Government has implemented a series of policies and measures to regulate and improve the operating environment of the construction industry, namely curbing tax obligation by introducing "Conversion from Income Tax to Value-added Tax", withdrawal of geographical restrictions, stringent investigation on unreasonable deposits. Positive results of these policies have gradually been apparent, which favor a more standardized and transparent operational environment for the construction industry. Overall, the construction industry will maintain faster growth generally in 2017.

4.2 Outlook of Power Industry

4.2.1 Forecast on National Electricity Consumption

With the shift of economic development modes, significant changes were resulted in the Chinese power consumption features in these two years since the implementation of "12th Five-Year Plan". During the "12th Five-Year Plan" period, due to the slowdown of economic growth, accelerated structural adjustment and shift of development momentum, the national power demand growth rate has slowed down from high to medium speed growth, with a declined power consumption growth rate from 12.0% in 2011 to 0.5% in 2015. Following the economic transformation, the growth rate of national power consumption recorded a turnaround in 2016 while the accumulated power consumption of China accounted for a growth rate of 5.0% year-on-year.

According to the integrated forecast including elastic coefficient of power, per capita power consumption, power consumption categorized by industry and quantitative economic model forecast adopted by National Electric Power Planning Center, which has taken into account of the historical structural features of power consumption and diverse economic development among various provinces, regions or cities of China, the national power consumption will reach approximately 6.8 to 7.2 trillion KWh by 2020 with an annual average growth rate of 3.6 to 4.8% during the "13th Five-Year Plan" period so as to fulfil the power demand of a generally well-off society.

4.2.2 "13th Five-Year Plan" on Electric Power

In terms of power source, under the "13th Five-Year Plan" on national electric power, newly installed power source capacity of China during the "13th Five-Year Plan" period amounted to 487.73 GW in total, with aggregate investment of approximately RMB2,800 billion. Among which, coal-fired power, air power, conventional hydropower, pumped storage power, wind power, solar power, nuclear power, biomass and other power accounted for 199.91GW, 43.97GW, 43.49GW, 16.97GW, 79.25GW, 67.82GW, 30.83GW and 5.35GW respectively. By 2020, among China's power source structure, non-fossil fuel installed capacity will reach 770GW which accounts for a proportion of approximately 39%, representing an increase by 250GW or 4 percentage points as compared to the 2015 while the proportion of power production will increase to 31%. Air power installed capacity will increase by 50GW to 110GW which accounts for a proportion of more than 5%. As for coal-fired power installed capacity, its installed capacity will be controlled, with endeavors, to below 1,100GW and a reduced proportion of approximately 55%.

In terms of power grid, during the "13th Five-Year Plan" period, the total investment in power grid projects amounted to approximately RMB3 trillion with newly added 92,000 km of 500 KV or above alternating-current circuits and power transformation capacity of 920 million KV. Mainframe power grid was further optimized and the inter-provincial tie lines were further strengthened, forming a synchronized power grid of reasonable scale. The construction of a modernized power distribution grid which is under rural-urban coordination, safe, reliable, highly cost-effective, technologically advanced, environmentally friendly and accommodates the well-off society has been basically completed. A rational distribution layout has been made to facilitate the power transmission from certain regions where power supply is rather sufficient and focused. To cope with the policy of "Power transmission from Western China to Eastern China", a related transmission channel of ultra-high voltage transmission technology and general transmission technology was developed, with a newly added scale of 130 million KW totaling approximately 270 million KW.

4.2.3 Forecast on Nation-wide Power Construction in 2017

In 2017, the power construction market in China maintained growth with change in structure. The power grid market generally remained stable with continual optimization in power source structure. As noted in the initial stage, in 2017, the newly installed capacity in China amounted to a total of approximately 100 GW and total investment was approximately RMB564 billion. It comprised newly added coal power of 40 million KW with investment of RMB144.0 billion, general hydropower of 7.60 million KW with an investment of RMB42.0 billion, pumped-storage power of 1.90 million KW with an investment of RMB7.6 billion, air power of 10.60 million KW with an investment of RMB42.0 billion, wind power of 19.00 million KW with an investment of RMB126.0 billion, solar power of 12.70 million KW with an investment of RMB121.0 billion and nuclear power of 5.38 million KW with an investment of RMB53.8 billion. During the "13th Five-Year Plan" period, the total capacity in relation to energy conservation transformation, ultra-low emission transformation and flexible transformation of heat supply or solely condensing power units amounted to 340 million KW, 420 million KW and 210 million KW respectively. The transportation, maintenance and overhaul market have seen broader room for development in 2017.

In 2017, the total investment in nationwide power grid projects amounted to RMB521 billion.

4.3 Domestic Non-power Market

According to the "Blue Book of Economics" published by Chinese Academy of Social Sciences, the investment in fixed assets of the whole society for 2017 will amount to RMB67.1 trillion, representing a notional growth of 8.9% or effective growth of 8.7%. Besides, experts forecast that the size of investments in infrastructures in 2017 will amount to approximately RMB16 trillion and will remain as the vital driver of stable investment and steady growth. In 2017, the focused targets of investments will comprise hydraulic engineering, transportation engineering, urban infrastructure construction and environmental protection engineering, etc.

(1) Hydraulic engineering: China placed emphasis on hydraulic engineering as a key deepening supply-side structural reform and a focused area of consolidating the weakened infrastructures. In 2017, the government will focus on the construction of major hydraulic engineering and infrastructure construction projects, post-disaster construction of weakened hydraulic facilities and enhancement of water resource conservation and protection of water ecology, etc., ensuring that the number of newly commenced major projects to exceed 15 with the size of investment in construction-in-progress exceeding RMB900 billion.

(2) Transport engineering: In 2017, road and waterway projects will complete investment in fixed assets of RMB1.8 trillion; 200,000 km of newly-constructed rural roads, 5,000 km of newly-added highways and 500 km of newly-added high class inland waterway will be completed, with 7,000 newly-added administrative villages with road access in poor regions; railway projects will complete investment of RMB800 billion, with 2,100 km of new lines, 2,500 km of duplex lines and 4,000 km of electrified railway putting into operation; civil freight project investment will amount to RMB120 billion.

(3) Urban infrastructure construction: According to the "Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Further Strengthening the Urban Planning and Development Management" published in February 2016, some requirements were imposed on urban development during the "13th Five-Year Plan" period. Firstly, according to relevant projections, the Company will put a lot of efforts into development of public transport, organize the coordinated development of various public transport means such as public vehicles, light rails and metro networks during the "13th Five-Year Plan" period so as to ease the pressures on urban transport, particularly the aggregate investment in various rail transport projects in 30 cities including Beijing, Shenzhen, Hangzhou and Guangzhou in 2017 is expected to exceed RMB1 trillion. Secondly, the Company will speed up the development and upgrade of urban sewage processing facilities, aiming to strive to achieve comprehensive sewage collection and processing in cities at prefecture-city level and above, and to achieve a water recycling rate of 20% or above in cities which have insufficient water supply with an investment of RMB2 trillion in 2020. Thirdly, the Company will construct urban comprehensive underground pipe gallery. According to projections, recently the annual average investment in underground pipe gallery amounted to a range of RMB300 to 600 billion; fourthly, to speed up sponge city construction. During the "13th Five-Year Plan" period, the size of investment in sponge city construction in China amounted to RMB2 trillion, with an annual investment of approximately RMB400 billion.

4.4 International Market

Currently, the global economy delivers moderate recovery and the global infrastructure construction market shall maintain rigid growth. Following the establishment of the new pattern of China's all-round opening-up and the continued development of cooperation mechanisms such as the "One Belt and One Road" initiative and international production capacity cooperation, the regional economic integration and cooperation in power projects will be further promoted, developing the foundation platforms of energy integration and interconnection. The investment demand for international power and other infrastructures will continue to grow steadily, which provides favorable opportunities for the development of the Company.

(1) The "One Belt and One Road" will enter the golden period of development. In 2017, the "One Belt and One Road" initiative proposed by the Chinese government will undergo comprehensive and in-depth promotion. It is stated in the Report on the Work of the Government that the "One Belt and One Road" should be jointly build through consultation and cooperation to meet the interests of all and efforts should be made to accelerate the building of overland economic corridors and maritime cooperation hubs as well as to develop cooperative mechanisms for achieving compatibility in customs clearance procedures along the routes. The government will deepen production capacity cooperation with other countries to promote equipment, technology, standards and services of China to go global, thereby achieving complementary advantages. To align with the implementation of the "One Belt and One Road" initiative, China will vigorously push forward various financial arrangements such as the implementation of Silk Road Fund, Asian Infrastructure Investment Bank, BRICS Development Bank and OECD Development Bank. The results for the financial support policy will be gradually unleashed, facilitating the full implementation of the "One Belt and One Road".

(2) The power construction market in countries targeted by the "One Belt and One Road" has vast room for development. According to the statistics of International Energy Agency, in the regions targeted by the "One Belt and One Road", the total installed capacity was 1 billion KW and power consumption was approximately 5 trillion KWh, while average installed capacity per capita (0.3 KW/year) and power consumption (1,600 KWh/year) were below half of the world's average level. It is expected that the room for power project construction in the 64 countries targeted by "One Belt and One Road" in 2020 will be approximately 420 million KW with a total investment in power source construction of approximately USD1.2 trillion, or annual average of approximately USD300 billion. The scope of investment covers various dimensions, such as the exploration of power resources, construction and operation of power grid, export of electrical equipment, acquisition and merger of power assets and multinational power exchange. In addition, South Asia and Sub-Saharan Africa are the two regions experiencing the most serious shortage of electricity. The population without electricity reached more than 1 billion, representing 85% of the total population without electricity around the world. The power consumption per capita (650 KWh/year) only accounts for 20% of the global consumption per capita. All these demonstrate vast room for development of power construction market.

Within a certain period in the future, the countries targeted by "One Belt and One Road" initiative will remain as the major market for the development of the international business of the Company. The Company will further explore the market of respective countries targeted by the "One Belt and One Road", seize the opportunities in various projects and continue to expand the market share, making the committed contribution for the national "One Belt and One Road" initiative. In addition, the Company will actively expand the potential markets, emerging markets and high-end markets in regions such as Central and Eastern Europe, Latin America, Middle-east, aiming to the gradual coverage of principal contracting engineering markets globally.

To execute integrity operation and quality productivity

Management Discussion and Analysis

1 Overview

In 2016, the Company achieved the revenue of RMB222,171.0 million, representing a year-on-year increase of 8.01%; the total profit before tax was RMB9,647.0 million, representing a year-on-year increase of 12.36%; net profit attributable to the owners of the Company was RMB4,281.3 million, representing a year-on-year growth of 1.08%.

2 Consolidated operating results

	For the year ended 31 December		
Items	**2016 (RMB in million)**	2015 (RMB in million)	Percentage of change (%)
Revenue	**222,171.0**	205,692.9	8.01
Cost of sales	**(196,858.2)**	(182,634.8)	7.79
Other income	**1,574.2**	881.6	78.56
Other gains and losses	**69.7**	804.0	-91.33
Selling expenses	**(2,058.1)**	(1,637.1)	25.72
Administrative expenses	**(10,256.1)**	(9,995.4)	2.61
Research and development expenses	**(2,835.7)**	(2,242.2)	26.47
Finance income	**581.2**	731.3	-20.53
Finance costs	**(2,671.2)**	(3,002.1)	-11.02
Share of (losses) profits of joint ventures	**(7.7)**	10.9	-170.64
Share of losses of associates	**(62.1)**	(23.3)	166.52
Profit before tax	**9,647.0**	8,585.8	12.36
Income tax expense	**(2,208.4)**	(2,115.4)	4.40
Profit for the year	**7,438.6**	6,470.4	14.96

In 2016, the actual selling expenses of the Company amounted to RMB2,058.1 million, representing a year-on-year increase of 25.72%; the percentage of selling expenses to the revenue increased from 0.80% in 2015 to 0.93% in 2016, mainly due to the significant increase in transportation expenses triggered by the faster growth of cement and environmental business.

In 2016, the actual administrative expenses of the Company amounted to RMB10,256.1 million, representing a year-on-year increase of 2.61%, the percentage of administrative expenses to the revenue decreased from 4.86% in 2015 to 4.62% in 2016.

In 2016, the actual finance costs of the Company amounted to RMB2,671.2 million, representing a year-on-year decrease of 11.02%, the percentage of finance costs to the revenue decreased from 1.46% in 2015 to 1.20% in 2016, mainly due to the significant decrease in total indebtedness, optimization of the debt structure and the decrease in the interest rate on debts of the Company.

3 Operating Results by Segment

	Industry segments of principal businesses (For the year ended 31 December)								
Industry segments	**2016**			2015			Change in percentage (%)/ 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	**12,972.6**	**7,614.6**	**41.30**	12,454.7	6,958.2	44.13	4.16	9.43	(2.83)
Infrastructure construction contracts	**161,058.2**	**150,017.7**	**6.85**	153,172.8	143,633.3	6.23	5.15	4.44	0.62
Equipment manufacturing	**10,471.1**	**8,719.8**	**16.73**	9,698.0	8,293.8	14.48	7.97	5.14	2.25
Civil explosives and cement production	**8,328.5**	**6,122.6**	**26.49**	7,880.3	5,564.1	29.39	5.69	10.04	(2.90)
Investment and other businesses	**37,498.1**	**32,300.4**	**13.86**	29,074.7	24,250.7	16.59	28.97	33.19	(2.73)
Inter-segment elimination(1)	**(8,157.5)**	**(7,918.1)**	**–**	(6,587.6)	(6,340.0)	–	–	–	–
Unallocated items(2)	**–**	**1.2**	**–**	–	274.7	–	–	–	–
Total	**222,171.0**	**196,858.2**	**11.39**	205,692.9	182,634.8	11.21	8.01	7.79	0.18

Notes:

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

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

The total revenue of the Company increased by 8.01% from RMB205,692.9 million in 2015 to RMB222,171.0 million in 2016. The increase was mainly due to the successive commencement of PPP project under infrastructure and construction contracts segment and the rapid growth of the environmental business under the investment segment.

The cost of sales of the Company increased by 7.79% from RMB182,634.8 million in 2015 to RMB196,858.2 million in 2016, generally in line with the increase in revenue for the same period.

The gross profit of the Company was RMB23,058.1 million and RMB25,312.8 million in 2015 and 2016, respectively, and the gross profit margin slightly increased from 11.21% to 11.39%, in the same period.

3.1 Survey, Design and Consulting Services Business

This business generates revenue primarily from providing survey and design services for fossil-fuel, hydropower, nuclear, wind power, solar power projects and power grid projects in China and overseas. The Company also generates revenue from providing a wide range of consulting services in respect of power industry policies, as well as power project testing, assessment and supervision services.

Segment revenue before inter-segment elimination of survey, design and consulting services business of the Company remained relatively stable at RMB12,454.7 million and RMB12,972.6 million in 2015 and 2016, respectively.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company was RMB6,958.2 million and RMB7,614.6 million in 2015 and 2016, respectively, with a year-on-year increase of 9.43%, mainly due to the relatively substantial increase in subcontracting costs triggered by the growth of cross-regional subcontracting cooperation of survey business during the year.

Gross profit before inter-segment elimination of survey, design and consulting services business of the Company was RMB5,496.5 million and RMB5,358.0 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination slightly decreased from 44.13% to 41.30% in the same period. The decrease was mainly due to the increase in subcontracting costs, and the profit margin of power grid design business being squeezed to a certain extent with the increasingly open market.

3.2 Infrastructure Construction Contracts Business

This business generates revenue primarily from providing construction services for power projects in China and overseas.

Segment revenue before inter-segment elimination of infrastructure construction contracts business of the Company increased by 5.15% from RMB153,172.8 million in 2015 to RMB161,058.2 million in 2016. This increase was mainly attributable to (i) an increase in business volume of power projects, particularly hydropower and new energy projects, in China and overseas; and (ii) the successive commencement of certain PPP projects during the period.

Cost of sales before inter-segment elimination of infrastructure construction contracts business of the Company increased by 4.44% from RMB143,633.3 million in 2015 to RMB150,017.7 million in 2016, generally in line with the increase in revenue for the same period.

Segment gross profit before inter-segment elimination of infrastructure construction contracts business of the Company was RMB9,539.5 million and RMB11,040.5 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination slightly increased from 6.23% to 6.85% in the same period.

3.3 Equipment Manufacturing Business

This business generates revenue primarily from the design, manufacture and sale of equipment for use in the power industry, including ancillary equipment for power plants, power grid equipment, steel structure and energy conservation and environmental protection equipment.

Segment revenue before inter-segment elimination of equipment manufacturing business of the Company increased by 7.97% from RMB9,698.0 million in 2015 to RMB10,471.1 million in 2016. This increase was mainly due to the significant increase in sales of products for the new energy segments, including PV, lithium-silicon batteries and heavy oil units.

Cost of sales before inter-segment elimination of equipment manufacturing business of the Company increased by 5.14% from RMB8,293.8 million in 2015 to RMB8,719.8 million in 2016, which is slightly lower than the revenue growth rate.

Segment gross profit before inter-segment elimination of equipment manufacturing business of the Company was RMB1,404.2 million and RMB1,751.3 million in 2015 and 2016, respectively, and segment gross profit margin before inter-segment elimination slightly increased from 14.48% to 16.73% in the same period.

3.4 Civil Explosives and Cement Production Business

This business generates revenue primarily from the manufacture and sale of civil explosives and cement products and the provision of blasting services.

Segment revenue before inter-segment elimination of civil explosives and cement production business of the Company increased by 5.69% from RMB7,880.3 million in 2015 to RMB8,328.5 million in 2016. This increase was mainly due to the new growth of sales of explosives contributed by overseas markets and mine explosion business during this period, and growth of sales of cement triggered by the increase in clients' major project demand for cement during this period.

Cost of sales before inter-segment elimination of civil explosives and cement production business of the Company increased by 10.04% from RMB5,564.1 million in 2015 to RMB6,122.6 million in 2016. This increase was mainly due to the expansion of overseas markets, the higher fixed costs in earlier period, and the higher general contracting costs of mine explosion than the existing explosive and production businesses.

Segment gross profit before inter-segment elimination of civil explosives and cement production business of the Company was RMB2,316.2 million and RMB2,205.9 million in 2015 and 2016, respectively, and gross profit margin before inter-segment elimination was 29.39% and 26.49%, respectively, in the same period.

3.5 Investment and Other Businesses

This business generates revenue primarily from real estate development, environmental business, investment in, operation or sale of power projects and other equity investments.

Segment revenue before inter-segment elimination of investment and other businesses of the Company increased by 28.97% from RMB29,074.7 million in 2015 to RMB37,498.1 million in 2016. The increase was primarily attributable to the significant increase in revenue from the real estate development and environmental business.

Cost of sales before inter-segment elimination of investment and other businesses of the Company increased by 33.19% from RMB24,250.7 million in 2015 to RMB32,300.4 million in 2016, generally in line with the increase in revenue for the same period.

Segment gross profit before inter-segment elimination of investment and other businesses of the Company was RMB4,824.0 million and RMB5,197.7 million in 2015 and 2016, respectively. Segment gross profit margin before inter-segment elimination decreased from 16.59% in 2015 to 13.86% in 2016, mainly due to the relatively lower gross profit margin of environmental business accounting for a greater proportion of segment revenue.

In particular, revenue before inter-segment elimination of environmental business of the Company was RMB6,714.8 million and RMB14,480.0 million in 2015 and 2016, respectively, representing a year-on-year increase of 115.64%. The major investments were relatively fast-growing businesses of the Company, acting as a major source of revenue of the Company.

Gross profit before inter-segment elimination of real estate business of the Company was RMB1,751.8 million in 2016, with a gross profit margin before inter-segment elimination of 17.64%. Gross profit before inter-segment elimination of power generation business was RMB500.0 million in 2016, with a gross profit margin before inter-segment elimination of 43.90%.

4 Cash Flow

	For the year ended 31 December	
	2016	2015
	(RMB in million)	(RMB in million)
Net cash generated from (used in) operating activities	**4,668.0**	(3,834.2)
Net cash used in investing activities	**(10,891.6)**	(3,342.0)
Net cash generated from financing activities	**5,531.5**	25,395.0
Net (decrease)/increase in cash and cash equivalents	**(692.1)**	18,218.8
Cash and cash equivalents at the beginning of the year	**47,237.0**	28,756.6
Effects of exchange rate changes	**229.2**	261.6
Cash and cash equivalents at the end of the year	**46,774.1**	47,237.0

4.1 Cash Flow Generated From (Used In) Operating Activities

The net cash generated from operating activities increased from RMB-3,834.2 million in 2015 to RMB4,668.0 million in 2016, representing an increase of RMB8,502.2 million or 221.75%. The increase was primary due to the following reasons: (i) the increase in cash inflow from the net profit of operating activities amounting to RMB14,781 million during the period; and (ii) the commencement of asset securitization of receivables and accelerated settlement for engineering projects with clients, whereas timely extending the settlement interval of payment to suppliers, synthetically increasing cash inflow amounting to RMB7,737 million. These increases were partially offset by the increase in prepayments, deposits and other receivables of RMB5,576 million and increase in amounts due from customers for construction contracts of RMB6,611 million triggered by increase in business volume, and payment of income tax of RMB2,330 million.

4.2 Cash Flow Used In Investing Activities

The net cash used in investing activities increased from RMB3,342.0 million in 2015 to RMB10,891.6 million in 2016, representing an increase of RMB7,549.6 million or 225.90%. The increase was primary due to the following reasons: (i) payment for the purchase of property, plant and equipment and intangible assets amounting to RMB6,915 million; (ii) net withdrawal of deposits with original maturity of over three months amounting to RMB1,327 million; and (iii) increase in investment in associates amounting to RMB1,788 million.

4.3 Cash Flow Generated From Financing Activities

The net cash generated from financing activities decreased from RMB25,395.0 million in 2015 to RMB5,531.5 million in 2016, representing a decrease of RMB19,863.5 million or 78.22%. The decrease was primary due to the following reasons: (i) the issuance of perpetual bonds to raise funds of RMB9,100 million during this period; (ii) the issuance of corporate bonds to raise funds of RMB20,800 million; and (iii) the addition of bank and other borrowings of RMB27,395 million. The cash inflow was partially offset by the repayment of bank and other borrowings of RMB40,938 million, repayment of short-term financing notes of RMB3,500 million, payment of interests paid on bank and other borrowings of RMB3,296 million, and payment of special dividend distribution to owners of RMB2,523 million.

4.4 Capital Expenditures

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 year ended 31 December	
	2016 (RMB in million)	2015 (RMB in million)
Property, plant and equipment	**4,848.4**	4,616.2
Prepaid land lease payment	**523.8**	495.3
Intangible assets	**2,081.4**	745.2
Investment properties	**0.3**	13.8
Total	**7,453.9**	5,870.5

5 Indebtedness

As at 31 December 2016, the Company's total liabilities and total assets amounted to RMB218,668.5 million and RMB292,657.5 million, respectively, with a debt to asset ratio of 74.72% representing a decrease of 1.95 percentage points from 76.67% for last year. The Company's total indebtedness amounted to RMB78,360.3 million, representing an increase of RMB2,936.7 million during the period between 31 December 2015 and 31 December 2016.

The following table sets forth the details of bank borrowings, other borrowings, corporate bonds, finance lease payables and short-term financing notes as of the dates indicated:

	As at 31 December	
	2016	2015
	(RMB in million)	(RMB in million)
Long-term		
Bank borrowings		
Unsecured	**18,090.8**	19,394.5
Secured	**8,526.2**	9,045.2
Other borrowings		
Secured	**1,421.3**	1,525.8
Corporate bonds(1)	**16,229.3**	5,773.6
Finance lease payables(2)	**0.5**	279.1
Sub-total	**44,268.1**	36,018.2
Short-term		
Bank borrowings		
Unsecured	**15,928.8**	28,969.7
Secured	**1,833.2**	4,180.7
Other borrowings		
Unsecured	**5,293.9**	1,784.1
Secured	**44.1**	226.1
Corporate bonds(1)	**10,692.2**	500.0
Finance lease payables(2)	**300.0**	228.8
Short-term financing notes	**–**	3,516.0
Sub-total	**34,092.2**	39,405.4
Total	**78,360.3**	75,423.6

Notes:

(1) The corporate bonds are unsecured medium-term notes, corporate bonds and asset securitization products.

(2) The Company lease certain buildings and machinery for construction operations.

As of 31 December 2016, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

	As at 31 December	
	2016	2015
	(RMB in million)	(RMB in million)
USD	**2,355.2**	1,110.8
Japanese Yen	**127.8**	120.3
EURO	**–**	3.8
Total	**2,483.0**	1,234.9

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

	As at 31 December	
	2016	2015
	(RMB in million)	(RMB in million)
Guaranteed by:		
Ultimate holding company	**–**	185.0
Third parties	**127.8**	436.3
Total	**127.8**	621.3

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

	As at 31 December	
	2016	2015
	(RMB in million)	(RMB in million)
Repayable on demand or within 1 year	**34,092.2**	39,405.4
Repayable after 1 year but within 2 years	**11,279.3**	7,232.9
Repayable after 2 years but within 3 years	**4,445.7**	9,366.6
Repayable after 3 years but within 4 years	**2,410.2**	3,596.2
Repayable after 4 years but within 5 years	**14,119.1**	1,811.0
Repayable after 5 years	**12,013.8**	14,011.5
Total	**78,360.3**	75,423.6

The following table sets forth the effective interest rate ranges of bank borrowings, other borrowings, corporate bonds, finance lease payables and short-term financing notes as of the dates indicated:

	As at 31 December	
	2016 (%)	2015 (%)
Bank borrowings	**1.05-9.60**	1.05-9.60
Other borrowings	**4.20-8.00**	4.655-6.48
Corporate bonds	**3.14-5.37**	4.75-5.85
Short-term financing notes	**–**	3.08-3.38
Finance lease payables	**5.15-8.00**	5.15-8.00

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

	As at 31 December			
	2016		2015	
	(RMB in million)	**%**	(RMB in million)	%
Fixed rate bank and other borrowings	**23,677.8**	**1.05-9.60**	34,723.9	1.05-9.60
Floating rate bank and other borrowings	**27,460.5**	**1.20-8.84**	30,402.3	2.75-8.70
Total	**51,138.3**		65,126.2	

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. In addition, as of 31 December 2016, the Company had RMB16.2 billion of authorized but unissued debt securities.

As of 31 December 2016, the Company had RMB370.9 billion of unutilized and unrestricted bank facilities. As of 31 December 2016, the Company was not subject to any material restrictive terms in the borrowings.

6 Pledge of Assets and Contingent Liabilities

6.1 Pledge of Assets

As of 31 December 2016, 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 31 December	
	2016 (RMB in million)	2015 (RMB in million)
Property, plant and equipment	**975.1**	881.3
Prepaid lease payments	**347.0**	90.8
Intangible assets	**7,721.3**	10,008.1
Trade receivables	**459.8**	1,368.0
Properties under development	**9,418.9**	10,348.9
Completed properties for sale	**19.7**	99.9
Bank deposits	**2,698.6**	2,650.6
Investment property	**66.7**	69.3
Total	**21,707.1**	25,516.9

6.2 Contingent Liabilities

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

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

	As at 31 December	
	2016 **(RMB in million)**	2015 (RMB in million)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to:		
Associates	**3,701.5**	3,565.6
Investee recognized as available-for-sale financial asset	**75.0**	79.5
Joint ventures	**1,068.2**	–
	4,844.7	3,645.1
Mortgage loan guarantees provided by the Company to banks in favor of its customers	**1,244.4**	778.8
Total	**6,089.1**	4,423.9

The Company had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Company's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Company is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Company is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Company are insignificant at initial recognition, and the Directors consider that 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 these financial statements for these guarantees.

At initial recognition, the fair value of these guarantee contracts is insignificant. There has been no material change in contingent liabilities of the Company since 31 December 2016 to the date of this report.

7 Subsequent events

In January 2017, the Company obtained the approval from the State-owned Assets Supervision and Administration Commission of the State Council, pursuant to which ENERGY CHINA GROUP has transferred 2,029,378,794 and 522,354,897 state legal person shares of the Company (representing approximately 6.76% and 1.74% of the total share capital of the Company, respectively) to China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) (the "China Reform") and Beijing Chengtong Financial Investment Co., Ltd. (北京誠通金控投資有限公司) (the "Chengtong Financial"), a subsidiary of China Chengtong Holdings Group Limited (中國誠通控股集團有限公司), respectively (an aggregate of 2,551,733,691 shares), for nil consideration by way of gratuitous transfer (the "Transfer"). Before completion of the Transfer, Energy China Group and China Reform directly held 20,659,417,713 domestic shares and 677,582,000 H shares of the Company respectively, representing approximately 68.82% and 2.26% of the total share capital of the Company. Upon completion of the Transfer, Energy China Group, China Reform and Chengtong Financial directly held 18,107,684,022 domestic shares, 2,706,960,794 domestic and H shares and 522,354,897 domestic shares of the Company respectively, representing approximately 60.32%, 9.02% and 1.74% of the total share capital of the Company. There is no change to the controlling shareholder of the Company.

8 Risk

8.1 Business Risk

8.1.1 Industrial Prospect Risk

Impacted by the declined domestic power demand and pressure on the ecological environmental protection, the room for coal power development has been shrunk and demand of coal power market has been reduced. The Company will make continuous effort to push forward the business transformation and upgrade, explore new areas, create new models and build up new capabilities so as to achieve sustainable and healthy development of the Company.

8.1.2 Competition Risk

The phenomena of the excess capacity and the disparity of demand and supply of market in construction industry become increasingly prominent. The market competition is still fierce and complex under the impact of the industrial prospect and economic downturn. The Company will further develop the coordination potential of the industry chain, promote the innovation on business model, strengthen the control and management of the headquarters as well as the high-end management, optimize resource allocation, and enhance the comprehensive competitiveness.

8.1.3 Cash Flow Risk

Subject to various factors such as receivables, inventory, cost management, the enterprises are exposed to shortage of cash flow and a minority of enterprises record loss. The Company will strengthen the management enhancement and centralized fund management, and steadily promote the integration of industry and finance. With strict cost control, the Company will enhance the management on receivables and centralized procurement management so as to uplift the operating capacity of the enterprises.

8.1.4 International Operation Risk

The international operation confronts the legal risk, regulatory risk, political risk, safety risk, tax risk, exchange rate risk and other risks. The Company will continue to optimize the business layout in the international market and unleash the business advantage of the Group's whole industry chain. Moreover, the Company will achieve the goals of international operation through strengthening the market operation, business management, performance of contractual obligation management and contingency plan.

8.1.5 Construction Project Management Risk

Certain projects experience inadequate resources allocation, unstandardized subcontracting management, and weak management during the construction, resulting in greater performance risk. The Company will strictly manage project contract, perfect the early project planning and control over performance of contractual obligation, and achieve reasonable resources allocation. Meanwhile, it will enhance the check on projects and special inspection, strengthen subcontracting management, aiming to uplift project performance and profitability.

8.1.6 Health, Safety, Quality and Environmental Risk

Engineering construction involves high level of risks. The difficulty and risk of health, safety, quality and environment management increases subject to the rapid growth of operation scale and the significant increase in contacting (subcontracting) teams of the Company. The Company will put great effort in implementing the health, safety, quality and environmental accountability system, strengthen assessment of potential safety hazards and risk management. It will also intensify the management on contracting (subcontracting) teams, devote more resources in construction safety and prevent the occurrence of incidents.

8.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, and most of the transactions are denominated in RMB, 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 the income and expenses dominated in foreign currencies will be increased significantly. The exchange rate fluctuation may have influence on the service pricing and the cost of procurement of materials and equipment of the Company by foreign exchange and therefore influence the financial position and operating performance of the Company. The Company will carry out risk controls by means of contracts and financial instruments, make reasonable commerce arrangements and select suitable foreign currency and exchange rate for settlement or payment so as to prevent exchange rate fluctuation risk.

9 Number of Employees and Training Program

At the end of 2016, the Company has 133,625 employees in total and possesses various sorts of quality talents, including 33,809 managers, 41,767 professional technicians, and 39,341 technical operating personnel.

The Company has 10,539 talents with various national registered qualifications. Also, the Company has a batch of top talents of China, including 29 experts who enjoy the PRC governmental special subsidies, 8 national exploration and design masters, 2 national nuclear industry engineering exploration and design masters, 4 experts of the "Millions of Talents of the New Century" project, 3 national young and middle-aged experts with outstanding contribution, and 18 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 514,800 employees in 2016 and actually trained 551,100 employees, including on-the-job training for 374,100 employees, continuing education training for 46,300 employees, and other trainings for 130,700 employees.

10 Plan for Significant Investment or Purchase of Capital Asset in Future of the Company

In accordance with the "Investment Business Planning of China Energy Engineering Corporation Limited (2016-2018)" (《中國能源建設股份有限公司投資業務規劃（2016-2018年）》) and the spirits concluded from the meeting of the Company on investment efforts in 2016. In the future, the Company's major investments mainly encompass the following four areas: firstly, to increase the investment for enhancing the market competitiveness of the principal businesses so as to fully demonstrate its key role towards the completion of engineering contracting projects, implement in-depth exploration of the construction and contracting market and secure the steady development of the principal businesses by flexibly adopting the investment and financing models, such as PPP and BOT; secondly, to expand the investment in the emerging businesses by further merger and acquisition of emerging businesses, such as environmental protection, water supply and new energy; thirdly, to accelerate overseas investment following the successive launches and implementation of the national "One Belt and One Road" initiative and various strategic plans, such as international collaboration in terms of production capacity, in order to enhance the competitiveness and brand influence of the Company in the international market; and fourthly, to vigorously develop the supporting investment for business transformation and proactively pave way for merger and acquisition or reorganization of design entities from the business spectrum including hydropower, municipal administration, environmental protection, road and railway transportation, to foster the business transformation and development of the Company.

Further, China Energy Engineering Group Financial Leasing Co., Ltd. (中國能源建設集團融資租賃有限公司), a subsidiary of the Company, intends to commence the following five major businesses: (1) financial leasing business; (2) leasing business; (3) acquisition of leased properties at home and abroad; (4) disposal of residual value and maintenance of leased properties; and (5) operation of factoring business associated with principal businesses.

11 Gearing Ratio

As at 31 December 2016, the gearing ratio of the Company is 105.91%, representing a decline of 18.16 percentage points as compared to 124.07% recorded as at 31 December 2015, mainly due to the issuance of perpetual bonds of RMB9,100 million and repayment of some bank borrowings by the Company during the period. Gearing ratio represents total interest-bearing debts divided by total equity at the end of the year.

12 Acquisition and Disposal of Subsidiaries

Details of acquisition and disposal of subsidiaries by the Company in 2016 are set out in notes 51 and 52 to the "Consolidated Financial Statements" of this annual report.

Profile of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company have no relationships among each other, including financial affairs, businesses, family and other material relationships. The table below sets forth certain information of the directors, supervisors and senior management of the Company:

	Name	Age	Position
Board of Directors	Wang Jianping	56	Chairman of the Board and Executive Director
	Ding Yanzhang	52	Vice Chairman of the Board, Executive Director and General Manager
	Zhang Xianchong	57	Executive Director and Deputy General Manager
	Ma Chuanjing	59	Non-executive Director
	Ding Yuanchen	67	Independent Non-executive Director
	Wang Bin	62	Independent Non-executive Director
	Zheng Qiyu	62	Independent Non-executive Director
	Cheung Yuk Ming	63	Independent Non-executive Director
Supervisory Committee	Wang Zengyong	56	Chairman of the Supervisory Committee, the Head of the General Office and the Head of the Party Committee Office
	Lian Yongjiu	57	Employee Representative Supervisor and Head of Auditing Department
	Kan Zhen	53	Employee Representative Supervisor and the Head of the Party-Masses Work Department
	Fu Dexiang	66	Supervisor
	Wei Zhongxin	63	Supervisor
Senior Management	Ding Yanzhang	52	Vice Chairman of the Board, Executive Director and General Manager
	Zhang Xianchong	57	Executive Director and Deputy General Manager
	Zhao Jie (1)	60	Deputy General Manager
	Nie Kai	58	Deputy General Manager
	Wu Chunli	53	Deputy General Manager
	Yu Gang	55	Deputy General Manager
	Zhou Hougui	54	Deputy General Manager
	Lan Chunjie	58	Deputy General Manager
	Chen Guanzhong	47	Chief Accountant
	Duan Qiurong	55	Secretary to the Board and the Joint Company Secretary

Note:

(1) The resignation of Ms. Zhao Jie as the deputy general manager of the Company was considered and approved at the thirteenth meeting of the first session of the Board held on 28 February 2017.

1 Board Of Directors

Executive Directors

Mr. Wang Jianping (汪建平)

aged 56, is a professor-level senior engineer and obtained a bachelor's degree in electric power system and automation. He joined the Group in 1982, and is currently an executive Director, the chairman of the Board, the chairman of the strategy committee and the chairman of the nomination committee of the Board, while at the same time he is also the chairman of Energy China Group. Mr. Wang started his career in 1982, and has served as the president of Northeast Electric Power Design Institute (東北電力設計院), the general manager of China Power Engineering Consulting Corporation (中國電力建設工程諮詢公司), president of Electric Power Planning & Engineering Institute (電力規劃設計總院) and the general manager of the China Power Engineering Consulting Group Co., Ltd. (中國電力工程顧問集團公司).

Mr. Ding Yanzhang (丁焰章)

aged 52, is a professor-level senior engineer and obtained a bachelor's degree in engineering, majoring in hydraulic engineering machinery, a master's degree in management, majoring in administrative management. He joined the Group in 1984, and is currently an executive Director, the vice chairman of the Board, the general manager, member of the strategy committee of the Board, while at the same time is also the director and the general manager of Energy China Group. Mr. Ding started his career in 1984, and has served as the general manager of China Gezhouba Group No. 2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), the president of Lancang River Construction Bureau of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司瀾滄江施工局), the director of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司), the director, the general manager and the chairman of the board of directors of CGGC and the general manager of CGGC Group.

Mr. Zhang Xianchong (張羨崇)

aged 57, is a professor-level senior engineer and obtained a master's degree in engineering. He joined the Group in 2011, and is currently an executive Director and the deputy general manager of the Company. Mr. Zhang started his career in 1982, and has served as the head of the Cadres Office under the Personnel and Education Department of the Ministry of Electric Power (電力部人事教育司幹部處), the deputy director of Human Resources Bureau of State Power Corporation of China (國家電力公司人事勞動局), the deputy director of the Human Resources and Directors Department of State Power Corporation of China (國家電力公司人事與董事部), the general manager of China Electric Power Technology IMP. & EXP. Corporation (中國電力技術進出口公司), the deputy general manager of Sichuan Electric Power Corporation (四川省電力公司), the general manager of Jilin Province Electric Power Company Limited (吉林省電力有限公司), the deputy chief engineer of State Grid Corporation of China (國家電網公司) and the deputy general manager of Energy China Group.

Non-executive Director

Mr. Ma Chuanjing (馬傳景)

aged 59, has obtained a doctor's degree in economics. He joined the Group in 2014, and is currently a non-executive Director, member of the strategy committee and the audit committee of the Board and is also an external director of Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司). Mr. Ma worked as the vice president and president of the Economic Editorial Department and the head of the International Department of Qiu Shi Magazine Press (《求是》雜誌社), the vice president of the Comprehensive Research Department under the Research Office of the State Council (國務院研究室綜合研究司) and the inspector, vice president and president of the Industry, Transportation and Trade Research Department under the Research Office of the State Council (國務院研究室工交貿易研究司).

Independent Non-executive Directors

Mr. Ding Yuanchen (丁原臣)

aged 67, is a senior engineer and obtained an academic diploma of undergraduate education majoring in economics and management. He joined the Group in 2011, and is currently an independent non-executive Director and the chairman of the Audit Committee of the Board, and is also the external director of China National Agricultural Development Group Co., Ltd. (中國農業發展集團有限公司). Mr. Ding worked as the vice president and president of the No.17 Engineering Bureau of Ministry of Railways (鐵道部第十七工程局), the president of the China Railway No.17 Engineering Bureau (中鐵第十七工程局), the deputy general manager of China Railway Construction Corporation Co., Ltd. (中國鐵道建築總公司), the general manager of China Civil Engineering Construction Corporation (中國土木工程集團公司), the vice chairman of the board of directors of China Railway Construction Corporation Limited (中國鐵建股份有限公司) (Stock Code: 601186.SH; 1186.HK), and the independent director of CGGC.

Mr. Wang Bin (王斌)

aged 62, is a senior economist and obtained a doctor's degree in economics. He joined the Group in 2014, and is currently an independent non-executive Director, member of the Nomination Committee and member of the Remuneration and Assessment Committee of the Board. Mr. Wang worked as the deputy general manager of the Futures Department of China Rural Development Trust Investment Company (中國農村發展信託投資公司), the chairman of the board of directors and general manager of Huanong Futures Brokerage Co., Ltd. (華農期貨經紀有限公司), the general manager of CNFC Overseas Fisheries Co., Ltd. (中水集團遠洋股份有限公司) (Stock Code: 000798.SZ), the general manager of China Huanong Property & Casualty Insurance Co., Ltd. (華農財產保險股份有限公司), and the deputy general manager of the China National Agricultural Development Group Co., Ltd. (中國農業發展集團有限公司).

Profile of Directors, Supervisors and Senior Management

Mr. Zheng Qiyu (鄭起宇)

aged 62, is a national first-class construction engineer and obtained a master's degree in economics and engineering. He joined the Group in 2014, and is currently an independent non-executive Director and chairman of the Remuneration and Assessment Committee of the Board. He has served as the general manager of China Geo-Engineering Company (中國地質工程公司), the chairman of the board of directors and the general manager of China Geo-Engineering Corporation (中國地質工程集團公司), the deputy general manager of China New Era Group Corporation (中國新時代控股(集團)公司), and the deputy general manager of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司), the chairman of the board of directors of China Ground Source Energy Industry Group Limited (中國地能產業集團有限公司) (Stock Code: 8128.HK).

Mr. Cheung Yuk Ming (張鈺明)

aged 63, is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Arbitrators, the Chartered Institute and the Society of Construction Law in Hong Kong. He joined the Group in 2015, and is currently an independent non-executive Director, member of the Nomination Committee, member of the Remuneration and Assessment Committee and member of the Audit Committee of the Board. He has served as an independent non-executive director of TravelSky Technology Limited (中國民航信息網絡股份有限公司) (Stock Code: 0696.HK) from March 2010 to October 2016, an independent non-executive director of Birmingham International Holdings Limited (伯明翰環球控股有限公司) (Stock Code: 2309.HK) from December 2015 to October 2016, an executive director of China Shanshui Cement Group Limited (中國山水水泥股份有限公司) (Stock Code: 0691.HK) from February 2016 to June 2016, and an independent non-executive director of Metallurgical Corporation of China Limited (中國冶金科工股份有限公司) (Stock Code: 601618.SH; 1618.HK) from June 2009 to September 2014.

2 Supervisory Committee

Mr. Wang Zengyong (王增勇)

aged 56, is a professor-level senior engineer and obtained an engineering bachelor's degree in mechanical engineering. He joined the Group in 1983, and is currently the chairman of the Supervisory Committee, the head of the general office and the head of the party committee office of the Company. Mr. Wang started his career in 1983, and has served as the deputy head and the head of second comprehensive department, the deputy head of the technology department of Mid-southern Electric Power Design Institute (中南電力設計院); the deputy head of technology management department of Electric Power Planning & Engineering Institute (電力規劃設計總院); the deputy head and the head of the locomotive department of China Power Construction Engineering Consulting Co., Ltd. (中國電力建設工程諮詢公司); the head of the human resources department and the assistant to the general manager, the head of system restructuring office of China Power Engineering Consulting Group (中國電力工程顧問集團公司) and concurrently, the director of China Power Engineering Consulting Group North China Electric Power Design Institute Engineering Co. Ltd (中電工程華北電力設計院工程有限公司) and the chairman of the board of directors of China Power Engineering Consulting Group Beijing Luosida Science and Technology Development Co., Ltd. (中電工程北京洛斯達科技發展有限公司); and the head of the general office (office of the board of directors) of Energy China Group.

Profile of Directors, Supervisors and Senior Management

Mr. Lian Yongjiu (連永久)

aged 57, is a professor-level senior engineer and obtained bachelor's degree in engineering, majoring in power plant thermal power engineering. He joined the Group in 1982, and is currently the employee representative supervisor and head of the audit department of the Company. Mr. Lian started his career in 1982 and has worked as the assistant to director and deputy director of the Planning and Operation Department of Northwestern Electric Power Design Institute (西北電力設計院), the deputy general manager of Guodian North China Electric Power Design Institute Engineering Co., Ltd. (國電華北電力設計院工程有限公司), the general manager of Beijing Guodian North China Electric Power Engineering Co., Ltd. (北京國電華北電力工程有限公司), the director and the general manager of China Power Engineering Consulting Group North China Electric Power Design Institute Engineering Co., Ltd. (中國電力工程顧問集團華北電力設計院工程有限公司), and the head of the audit department of Energy China Group.

Mr. Kan Zhen (闞震)

aged 53, is a senior economist. He joined the Group in 1983, and is currently the employee representative supervisor, the head of the party-masses work department (formerly known as corporate culture department) of the Company. Mr. Kan started his career in 1983, and has successively served as the secretary and deputy head of the general office, the head of the economic policy research department and the head of the general office of the Industrial Division of Gezhouba Engineering Bureau (葛州壩工程局工業處); the assistant to the president and the head of the general office of Bureau of Industry and Tertiary Industry (工業三產業局) of CGGC Group; the head of Beijing office of CGGC Group, and the head of Beijing office of CGGC; the head of the labor union department of Energy China Group; and the general manager of the asset management center of Energy China Group.

Mr. Fu Dexiang (傅德祥)

aged 66, senior accountant, obtained an academic diploma of post-secondary education in business management. He joined the Group in 2015, and is currently a supervisor of the Company and is also a senior consultant of China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd. (中船工業成套物流公司). Mr. Fu served as the deputy manager of the Service Branch, the deputy manager of the Service Department, manager of the Operation Department, deputy head and head of the Finance Department of Hudong Shipyard (滬東造船廠), the deputy head and head of the Finance Department of China State Shipbuilding Corporation (中國船舶工業集團公司), the general manager of Zhong Chuan Finance Co., Ltd (中船財務有限責任公司) and senior specialist of China State Shipbuilding Corporation (中國船舶工業集團公司).

Mr. Wei Zhongxin (韋忠信)

aged 63, senior economist, obtained a bachelor's degree in Philosophy. He joined the Group in 2015, and is currently a supervisor of the Company. Mr. Wei worked as the head of the general office, the deputy chief economist and assistant to the president of China Railway Engineering Corporation (中國鐵路工程總公司), the director of CRGL Resource Group Company Limited (中鐵資源集團有限公司) and the chairman of the board of directors of China Railway Assignment No. 2 Bureau (中國中鐵外派中鐵二局) and the chairman of the supervisory committee of China Railway Assignment No. 9 Bureau (中國中鐵外派中鐵九局).

3 SENIOR MANAGEMENT

Mr. Ding Yanzhang (丁焰章)

aged 52, is a professor-level senior engineer and obtained a bachelor's degree in engineering, majoring in hydraulic engineering machinery, a master's degree in management, majoring in administrative management. He joined the Group in 1984, and is currently an executive Director, the vice chairman of the Board, the general manager, member of the Strategy Committee of the Board, while at the same time is also the director and the general manager of Energy China Group. Mr. Ding started his career in 1984, and has served as the general manager of China Gezhouba Group No. 2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), the president of Lancang River Construction Bureau of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司瀾滄江施工局), the director of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司), the director, the general manager and the chairman of the board of directors of CGGC and the general manager of CGGC Group.

Mr. Zhang Xianchong (張羨崇)

aged 57, is a professor-level senior engineer and obtained a master's degree in engineering. He joined the Group in 2011, and is currently an executive Director and the deputy general manager of the Company. Mr. Zhang started his career in 1982, and has served as the head of the Cadres Office under the Personnel and Education Department of the Ministry of Electric Power (電力部人事教育司幹部處), the deputy director of Human Resources Bureau of State Power Corporation of China (國家電力公司人事勞動局), the deputy director of the Human Resources and Directors Department of State Power Corporation of China (國家電力公司人事與董事部), the general manager of China Electric Power Technology IMP. & EXP. Corporation (中國電力技術進出口公司), the deputy general manager of Sichuan Electric Power Corporation (四川省電力公司), the general manager of Jilin Province Electric Power Company Limited (吉林省電力有限公司), the deputy chief engineer of State Grid Corporation of China (國家電網公司) and the deputy general manager of Energy China Group.

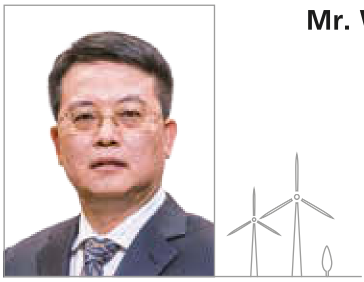
Ms. Zhao Jie (趙潔)

aged 60, is a professor-level senior engineer and obtained an engineering bachelor's degree in power engineering. She joined the Group in 1983, and was the deputy general manager of the Company until 28 February 2017. Ms. Zhao joined North China Electric Power Design Institute (華北電力設計院) in 1983, and has once served as the vice president of North China Electric Power Design Institute (華北電力設計院), the president of Electric Power Planning & Engineering Institute (電力規劃設計總院), the general manager of China Power Engineering Consulting Corporation (中國電力建設工程諮詢公司), the deputy general manager of CPECC, an independent non-executive director of Datang International Power Generation Co., Ltd. (大唐國際發電股份有限公司) (Stock Code: 601991.SH; 0991.HK), an executive director of EPPE Company and the deputy general manager of Energy China Group.

Mr. Nie Kai (聶凱)

aged 58, is a professor-level senior engineer and obtained a master's degree in engineering, majoring in electronic and information engineering. He joined the Group in 1982, and is currently the deputy general manager of the Company, the executive director and general manager of CGGC Group and the chairman of the board of directors of CGGC. Mr. Nie started his career in 1982, and has served as the deputy superintendent of the Electromechanical Department of Gezhouba Three Gorges Headquarter (葛洲壩三峽指揮部), the vice chairman and general manager of China Gezhouba Group No.1 Engineering Co., Ltd. (中國葛洲壩集團第一工程有限公司), the deputy general manager of CGGC Group, the vice chairman of the board of directors and general manager of China Gezhouba Group International Engineering Co., Ltd. (中國葛洲壩集團國際工程有限公司), deputy general manager and director of CGGC and the deputy general manager of Energy China Group.

Profile of Directors, Supervisors and Senior Management



Mr. Wu Chunli (吳春利)

aged 53, professor-level engineer, obtained a bachelor's degree in hydrogeology. He joined the Group in 1999, and is currently the deputy general manager of the Company, the executive director and the general manager of CPECC. Mr. Wu started his career in 1985, and has served as the deputy director, assistant to the chairman and the director of the Human Resources Department, and the vice president of Exchange Service Center of Electric Power Planning & Engineering Institute (電力規劃設計總院人才交流服務中心), the deputy general manager of China Power Engineering Consulting Corporation (中國電力建設工程諮詢公司), the deputy general manager and general manager of China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司).

Mr. Yu Gang (于剛)

aged 55, professor-level senior engineer, obtained a doctor's degree in engineering, majoring in electrical engineering. He joined the Group in 2001, and is currently the deputy general manager of the Company. Mr. Yu started his career in 1982, and has served as president of Shandong Weifang Electricity Affairs Bureau (山東濰坊電業局), the president of Shandong Electric Power Engineering Consulting Institute (山東電力工程諮詢院), the general manager of China Power Construction Engineering Consulting Corporation (中國電力建設工程諮詢公司), the deputy general manager of CPECC, the vice president of Electric Power Planning & Engineering Institute (電力規劃設計總院) and the deputy general manager of Energy China Group.

Profile of Directors, Supervisors and Senior Management

Mr. Zhou Hougui (周厚貴) aged 54, professor-level senior engineer, obtained a doctor's degree in engineering, majoring in water structural engineering. He joined the Group in 1982, and is currently the deputy general manager of the Company. Mr. Zhou started his career in 1982, and has served as the chief engineer of Gezhouba Engineering Bureau Three Gorges Headquarter (葛洲壩工程局三峽指揮部), the deputy general manager of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團有限公司), the deputy general manager and the chief engineer of CGGC Group, the deputy general manager and chief engineer of CGGC, the deputy general manager and chief engineer of Energy China Group, and the president of the Engineering Institute of Energy China Group.

Mr. Lan Chunjie (蘭春傑) aged 58, professor-level senior engineer, obtained a master's degree in engineering, majoring in hydraulic engineering. He joined the Group in 2011, and is currently the deputy general manager of the Company. Mr. Lan started his career in 1982, and has served as the deputy head of the Science and Technology Department, the head of Quality of Science and Technology Department, the vice president and president of Guiyang Survey and Design Institute (貴陽勘測設計研究院), the assistant to the general manager, the head of the Human Resources Department and the deputy general manager of China Hydropower Engineering Consulting Group Company Limited (中國水電工程顧問集團公司), the deputy general manager of Energy China Group.

Profile of Directors, Supervisors and Senior Management

Mr. Chen Guanzhong (陳關中)

aged 47, senior accountant, obtained a bachelor's degree in economics, majoring in enterprise management. He joined the Group in 2004, and is currently the chief accountant of the Company. Mr. Chen started his career in 1990, and has served as the deputy head and head of the Finance Department, the head of the Audit Department, the deputy chief accountant and the chief accountant of China National Chemical Engineering Six Construction Company (中國化學工程第六建設公司), the chief accountant of CPECC, and the deputy chief accountant and chief accountant of Energy China Group.

Mr. Duan Qiurong (段秋榮)

aged 55, senior economist, obtained a master's degree in engineering, majoring in control engineering. He joined the Group in 1982, and is currently the secretary to the Board and joint company secretary of the Company. He also serves as director of China Energy Engineering Group Equipment Co., Ltd. (中國能建集團裝備有限公司) and CGGC respectively. Mr. Duan started his career in 1982, and has served as deputy head and head of the Party Committee Office of CGGC Group, the head of the Reform and Development Department and the head of the Strategic Investment Department of CGGC Group, the head of the Strategic Investment Department of CGGC, the head of the Strategic Development Department and the Strategic Investment Department of Energy China Group.

Report of the Board

1 Principal Activities

The Company is one of the largest comprehensive solutions providers for the power industry in China and globally, mainly engaged in survey, design and consultancy, construction and contracting, equipment manufacturing, civil explosives and cement production, investment and other businesses.

2 Business Review

Confronting with the complex and grim economic landscape and the keen competitive market in 2016, the Company adhered to the focused direction of "strengthening strategic control, accelerating business transformation, deepening internal reform and enhancing standardized operation" in a bid to seize opportunities, explore boldly and work in earnest. With steadfast commitment and strong and comprehensive measures, the Company proactively transformed the operating concepts, innovated operational model, uplifted operational quality and strictly controlled operational risks. Therefore, the Company further increased its market competitiveness and overfulfilled various annual production and operation objectives and missions.

Details of the business development, future development and outlook of the Company in 2016 are set out in the "Business Overview" of this annual report.

Details of the analysis of operation performance of the Company, risk analysis, details of employees and the subsequent events after the balance sheet date for the year of 2016 are set out in the "Management Discussion and Analysis" of this annual report.

Details of the relationship with major customers and suppliers of the Company for the year of 2016 are set out in the "Report of the Board" of this annual report.

Details of the compliance with the relevant laws and regulations which have a significant impact on the Company for the year of 2016 are set out in the "Report of the Supervisory Committee" of this annual report.

3 Financial Performance

Profit of the Company for the year ended 31 December 2016 and financial position of the Company at the end of the Reporting Period are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" and the "Consolidated Statement of Financial Position" of this annual report.

4 Dividend

On 15 December 2016, the Company paid the special dividend of RMB2,523.1 million by way of cash to the shareholders prior to the global offering.

The Board recommended the payment of a final dividend of RMB2.96 cents per share (inclusive of tax) for the year to shareholders listed in the register of members of the Company on Thursday, 29 June 2017. Payment will be made on 7 August 2017 subject to the approval by the shareholders at the annual general meeting to be held on 8 June 2017.

5 Property, Plant and Equipment

Details of the movement in property, plant and equipment of the Company are set out in note 14 to the "Notes to the Consolidated Financial Statements" of this annual report.

6 Share Capital

As at the beginning of the Reporting Period, the Company issued 29,600,000,000 shares, including 20,800,000,000 domestic shares, accounted for 70.27% of the total share capital, and 8,800,000,000 H shares, accounted for 29.73% of the total share capital.

As the over-allotment options were partly exercised on 8 January 2016, the Company issued and allotted additional 462,436,000 H shares.

As of the end of the Reporting Period, the Company issued 30,020,396,364 shares, including 20,757,960,364 domestic shares, accounted for 69.15% of the total share capital, and 9,262,436,000 H shares (inclusive of the 842,039,636 shares converted from the reduction of the State-owned shares held by the National Council for Social Security Fund), accounted for 30.85% of the total share capital. Details of the share capital of the Company as of 31 December 2016 are set out in note 41 to the "Notes to the Consolidated Financial Statements" of this annual report.

As of the date of this report, the shares of the Company held by the public accounted for 30.85% of the total shares of the Company, which complied with the requirements of the Listing Rules as the capital structure of the Company maintained sufficient public float.

7 Reserve

The changes in the reserve of the Company for the year is set out in "Consolidated Statement of Changes in Equity" of the annual report.

8 Distributable Reserve

Distributable reserve of the Company as at 31 December 2016 is set out in note 53 to the "Notes to the Consolidated Financial Statements" of this annual report.

9 Use of Proceeds from the Listing

As at 31 December 2016, the Company raised total net proceeds of HKD13,125.84 million from the initial public offering and exercise of over-allotment option, equivalent to RMB10,890.22 million calculated on the basis of the interest rate as at the date of the initial public offering and exercise of over-allotment option. The net proceeds were applied as expenses in aggregate of RMB6,295.05 million according to the use of proceeds as set out in the prospectus and the balance was RMB4,595.17 million. The breakdown of the expenses is as follows:

(1) expenses for power and infrastructure construction and contracting projects in China and abroad amounted to RMB2,572.20 million.

(2) expenses for fixed assets investment in the expansion and upgrading of production capacity amounted to RMB259.38 million.

(3) expenses for significant projects promoting the research and development abilities as well as management abilities of the Company amounted to RMB359.54 million.

(4) expenses for repayment of bank loans for working capital and projects development amounted to RMB2,116.00 million.

(5) expenses for funding the working capital for general corporate purpose amounted to RMB987.93 million.

10 Major Customers and Suppliers

For the year ended 31 December 2016, the sales revenue from the five largest customers of the Company accounted for approximately 1.55%, 0.73%, 0.67%, 0.66% and 0.61% of the total revenue of the Company respectively, totally representing 4.22% of the total revenue of the Company.

For the year ended 31 December 2016, the purchase amount from the five largest suppliers of the Company accounted for approximately 0.97%, 0.37%, 0.36%, 0.35% and 0.30% of the aggregate amount of goods and subcontracting purchase of the Company respectively, totally representing 2.35% of the total cost of the Company.

None of the Directors, supervisors and their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the share capital of the Company), has any interest in the above five largest customers or five largest suppliers.

The Company does not constitute a dependence on minority customers and suppliers.

11 Subsidiaries, Joint Ventures and Associates

The details of the principal subsidiaries, joint ventures and associates of the Company for the year ended 31 December 2016 are set out in note 18, 19 and 20 to the "Notes to the Consolidated Financial Statements" of this annual report, respectively.

12 Directors, Supervisors and Senior Management

The following table sets forth certain information of the Directors during the Reporting Period:

Name	Position	Date of appointment
Wang Jianping (汪建平)	Chairman of the Board and Executive Director	19 December 2014
Ding Yanzhang (丁焰章)	Vice Chairman of the Board and Executive Director	19 December 2014
Zhang Xianchong (張羨崇)	Executive Director	19 December 2014
Ma Chuanjing (馬傳景)	Non-executive Director	19 December 2014
Ding Yuanchen (丁原臣)	Independent Non-executive Director	19 December 2014
Wang Bin (王斌)	Independent Non-executive Director	19 December 2014
Zheng Qiyu (鄭起宇)	Independent Non-executive Director	19 December 2014
Cheung Yuk Ming (張鈺明)	Independent Non-executive Director	28 May 2015

The table below sets out certain information of the supervisors during the Reporting Period:

Name	Position	Date of appointment
Wang Baoguo (王保國)(1)	Chairman of the Supervisory Committee	19 December 2014
Wang Zengyong (王增勇)(2)	Chairman of the Supervisory Committee	30 December 2016
Lian Yongjiu (連永久)	Employee Representative Supervisor	19 December 2014
Mao Xiangqian (茅向前)(3)	Employee Representative Supervisor	19 December 2014
Kan Zhen (闞震)(4)	Employee Representative Supervisor	4 May 2016
Fu Dexiang (傅德祥)	Supervisor	28 May 2015
Wei Zhongxin (韋忠信)	Supervisor	28 May 2015

Note:

(1) Mr. Wang Baoguo resigned on 27 July 2016 as he reached the age for retirement.

(2) The appointment of Mr. Wang Zengyong as a supervisor was duly approved at the extraordinary general meeting of the Company held on 21 November 2016, and his election as the chairman of the Supervisory Committee was considered and approved at the tenth meeting of the first session of the Supervisory Committee held on 30 December 2016.

(3) Mr. Mao Xiangqian resigned on 4 May 2016 due to work adjustment.

(4) Mr. Kan Zhen was appointed as the employee representative supervisor through a democratic election on 4 May 2016.

The table below sets forth certain information of the senior management of the Company during the Reporting Period:

Name	Position	Date of appointment
Ding Yanzhang (丁焰章)	Vice Chairman of the Board, Executive Director and General Manager	19 December 2014
Zhang Xianchong (張羨崇)	Executive Director and Deputy General Manager	19 December 2014
Zhao Jie (趙潔)[(1)]	Deputy General Manager	19 December 2014
Nie Kai (聶凱)	Deputy General Manager	19 December 2014
Wu Chunli (吳春利)	Deputy General Manager	29 December 2015
Yu Gang (于剛)	Deputy General Manager	19 December 2014
Zhou Hougui (周厚貴)	Deputy General Manager	19 December 2014
Lan Chunjie (蘭春傑)	Deputy General Manager	19 December 2014
Chen Guanzhong (陳關中)	Chief Accountant	19 December 2014
Duan Qiurong (段秋榮)	Secretary to the Board and Joint Company Secretary	31 March 2015

Note:

(1) The resignation of Ms. Zhao Jie as the deputy general manager of the Company was considered and approved at the thirteenth meeting of the first session of the Board of the Company held on 28 February 2017.

The individual information of the existing Directors, supervisors and senior management of the Company is set out in the "Profile of Directors, Supervisors and Senior Management" of this annual report.

The independent non-executive Directors of the Company are appointed for a period of three years. The Company has received annual confirmations of independence from Mr. Ding Yuanchen, Mr. Wang Bin, Mr. Zheng Qiyu and Mr. Cheung Yuk Ming, and as at the date of this report, the Company still considers them to be independent.

13 Interests of Directors and Supervisors in Contracts

Save as the service contracts, no Directors or supervisors or entities connected with Directors or supervisors of the Company have material interests, either directly or indirectly, in any transaction, arrangement or contract of significance to the Company to which the Company, any of its subsidiaries or fellow subsidiaries or its holding company is a party during the Reporting Period based on the information available to the Company.

14 Remuneration of Directors, Supervisors and Senior Management

Personnel	List of remuneration of Directors, supervisors and senior management of the Company in 2016				
	Basic salaries, housing allowance and other allowance (RMB)	Provision of housing funds (RMB)	Contribution to retirement benefit scheme (RMB)	Discretionary bonus (RMB)	Sub-total (RMB)
Directors:					
Wang Jianping (汪建平)	185,400.00	29,268.00	48,776.40	829,589.20	1,093,033.60
Ding Yanzhang (丁焰章)	185,400.00	29,268.00	48,776.40	796,089.20	1,059,533.60
Zhang Xianchong (張羨崇)	166,860.00	29,268.00	48,776.40	746,610.00	991,514.40
Ma Chuanjing (馬傳景)	–	–	–	–	–
Ding Yuanchen (丁原臣)	133,327.00	–	–	–	133,327.00
Wang Bin (王斌)	106,337.00	–	–	–	106,337.00
Zheng Qiyu (鄭起宇)	129,327.00	–	–	–	129,327.00
Cheung Yuk Ming (張鈺明)	118,004.00	–	–	–	118,004.00
Supervisors:					
Wang Baoguo (王保國)	91,927.00	16,513.00	27,518.40	742,145.20	878,103.60
Wang Zengyong (王增勇)	25,724.09	2,551.00	4,251.60	26,664.57	59,191.26
Lian Yongjiu (連永久)	296,818.56	29,268.00	48,776.40	396,461.51	771,324.47
Kan Zhen (闞震)	223,963.92	22,287.00	37,143.00	216,523.89	499,917.81
Mao Xiangqian (茅向前)	67,069.38	6,981.00	11,633.40	178,270.36	263,954.14
Fu Dexiang (傅德祥)	87,163.00	–	–	–	87,163.00
Wei Zhongxin (韋忠信)	83,163.00	–	–	–	83,163.00
Senior Management:					
Ding Yanzhang (丁焰章)	185,400.00	29,268.00	48,776.40	796,089.20	1,059,533.60
Zhang Xianchong(張羨崇)	166,860.00	29,268.00	48,776.40	746,610.00	991,514.40
Zhao Jie (趙潔)	166,860.00	29,268.00	48,776.40	746,610.00	991,514.40
Nie Kai (聶凱)	166,860.00	29,268.00	48,776.40	746,610.00	991,514.40
Wu Chunli (吳春利)	166,860.00	29,268.00	48,776.40	746,610.00	991,514.40
Yu Gang (于剛)	165,006.00	29,268.00	48,776.40	742,838.80	985,889.20
Zhou Hougui (周厚貴)	165,006.00	29,268.00	48,776.40	742,838.80	985,889.20
Lan Chunjie (蘭春傑)	165,006.00	29,268.00	48,776.40	742,838.80	985,889.20
Chen Guanzhong (陳關中)	165,006.00	29,268.00	48,776.40	733,338.80	976,389.20
Duan Qiurong (段秋榮)	306,420.60	29,268.00	48,776.40	435,719.07	820,184.07

Note: Pursuant to the relevant provisions of SASAC, for leading cadres who are administered by SASAC, their discretionary bonus included the realization of deferred performance-based salary from 2013 to 2014.

15 Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of 31 December 2016, none of the Company, controlling shareholders of the Company or the companies under the same controlling shareholders with the Company was a party to any arrangement to entitle the Company's Directors, supervisors or their respective minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

16 Directors' and Supervisors' Service Contracts

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a fixed term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Each of the supervisors has entered into a contract with the Company in respect of, among others, compliance of the relevant laws and regulations, observance of the Articles of Association and provision on arbitration.

Save as disclosed above, none of the Directors and supervisors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

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

As of 31 December 2016, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

18 Approved Indemnity Provisions

The Company has purchased the responsibility insurances for Directors, supervisors and senior management for an insurance period from 23 November 2016 to 22 November 2017 in an amount of US$40 million in accordance with Provision A.1.8 of the Corporate Governance Code. Except for such insurances, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) approved during the Reporting Period and at the time of approval of this report.

Report of the Board

19 Management Contracts

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period, except for the employment contracts.

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

As of 31 December 2016, after the reasonable enquiry by the Directors, the persons below (other than the Directors, supervisors and chief executives of the Company) have interests or short position in the shares or underlying shares which will have to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which will be required to record in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity/Nature of Interest	Number of Shares interested*	Approximate percentage of shareholding in the Company's total issued share capital (%)[1]	Approximate percentage of shareholding in the Company's total issued domestic shares (%)[1]	Approximate percentage of shareholding in the Company's total issued H shares (%)*[1]
Energy China Group [2] [3]	Domestic Shares	Beneficial owner	20,659,417,713 (L)	68.82	99.53	–
		Interest of controlled corporation	98,542,651(L)	0.33	0.47	–
Buttonwood Investment Holding Company Ltd.[4]	H Shares	Interest of controlled corporation	1,462,338,000(L)	4.87	–	15.79
Silk Road Fund Co., Ltd (絲路基金有限責任公司)[4]	H Shares	Interest of controlled corporation	1,462,338,000(L)	4.87	–	15.79
Cyan Amber Investment Limited [4]	H Shares	Interest of controlled corporation	1,462,338,000(L)	4.87	–	15.79
CEZN Limited [4]	H Shares	Beneficial owner	1,462,338,000(L)	4.87	–	15.79
Central Huijin Investment Ltd. [5]	H Shares	Interest of controlled corporation	961,300,000 (L)	3.20	–	10.38
China Construction Bank Corporation [5]	H Shares	Investment manager	961,300,000 (L)	3.20	–	10.38
State Grid Corporation of China [6]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Co., Ltd. [6]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Limited [6]	H Shares	Beneficial owner	974,892,000(L)	3.25	–	10.53
E Fund Management Co., Ltd (易方達基金管理有限公司)	H Shares	Investment manager	961,300,000(L)	3.20	–	10.38
China Huaxing (Hong Kong) International Co., Ltd (中國華星(香港)國際有限公司)	H Shares	Beneficial owner	633,704,000(L)	2.11	–	6.84

Notes:

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

(1) The calculation is based on the approximate percentage of shareholding in the Company's 9,262,436,000 issued H shares, 20,757,960,364 issued domestic shares and 30,020,396,364 shares of the total issued share capital on 31 December 2016.

(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) The Company was notified by the Energy China Group that as of 31 December 2016, it held 111,004,000 H shares, representing approximately 1.2% of the total issued H shares of the Company. Pursuant to the SFO, the shareholders of the Company shall only submit the disclosure form for the equity interest held subject to fulfilling certain conditions.

(4) These shares are directly held by CEZN Limited. CEZN Limited is wholly-owned by Cyan Amber Investment Limited; while the latter is wholly-owned by Silk Road Fund Co., Ltd (絲路基金有限責任公司). Buttonwood Investment Holding Company Ltd. holds 65% equity interests in Silk Road Fund Co., Ltd (絲路基金有限責任公司). Therefore, Cyan Amber Investment Limited, Silk Road Fund Co., Ltd (絲路基金有限責任公司) and Buttonwood Investment Holding Company Ltd. are deemed to be interested in the shares held by CEZN Limited.

(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.

21 Interest of Directors in Competing Businesses

Except as disclosed below, none of the Directors or their associates directly or indirectly has any interest in the businesses which constitute or may constitute competition with the business of the Company.

Names of directors	The Company	Energy China Group
Wang Jianping (汪建平)	Executive Director and Chairman of the Board	Chairman of the Board
Ding Yanzhang (丁焰章)	Executive Director, Vice Chairman of the Board and General Manager	Director and General Manager

Note: In response to job needs, Ding Yanzhang was appointed as the general manager of Energy China Group, whereas Wang Jianping ceased to be the general manager of Energy China Group with effect from 7 November 2016 in accordance with the Notice on the Appointment of Ding Yanzhang and Removal of Wang Jianping (Guo Zi Ren Zi [2016] no. 166) (《關於丁焰章、汪建平職務任免的通知》(國資任字[2016]166號)) from SASAC.

22 Competing Businesses

Retained Business of Energy China Group: the competition between the Company and the retained business of Energy China Group namely China Energy Engineering Group Beijing Electric Power Construction Company (中國能源建設集團北京電力建設公司) (the "Beijing Power Construction") and China Energy Engineering Group Shanxi Electric Power No. 2 Construction Company (中國能源建設集團山西省電力建設二公司) (the "Shanxi Power Construction No. 2") is limited for the following reasons:

(1) The above-mentioned two companies are engaged in the construction of power engineering projects only, whereas the Company's business consists of five segments, including survey, design and consultancy, construction and contracting, equipment manufacturing, civil explosives and cement production, investment and others, which enable the Company to provide one-stop integrated solutions and full life-cycle project management services.

(2) The above-mentioned two companies conduct their businesses mainly in Hebei and Shanxi provinces, of which Hebei province is not a key market of the Company and the scale of operation of these two companies in Shanxi province is remote as compared to that of the Company, whereas the Company's business expands across a broad range of regions both in China and overseas.

(3) The Directors, supervisors and senior management of the Company do not hold any position in Beijing Power Construction or Shanxi Power Construction No. 2.

(4) In 2016, the revenue and the contract amount of the above-mentioned two companies are quite minimal which compared with the revenue and the contract amount of the construction and contracting segment of the Company in 2016 as of the same period.

(5) To safeguard the interests of the Company and its shareholders, the Company has entered into the custodian service agreement with Energy China Group, pursuant to which the Company can exercise various management and operation rights over the above mentioned two companies, and has been granted pre-emptive rights over the entrustment companies under certain circumstances. Therefore, the Company is able to effectively manage and control the potential competition between the Company and the above mentioned two companies.

(6) To avoid potential competition from Energy China Group, Energy China Group has issued a non-competition undertaking and undertaken that Energy China Group will not engage in any business which directly or indirectly competes with the principal business of the Company.

The Company has received annual confirmation on commitment of non-competition undertaking from the controlling shareholder, and the independent non-executive Directors have reviewed the non-competition undertaking and confirm that the controlling shareholder has not breached the commitment during the year.

23 Connected Transactions

According to the continuing connected transaction as defined under Chapter 14A of the Listing Rules, the Company has conducted the following continuing connected transactions during the Reporting Period which are subject to the reporting, annual review and announcement requirement under Chapter 14A of the Listing Rules:

23.1 Financial Services Framework Agreement

On 29 March 2016, Finance Company, a subsidiary of the Company entered into the Financial Services Framework Agreement with Energy China Group. In order to enhance the Company's capital utilization rate and lower finance costs, during the Reporting Period, Finance Company has provided deposits, credit and other financial services to Energy China Group and its associates (excluding the Company and its affiliates shown in the consolidated statements of the Company). The maximum average daily deposit balance of Energy China Group and its subsidiaries with Finance Company was no more than RMB1.5 billion (inclusive); the maximum credit facility granted by Finance Company to Energy China Group and its subsidiaries was no more than RMB1 billion (inclusive); and the maximum charge for the miscellaneous financial services provided by Finance Company to Energy China Group and its subsidiaries was no more than RMB10 million. The agreement was announced following the consideration and approval at the Company's eighth meeting of the first session of the Board convened on 29 March 2016.

Name of connected party	Nature of transactions	Actual maximum daily aggregated balance of facilities for the year ended 31 December 2016 RMB million	Maximum daily aggregated balance of facilities set out in the Announcements and Notices of the Company dated 29 March 2016 RMB million
Energy China Group	Provision of credit lending services to Energy China Group	190.000	1,000.000

23.2 Daily Production and Operation Framework Agreement

On 29 March 2016, the Company entered into the Daily Production and Operation Framework Agreement with Energy China Group. During the Reporting Period, the Company entered into transactions with Energy China Group or each of its associates (excluding the Company and its affiliates shown in the consolidated statements of the Company) in relation to survey and design, construction and installation, project supervision and technology consultancy, and the maximum aggregate transaction amount is RMB1 billion. Energy China Group and its associates provided the above services to the Company with an aggregate transaction amount of RMB0.8 billion; the Company provided the above-mentioned services to Energy China Group and its subsidiaries with an aggregate transaction amount of RMB0.2 billion. The agreement was announced following the consideration and approval at the Company's eighth meeting of the first session of the Board convened on 29 March 2016.

Name of connected party	Nature of transactions	Total amount for the year ended 31 December 2016 RMB million	Annual cap amount set out in the Announcements and Notices of the Company dated 29 March 2016 RMB million
Energy China Group	Provision of operational services by Energy China Group to the Group	2.449	800.000
Energy China Group	Provision of operational services by the Group to Energy China Group	13.516	200.000

23.3 Property Lease Framework Agreement

The Company entered into a property lease framework agreement with Energy China Group on 18 November 2015. At the establishment of the Company, part of the properties occupied by the Company originally was not transferred to the Company from Energy China Group and was still managed by Energy China Group. The above transaction was due to that the relocation of the Company's production and operation to other place may lead to unnecessary interruption of the business of the Group and also may incur relevant expenses. The agreement was considered and approved at the sixth meeting of the first session of the Board on 18 November 2015 and was then announced. The annual caps of the property lease framework agreement for the years of 2015, 2016 and 2017 are as follows:

Unit: RMB million

	2015	2016	2017
Total rent (proposed annual cap)	**111.568**	166.478	166.478

Name of connected party	Nature of transactions	Total amount for the year ended 31 December 2016 RMB million	Annual cap amount set out in the prospectus of the Company dated 27 November 2015 RMB million
Energy China Group	Provision of leasing service by Energy China Group to the Group	160.445	166.478

Name of connected party	Nature of transactions	Total amount for the year ended 31 December 2015 RMB million	Annual cap amount set out in the prospectus of the Company dated 27 November 2015 RMB million
Energy China Group	Provision of leasing service by Energy China Group to the Group	108.415	111.568

23.4 920 Funds Time Deposit

In March 2012, MOF issued a notice regarding the allocation of the 920 Funds to Energy China Group. Energy China Group had placed part of the 920 Funds in a total amount of RMB1,100 million in the form of fixed-term deposits with Finance Company, details of which are set out below:

Unit: RMB million

Deposit Date	Amount	Term	Annual interest rate
17 April 2013	600	Three years	4.675%
17 April 2013	500	Five years	5.225%

Pursuant to the requirement of MOF, the 920 Funds should be deposited in designated bank accounts by Energy China Group. Before the establishment of the Company, Energy China Group deposited part of the 920 Funds in Finance Company. Certain entities to which the beneficiaries of the 920 Funds belong had become part of our Company, and some remained to be operated by Energy China Group after the establishment of the Company. According to the requirements of MOF, the 920 Funds can only be utilized for specified purposes and appropriated in installments in accordance with relevant entities' annual budgets, and considering that the terms of various time deposits of the 920 Funds under the name of Energy China Group had not expired, the 920 Funds were not transferred to the Company during the establishment of the Company and be kept in the original bank accounts after the listing. The annual caps of the time deposits of the 920 Funds in 2015, 2016 and 2017 are as follows:

Unit: RMB million

	2015	2016	2017
Total maximum daily deposit balances and interest payable (proposed annual caps)	**1,245**	1,261	604

Name of connected party	Nature of transactions	Actual maximum daily aggregated balance of deposits and interest payable for the year ended 31 December 2016 RMB million	Maximum daily aggregated balance of deposits and interest payable set out in the prospectus of the Company dated 27 November 2015 RMB million
Energy China Group	Time deposits placed with China Energy Engineering Group Finance Co., Ltd. by Energy China Group	1,176.633	1,261.000

Name of connected party	Nature of transactions	Actual maximum daily aggregated balance of deposits and interest payable for the year ended 31 December 2015 RMB million	Maximum daily aggregated balance of deposits and interest payable set out in the prospectus of the Company dated 27 November 2015 RMB million
Energy China Group	Time deposits placed with China Energy Engineering Group Gezhouba Finance Co., Ltd. by Energy China Group	1,245.000	1,245.000

The above connected transactions were in compliance with the relevant requirements under Chapter 14A of the Listing Rules, details of which are set out in note 50 to the "Notes to the Consolidated Financial Statements" of this annual report.

23.5 Independent Non-executive Directors' Confirmation

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

(i) they were entered into in the ordinary and usual course of business of the Company;

(ii) they were entered into on normal commercial terms or better terms and in the interests of the shareholders of the Company as a whole; and

(iii) the proposed annual cap of which is fair and reasonable and in the interest of the Company and shareholders as a whole.

23.6 Independent Auditor's Confirmation

Pursuant to Rule 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 68 of the Annual Report in accordance with Rule 14A.56 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

24 Repurchase, Sale and Redemption of the Listed Securities of the Company

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

25 Equity-linked Agreement

During the Reporting Period, the Company and its subsidiaries neither entered into any agreements in relation to equity-linked products nor participated in any arrangement to purchase equity-linked financial products.

26 Arrangement for Pre-emptive Right

According to the Articles of Association and relevant laws of China, shareholders of the Company have no pre-emptive right. During the Reporting Period, the Company has no arrangement for pre-emptive right.

27 Bank and Other Borrowings

Details of the bank and other borrowings of the Company are set out in note 34 to the "Notes to the Consolidated Financial Statements" of this annual report.

28 Remuneration and Equity-incentive Policy

Adhering to the efficiency-oriented principle, the Company has set up a sound system for determining the total salary and wage and mechanism system for the normal growth of staff salary, whereby corporate efficiency varies with the salary and wage in the same direction. The Company has implemented the employees' basic salary system based on the performance of positions as the main remuneration policy, in which the salary and wage 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, the Company has thus established a reasonable, open, fair, standard and disciplined remuneration management system.

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

In order to further optimise the corporate governance structure, to develop and constantly improve the interests balance mechanism among the shareholders, the operational and executive team, to closely align the interests and benefits of and risks sharing among the shareholders, the Company and the employees, to maximize the proactiveness of the senior management and key employees and to support the realization of the Company's strategy and sustainable development, the Company formulated the " Restricted Share Incentive Scheme of China Energy Engineering Corporation Limited" (《中國能源建設股份有限公司限制性股票激勵計劃》). Upon consideration at the tenth meeting of the first session of the Board, the scheme was submitted to the SASAC for review and approval, and was considered and passed at the first extraordinary general meeting of the Company for the year 2016.

On this basis, the Company formulated the "Initial Grant for the Restricted Share Incentive Scheme of China Energy Engineering Corporation Limited" (《中國能源建設股份有限公司限制性股票激勵計劃首次授予方案》), which was implemented upon consideration at the twelfth meeting of the first session of the Board of the Company. The scheme participants shall include the Directors, senior management and core technical and management personnel who directly influence the overall business performance and sustainable development of the Company. The enterprises involved with the scheme participants shall achieve grade C or above in the assessment results of the operating performance in 2015 and the scheme participants himself/herself shall achieve grade C or above in the assessment results of his/her performance in 2015. As the SASAC requires the head of the central government enterprise not to participate in equity incentive plans, the initial grant did not include the Directors and senior management under the administration of the party committee of SASAC.

As at 21 November, 2016, the number of grantees under the initial grant was 542 and the number of shares granted thereunder was 287.50 million, representing 0.96% of the total shares of the Company. The scheme participants himself/herself shall pay the subscription monies calculated by multiplying the number of shares granted by the grant price (HK$0.66 per share). The shares granted to the scheme participants are the restricted shares of the Company. Under the initial grant, the shares are subject to a lock-up period of 2 years and unlocking period of 3 years, and shall be unlocked at an even pace (33%, 33% and 34%). The conditions of performance assessment for the unlocking are as follows:

Unlocking Period	Performance Assessment Target
First unlocking period	• The weighted average rate of return on equity ("ROE") for 2017 shall be not lower than 10.3% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the net profit in 2015, the compound growth rate of net profit for 2017 shall be not lower than 10% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the economic value added ("EVA") in 2015, the compound growth rate of EVA for 2017 shall be not lower than 3.5%.
Second unlocking period	• The weighted average ROE for 2018 shall be not lower than 10.6% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the net profit in 2015, the compound growth rate of net profit for 2018 shall be not lower than 10% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the EVA in 2015, the compound growth rate of EVA for 2018 shall be not lower than 3.5%.
Third unlocking period	• The weighted average ROE for 2019 shall be not lower than 10.8% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the net profit in 2015, the compound growth rate of net profit for 2019 shall be not lower than 10% and not lower than 75 percentile of the benchmarking enterprises;
	• On the basis of the EVA in 2015, the compound growth rate of EVA for 2019 shall be not lower than 3.5%.

The maximum numbers of the initial grant per person for staff at all levels are as follows:

by staff category	maximum numbers of initial grant per person
assistant to the general manager, chief economist and secretary to the Board	800,000 shares
key management staff of a subsidiary (such as the head of an enterprise)	800,000 shares
talents with core skills or technology	520,000 shares

On 28 December 2016, the Company and China Construction Bank (Asia) Corporation Limited entered into the "Trust Letter of Appointment for the formulation of Restricted Share Incentive Scheme by the Company" (《公司成立限制性股票激勵計劃信託委聘書》) and entered into the "Trust Deed for the Restricted Share Incentive Scheme of the Company" (《公司限制性股票激勵計劃的信託契據》) with its subsidiary, CCB (Asia) Trustee Company Limited, in relation to, among others, entrustment of purchase, custody and unlocking of the Company's restricted shares from the secondary market.

Save for the abovementioned Restricted Share Incentive Scheme, the Company did not implement any share option scheme during 2016.

29 Staff Retirement Benefits

Details of the staff retirement benefits of the Company are set out in note 38 to the "Notes to the Consolidated Financial Statements" of this annual report.

30 Donations

The Company made donations in a total amount of RMB13,812,400 in 2016. The donations were made mainly through People's Governments at the county level or above and other social welfare organizations to designated poverty areas, education, medical and healthcare, public relief and public welfare.

31 Compliance with Code of Corporate Governance

Save for the deviations from the code provision A.5.2(a) of the Corporate Governance Code, the Company has complied with all the code provisions set out in the Code of Corporate Governance during the Reporting Period. Details are set out in the "Corporate Governance Report" of this annual report.

32 Independent Auditor

Deloitte Touche Tohmatsu and BDO China Shu Lun Pan Certified Public Accountants LLP were appointed as the international and domestic auditor respectively by the Company as to the financial statements of the Company for the year ended 31 December 2016.

In the recent three years, Deloitte Touche Tohmatsu was the international auditor of the Company. For 2014 and 2015, the domestic auditor of the Company was Deloitte Touche Tohmatsu Certified Public Accountants LLP. For 2016, the domestic auditor was changed to BDO China SHU LUN PAN Certified Public Accountants LLP. A resolution in respect of the appointment of auditors of the Company for 2017 will be proposed at the forthcoming annual general meeting for consideration.

33 Information on Tax Reduction and Exemption for Holders of H Shares

33.1 Individual Investors

According to the Notice on the Management of Personal Income Tax Imposed after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》(國稅函[2011]348號)), the dividend received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to the relevant laws. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

According to the Arrangements for the Avoidance of Double Taxation and Prevention of Tax Evasion in Mainland China and Hong Kong (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》(國稅函[2006]884號)) signed on 21 August 2006 in relation to income tax, the Chinese government may impose tax on dividends payable by the Chinese companies to Hong Kong residents, but the tax should not exceed 10% of the total dividend payable; if Hong Kong residents hold at least 25% equity interest in the Chinese company, the relevant tax shall not exceed 5% of the total dividend payable by the Chinese company.

33.2 Enterprises

According to the Enterprise Income Tax law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, if non-resident enterprises establish no organizations and sites within the territory of China, or though they have established certain organizations and sites but the dividends and bonuses received have actually not correlated to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory. The withholding tax may be relieved under an applicable double taxation treaty.

According to the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Share Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation and effective on 6 November 2008, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H share non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the rate of 10%. Such withholding tax may be reduced pursuant to an applicable tax avoidance under the double taxation treaty.

Pursuant to the provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends obtained by mainland individual investors from investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the tax rate of 20%. For the dividends obtained by mainland securities investment funds by investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends obtained by mainland enterprise investors from investing in shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on the dividends, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends obtained by mainland resident enterprises from holding relevant H shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no taxes shall be levied for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax relieves pursuant to the above provisions.

34 Environmental Policy and Performance of the Company

The Company adheres to high standards of performance in the relevant requirements related to environmental protection and is committed to providing quality energy saving and emission reduction services to the industry and the community. The Company improves the environmental management systems, further develops environmental protection system and implements emission reduction measures according to the Company's actual business condition. The Company strives to develop environmental protection industry, with an aim to reduce the emission during its operation, conserve the use of resources and promote environmental protection among the place of its operations. The Company has complied with the environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and has always fulfilled its environmental responsibility in accordance with the standards of local environmental regulations and industrial rules and practices so as to achieve higher environmental performance. During the reporting period, the Company did not have any events of non-compliance with environmental laws and regulations. For details, please refer to the "Environmental, social and Governance Report" published in due course.

By order of the Board:
Wang Jianping
Chairman of the Board

Report of the Supervisory Committee

1 Basic Composition of the Supervisory Committee

As of 31 December 2016, the Supervisory Committee consists of five members, namely Mr. Wang Zengyong, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr. Wei Zhongxin, among whom Mr. Wang Zengyong is the chairman of the Supervisory Committee, Mr. Lian Yongjiu and Mr. Kan Zhen are employee representative supervisors. The term of office of supervisors is three years. Supervisors can be re-appointed upon re-election after the term of office expires.

On 4 May 2016, Mr. Mao Xiangqian resigned as the employee representative supervisor, and Mr. Kan Zhen was appointed as the employee representative supervisor through a democratic election on the same date.

On 27 July 2016, Mr. Wang Baoguo resigned as the chairman of the Supervisory Committee and the supervisor.

On 21 November 2016, Mr. Wang Zengyong was elected as the supervisor at the extraordinary general meeting.

On 30 December 2016, Mr. Wang Zengyong was elected as the chairman of the Supervisory Committee by the Supervisory Committee.

Details of the existing supervisors of the Company are set out in the "Profile of Directors, Supervisors and Senior Management" of this annual report.

2 Meetings of the Supervisory Committee

In 2016, the Supervisory Committee convened six meetings, the details are as follows:

The fifth meeting of the first session of the Supervisory Committee was held on 29 March 2016. Five members of the Supervisory Committee, namely Mr. Wang Baoguo, Mr. Lian Yongjiu, Mr. Mao Xiangqian, Mr. Fu Dexiang and Mr. Wei Zhongxin, attended the meeting, with Mr. Wang Baoguo, the chairman of the Supervisory Committee, being the chairman of the meeting. Six resolutions were considered and approved at the meeting by voting, comprising the Resolution on the 2015 Annual Report and Annual Results Announcement (《關於公司2015年度報告及業績公告的議案》), the Resolution on the Final Financial Report of 2015 (《關於公司2015年度財務決算報告的議案》), the Resolution on the Special Report Regarding the Deposit and Actual Use of Proceeds of the Company (《關於公司募集資金存放與實際使用情況專項報告的議案》), the Resolution on Supervisors' Remuneration of 2016 (《關於公司2016年度監事薪酬的議案》), the Resolution on the Report of the Supervisory Committee of 2015 (《關於公司2015年度監事會工作報告的議案》) and the Resolution on the Appointment of the External Auditor of the Company for the Year 2016 (《關於聘請公司2016年度審計機構的議案》).

The sixth meeting of the first session of the Supervisory Committee was held on 8 June 2016. Five members of the Supervisory Committee, namely Mr. Wang Baoguo, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr Wei Zhongxin, participated in the meeting, with Mr. Wang Baoguo, the Chairman of the Supervisory Committee, being the chairman of the meeting. The Resolution on the Budgeted Expenditure from the Proceeds of the Company of 2016 (《關於公司2016年度募集資金支出預算的議案》) was considered and approved at the meeting by voting.

The seventh meeting of the first session of the Supervisory Committee was held on 27 July 2016. Five members of the Supervisory Committee, namely Mr. Wang Baoguo, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr Wei Zhongxin, attended the meeting, with Mr. Wang Baoguo, the chairman of the Supervisory Committee, being the chairman of the meeting. Three resolutions were considered and approved at the meeting by voting, including the Resolution on the Restricted Share Incentive Scheme of the Company (Draft) (《關於公司限制性股票激勵計劃(草案)的議案》), the Resolution on the Interim Measures for Management of the Restricted Share Incentive Scheme of the Company (《關於公司限制性股票激勵計劃管理暫行辦法的議案》) and the Resolution on Management of the Performance of the Restricted Share Incentive Scheme of the Company (《關於公司限制性股票激勵計劃績效管理辦法的議案》).

The eighth meeting of the first session of the Supervisory Committee was held on 30 August 2016. Four members of the Supervisory Committee, namely Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr. Wei Zhongxin, attended the meeting, with Mr. Lian Yongjiu, supervisor, being the chairman of the meeting. Four resolutions were considered and approved at the meeting by voting, including the Resolution on the 2016 Interim Report and Results Announcement of the Company (《關於公司2016年中期報告及業績公告的議案》), the Resolution on the Report Regarding the Deposit and Actual Use of Proceeds of the Company (《關於公司募集資金存放與實際使用情況專項報告的議案》), the Resolution on the Standard of Determining the Operating Expenses Reimbursement for External Supervisors of the Company (《關於公司外部監事工作補貼發放標準的議案》) and the Resolution on Donation of China Gezhouba Group Company Limited to the People's Government of Hubei Province and Wuhan city (《關於中國葛洲壩集團有限公司向湖北省和武漢市人民政府捐款的議案》).

The ninth meeting of the first session of the Supervisory Committee was held on 21 November 2016. Three members of the Supervisory Committee, namely Mr. Wang Zengyong, Mr. Kan Zhen and Mr. Fu Dexiang, attended the meeting. Mr. Kan Zhen and Mr. Fu Dexiang were appointed as proxies to vote on behalf of Mr. Lian Yongjiu and Mr. Wei Zhongxin, respectively, and Mr. Wang Zengyong, supervisor, was the chairman of the meeting. The Resolution on the Initial Grant Proposal of the Restricted Share Incentive Scheme (《限制性股權激勵計劃首次授予方案的議案》) was considered and approved at the meeting by voting. The members had verified the grantee list of the Initial Grant Proposal of the Restricted Share Incentive Scheme and offered advice for the verification.

The tenth meeting of the first session of the Supervisory Committee was held on 30 December 2016. Five members of the Supervisory Committee, namely Mr. Wang Zengyong, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr. Wei Zhongxin, attended the meeting. The Resolution on the Election of the Chairman of the Supervisory Committee of the Company (《關於選舉公司監事會主席的議案》) was considered and approved at the meeting by voting, and Mr. Wang Zengyong was elected as the chairman of the Supervisory Committee.

3 Supervisory Committee's Presence on Other Meetings

On 8 June 2016 and 21 November 2016, the Supervisory Committee attended the annual general meeting for the year 2015 and the extraordinary general meeting of the Company.

The Supervisory Committee attended five Board meetings and listened to 33 resolutions which were considered by the Board, involving the matters such as the increase in the registered capital of the Company, amendment to the Articles of Association, review on the development plans and research on major transactions.

4 Basic Evaluation of the Supervisory Committee on Performance of the Board and Senior Management

During the Reporting Period, by the supervision of Directors and senior management of the Company, Supervisory Committee was of the view that the Board of the Company was able to duly perform its duties in strict compliance with the requirements under the Company Law, Listing Rules and the Articles of Association and the requirement of relevant laws and regulations, and operate in accordance with laws. The major business decision making procedures of the Company were legitimate and effective. The Directors and senior management of the Company performed their duties strictly in accordance with the national laws and regulations, the Articles of Association and resolutions of the general meeting and the Board. The Supervisory Committee had not found any acts of Directors and senior management being against the interests of the Company and the shareholders or in breach of laws and regulations.

5 Independent Opinions of the Supervisory Committee on Operation of the Company

5.1 Independent opinions on the financial position of the Company

The financial report of the year is prepared in accordance with International Financial Reporting Standards and has been audited by Deloitte Touche Tohmatsu, which reflected the actual financial position and operation results of the Company.

5.2 Independent opinions on disclosure of information by the Company

During the Reporting Period, the Supervisory Committee attended the general meeting and the Board meeting of 2016 and listened to the report about information disclosure. The Supervisory Committee believed that the information disclosure procedures were in compliance with Administration Measures on Information Disclosure (《信息披露事務管理辦法》) of the Company and complied with the regulatory requirements of the place in which the Company listed.

5.3 Independent opinions on the connected transactions of the Company

During the Reporting Period, the Supervisory Committee conducted supervision on the connected transactions of the Company and was of the view that the approval and disclosure procedure of the connected transactions of the Company were in compliance with the relevant laws and regulations such as the Listing Rules and requirements of the Articles of Association, and the pricing of which was fair and reasonable.

5.4 Independent opinions on the management and use of proceeds of the Company

During the Reporting Period, the Supervisory Committee conducted supervision on the management and use of proceeds of the Company. The Supervisory Committee believed that the Company managed and used the proceeds in strict compliance with the Listing Rules and relevant requirements under the Administrative Measures for Fund-raising of China Energy Engineering Corporation Limited (《中國能源建設股份有限公司募集資金管理辦法》).

6 Working Plan

In 2017, the Supervisory Committee will strictly comply with the relevant requirements under the Company Law, Securities Law, Listing Rules and Articles of Association to further perfect the corporate governance structure of the Company as a legal person and improve the standard of corporate governance. The Supervisory Committee will continually strengthen the implementation of supervision and conduct effective supervision with focus on procuring the implementation of the resolutions passed at the general meeting and the Board meeting, major operational decisions of the Company and financial inspection. It will step up its efforts in supervision of major acquisition of assets, external investment, management and use of proceeds and disclosure of information so as to better safeguard the interests of shareholders.

Corporate Governance Report

1 Corporate Governance Structure

The Company conducted its business in accordance with the relevant laws and regulations and regulatory documents such as Company Law, Securities Law, Listing Rules as well as requirements of the Articles of Association. The Company established an internal governance structure which consists of general meeting, the Board and special committees, the Supervisory Committee and senior management, and had perfected policy systems, management measures and working procedures. During the Reporting Period, each of the internal governance departments are operated independently and effectively with their respective duties and obligations being fully fulfilled.

2 Compliance with the code provisions of Corporate Governance Code

As a listed company on the main board of the Stock Exchange, the Company has adopted the Corporate Governance Code as the corporate governance code of the Company, and has always complied with all the code provisions of the Corporate Governance Code during the Reporting Period (except for the deviation from the code provision A.5.2 (a) of the Corporate Governance Code).

Pursuant to code provision A.5.2 (a) of the Corporate Governance Code, the nomination committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, and make recommendations on any proposed changes to the Board as a part of the corporate strategy of the issuer. As the nomination committee of the Company is of the view that the Company has no imperative reason to change the structure, size and composition of the Board, the nomination committee did not hold any meeting during the year ended 31 December 2016 to review the structure, size and composition of the Board.

3 Compliance with code provisions of the Model Code by the Directors and Supervisors

The Company has formulated and implemented internal conduct code which is no less than the Model Code as the code of conduct regarding securities transaction by the Directors and supervisors. Having made specific enquiry of all Directors and supervisors, the Company confirms that none of the Directors or supervisors of the Company hold shares of the Company or breach any of the regulations therein.

4 Shareholders

4.1 Rights of Shareholders

According to the Articles of Association, the procedures for convening an extraordinary general meeting, making inquiries to the Board and rendering advice at the general meetings by the shareholders are as follows:

a) Convening an Extraordinary General Meeting

Shareholders individually or collectively holding 10% (including 10%) or more of the number of shares with voting rights at the proposed meeting may sign one or more written requests in the same format and content and deliver to the Board for calling an extraordinary general meeting or a meeting for classes of shares, stating the subjects of the meeting. The Board shall call an extraordinary general meeting or a meeting for classes of shares within two months after receiving the aforementioned written requests.

b) *Making Inquiries to the Board*

Shareholders could send emails to dongban3996@ceec.net.cn to make inquiries to the Board with regard to the information of the Company.

c) *Making Recommendation to the General Meeting*

(1) The Company convenes a general meeting, at which shareholders individually or jointly holding 3% or more of the shares of the Company are entitled to propose resolutions to the Company. Shareholders individually or jointly holding 3% or more of the shares of the Company are entitled to propose extraordinary resolutions and submit the same in writing to the convener 10 days before the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting to announce the content of the extraordinary resolutions within 2 days after receiving the proposal.

(2) When convening a general meeting, the Company shall give a written meeting notice to all shareholders 45 days before the date of the meeting. Shareholders who intend to attend the general meeting shall reply the Company in writing that they will attend the meeting within 20 days prior to the convening of the meeting.

4.2 General Meeting

During the Reporting Period, the Company convened two general meetings, details of which are as follows:

Name of the meeting	Time	Meeting manner	Number of shareholders or authorized representative attended	Number of shares represented	The percentage of total share capital
The annual general meeting of 2015	8 June 2016	On-site	4	22,328,753,469	74.38%
The first extraordinary general meeting of 2016	21 November 2016	On-site	5	22,559,243,491	75.15%

The above general meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' rights of participation and exercise of their rights.

5 The Board

5.1 Composition of the Board

During the Reporting Period, the composition of the Board is as follows:

No.	Name	Position(s)
1	Wang Jianping	Chairman of the Board and Executive Director
2	Ding Yanzhang	Vice chairman of the Board, Executive Director and General Manager
3	Zhang Xianchong	Executive Director and Deputy General Manager
4	Ma Chuanjing	Non-executive Director
5	Ding Yuanchen	Independent Non-executive Director
6	Wang Bin	Independent Non-executive Director
7	Zheng Qiyu	Independent Non-executive Director
8	Cheung Yuk Ming	Independent Non-executive Director

All the Directors do not have any financial, business, family or other material relationship with each other. The number of the independent non-executive Directors represents more than one-third of the total number of members of the Board, one of whom is an independent non-executive Director with appropriate professional qualifications or related accounting and financial management expertise as required under Rule 3.10 and Rule 3.10A of the Listing Rules.

Pursuant to the Articles of Association, the term of office of a Director is three years, and may hold consecutive terms upon re-election. Each independent non-executive Director is limited to a maximum term of six years to ensure his/her independence. As of the date of this report, the Company has received the confirmation of independence from each of the independent non-executive Directors made in accordance with Rule 3.13 of the Listing Rules. The Company confirms that each of the independent non-executive Directors is independent.

5.2 Board Meetings

In 2016, the Company held five Board meetings in total. A total of 33 resolutions were considered and passed at the meetings, including the 2015 annual report and annual results announcement of the Company, increase in the registered capital of the Company and amendment of the Articles of Association.

The table below sets out the details of board meeting attendance of each Director during the Reporting Period:

Corporate Governance Report

Directors	Attendance of Board meeting				Attendance of General Meeting		
	Number of meetings eligible to attend	Number of meetings attended in person	Number of attendance by proxy	Attendance rate	Number of meetings eligible to attend	Number of meetings attended in person	Attendance rate
Wang Jianping[(1)]	5	4	1	100%	2	2	100%
Ding Yanzhang[(2)]	5	4	1	100%	2	2	100%
Zhang Xianchong[(3)]	5	4	1	100%	2	2	100%
Ma Chuanjing[(3)]	5	4	1	100%	2	2	100%
Ding Yuanchen	5	5	0	100%	2	2	100%
Wang Bin	5	5	0	100%	2	2	100%
Zheng Qiyu	5	5	0	100%	2	2	100%
Cheung Yuk Ming	5	5	0	100%	2	2	100%

Notes:

(1) Mr. Wang Jianping was unable to attend the eleventh meeting of the first session of the Board of the Company held on 30 August 2016 due to other work engagements, and designated Mr. Ding Yanzhang as proxy to attend and preside over the meeting;

(2) Mr. Ding Yanzhang was unable to attend the tenth meeting of the first session of the Board of the Company held on 27 July 2016 due to other work engagements, and designated Mr. Wang Jianping as proxy to attend the meeting;

(3) Mr. Zhang Xianchong and Mr. Ma Chuanjing were unable to attend the eighth meeting of the first session of the Board held on 29 March 2016 due to other work engagements, and designated Mr. Ding Yuanchen and Mr. Wang Bin, respectively, as proxies to attend the meeting.

The Company adopts the practice of holding board meetings regularly, at least four regular meetings annually and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include related matters in the agenda for a regular meeting.

For ad-hoc meetings of the Board and meetings of the Board special committees, reasonable notice is generally given. The agenda and accompanying meeting papers of ad-hoc meetings of the Board and meetings of the Board special committees are dispatched to the Directors or members of the relevant Board special committees at least five days and three days, respectively, before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or members of the Board special committees are unable to attend a meeting, they will be advised of the matters to be discussed at the relevant meeting and given an opportunity to make their views known to the chairman prior to the meeting.

5.3 The Board and the Management

The chairman of the Board and the general manager of the Company are held by different persons. The Board and the management are responsible for, and discharge their duties in strict compliance with the requirements under the Articles of Association, Procedures of the Board of China Energy Engineering Co., Ltd. (《中國能源建設股份有限公司董事會議事規則》), Bylaws for General Manager of China Energy Engineering Co., Ltd. (《中國能源建設股份有限公司總經理工作細則》) and relevant laws and regulations.

1) The Board

The major duties of the Board are as follows:

- Convening general meetings and report its work to the general meetings;
- Implementing the resolutions of the general meetings;
- Making decision on the business plans and investment plans of the Company; determining external investments and financing within the authorisation granted, purchases and sales of assets, pledge of assets, external guarantees, entrusted wealth management and connected transactions;
- Appointing or removing senior management members, including the general manager, the secretary to the Board and the deputy general manager of the Company;
- Deciding the establishment of special committees of the Board and their composition;
- Formulating profit distribution plans and plans for recovery of losses; increase in or reductions of capital, the issuance of stock, bonds and other securities and listing plans, any amendment to the Articles of Association;
- Preparing plans for the Company's major acquisitions, repurchase of shares of the Company, merger, division, dissolution or change the company form;
- Formulating, reviewing and improving the corporate governance system and condition of the Company.

There are currently four special committees established under the Board, being the strategy committee, the nomination committee, the remuneration and assessment committee and the audit committee. Each of the special committees has their rules of procedure and shall be accountable to the Board. Under the centralized leadership of the Board, the special committees shall provide recommendations, opinions and advice for the decision to be made by the Board. The special committees may engage intermediary organizations to provide independent professional advice, and the relevant expenses shall be borne by the Company.

During the Reporting Period, in order to further enhance the scientific decision-making of the Board, and to ensure the Board performs effectively in accordance with the regulations, the Board actively expanded communication channels, carried out four specialized investigations and research activities, and one communication meeting with the chairman of the Board and non-executive Directors and independent non-executive Directors. Meanwhile, the Board strengthened the communication with the management by listening regularly to the working report of the general manager and the implementation of resolutions of the Board, and focusing timely on major issues.

2) Management

The Company has one general manager, who is responsible for and reports to the Board, and has several deputy general managers and a chief accountant to assist with the work of the general manager.

The general manager primarily performs the following duties:

- Being in charge of the production, operation and management of the Company, organizing and implementing resolutions of the Board and reporting to the Board;
- Organizing and implementing the annual business plans and investment plans of the Company;
- Drafting the plan for establishment of the internal management structure of the Company;
- Drafting the general management system of the Company;
- Formulating the detailed rules and regulations of the Company;
- Proposing to the Board the appointment or dismissal of the vice general managers and chief accountant of the Company;
- Appointing or dismissing management personnel other than those required to be appointed or dismissed by the Board.

At the request of the Board, the general manager timely provide important information relating to the Company's operating results, major transactions and material contracts, financial condition and business prospect to the Board and regularly reported to the Board on his work, and ensured the truthfulness, objectivity and completeness of such reports.

5.4 Continuous professional training of the Directors

The Company arranges regular seminars and training for Directors, providing them the latest development and updated information, if any changes, of the Listing Rules and other relevant laws and regulatory provisions from time to time.

During the Reporting Period, the Directors have received continuous professional trainings regarding the Hong Kong "Environmental, Social and Governance Report", annual financial audit and results reporting, which are summarised as follows:

Directors	Number of Trainings on Hong Kong "Environmental, Social and Governance Report (ESG)"	Number of Trainings on Annual Financial Audit and Results Reporting
Wang Jianping	1	1
Ding Yanzhang	1	1
Zhang Xianchong	1	1
Ma Chuanjing	1	1
Ding Yuanchen	1	1
Wang Bin	1	1
Zheng Qiyu	1	1
Cheung Yuk Ming	1	1

5.5 Special Committees of the Board

The establishment of the special committees of the Company was approved by the fifth meeting of the first session of the Board held on 3 August 2015.

5.5.1 Strategy Committee

According to the requirements of the Articles of Association, the Board set up the strategy committee. Governed by the Detailed Rules on the Work of the strategy committee, the major duties of the strategy committee are to conduct research on the mid- to long-term development strategies, adjustment to the industry structure, major organization adjustment, substantial business restructuring plans, significant investment and financing plans, significant projects of capital management and assets operation of the Company, and make recommendation to the Board as regard to these matters.

At the end of the Reporting Period, the strategy committee consists of three members, namely Wang Jianping (executive Director), Ding Yanzhang (executive Director) and Ma Chuanjing (non-executive Director). Wang Jianping is the chairman of the strategy committee. During the Reporting Period, the strategy committee convened two meetings to consider and approve three resolutions, including the 2016 Working Plan for the Strategy Committee of the First Session of the Board (《第一屆董事會戰略委員會2016年工作計劃》), 2016-2018 Rolling Development Plan of the Company (《公司2016-2018年滾動發展規劃》) and the Resolution on the Establishment Of China Energy Engineering Group Financial Leasing Co., Ltd. (《關於設立中國能源建設集團融資租賃有限公司的議案》)

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Wang Jianping	2	2	0
Ding Yanzhang	2	2	0
Ma Chuanjing	2	1	1

5.5.2 *Nomination Committee*

According to the requirements of the Articles of Association, the Board set up the nomination committee. Governed by the Detailed Rules on the Work of the nomination committee of the Company, the major duties of the nomination committee are to formulate the standards, procedures and methods for election of directors and senior management members of the Company and submit the same to the Board for consideration; review the structure, size, composition and member qualifications of the Board annually and regularly; review the composition of the Board on diversity and oversee the implementation of the Board's diversity policy; assess the independence of independent non-executive directors; propose the talents retention scheme and provide recommendation to the Company thereon; make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

At the end of the Reporting Period, the nomination committee consists of three Directors: Wang Jianping (executive Director), Wang Bin (independent non-executive Director) and Cheung Yuk Ming (independent non-executive Director) and Wang Jianping is the chairman of the Nomination Committee. As the nomination committee is of the view that the Company has no imperative reason to change the structure, size and composition of the Board, the nomination committee did not hold any meeting during the Reporting Period to review the structure, size and composition of the Board.

5.5.3 *Remuneration and Assessment Committee*

According to the requirements of the Articles of Association, the Board set up the remuneration and assessment committee. Governed by the Detailed Rules on the Work of the Remuneration and Assessment Committee of the Company, the major duties of the remuneration and assessment committee are to make recommendations to the Board on the Company's general remuneration policy and structure for Directors and senior management of the Company; to determine the specific remuneration packages of all executive Directors and senior management and to make recommendations to the Board on the remuneration of non-executive Directors; to review the performance by the Directors and senior management of their responsibilities and to conduct annual evaluation on their performance; to research and make recommendations to the Board on the policies of and plans on the salary, benefits, rewards and punishments of the Company, and monitor the implementation thereof.

The performance appraisal and the remuneration allocation for an executive Director, who was supervised by SASAC and served as the chairman of the Board, vice chairman of the Board or general manager of the Company, was implemented in accordance with the relevant requirements of SASAC. The remuneration of an executive Director who was supervised by SASAC and served as a Director of the Company was closely aligned with his position and the performance appraisal so as to differentiate the remuneration of each other in a reasonable manner. In particular, basic salary and bonus relating to the term of service were determined in accordance with a certain standard percentage entitled to by key officers.

At the end of the Reporting Period, the members of remuneration and assessment committee include Zheng Qiyu (independent non-executive Director), Wang Bin (independent non-executive Director) and Cheung Yuk Ming (independent non-executive Director). Zheng Qiyu is the chairman of the remuneration and assessment committee. During the Reporting Period, the remuneration and assessment committee convened four meetings to consider the resolutions, namely the 2016 Working Plan for the Remuneration and Assessment Committee of the First Session of the Board (《公司第一屆董事會薪酬與考核委員會2016年度工作計劃》), Directors' Remuneration of 2016 (《公司2016年度董事薪酬》), the Emoluments of the Senior Management of the Company for the Year 2016 (《公司2016年度高級管理人員薪酬》), the Restricted Share Incentive Scheme of the Company and the Proposed Initial Grant (《公司限制性股票激勵計劃及首次授予方案》), and the Working Allowance Standard for External Directors of the Company (《公司外部董事工作補貼標準》).

The following table shows the attendance of each committee member at the remuneration committee:

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Zhang Xianchong (resigned on 29 March 2016)	1	0	1
Zheng Qiyu	4	4	0
Wang Bin	4	4	0
Cheung Yuk Ming (appointed on 29 March 2016)	3	3	0

5.5.4 Audit Committee

According to the requirements of the Articles of Association, the Board set up the audit committee. Governed by the Detailed Rules on the Work of the audit committee of the Company, the major duties of the audit committee are to conduct independent assessment and supervision on the compliance, legality and efficiency of the Company's operation activities on behalf of the Board, particularly including:

- Making proposals to the Board regarding appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handling any questions of its resignation or dismissal;
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards;
- Developing and implementing policy on engaging an external auditor to provide non-audit services;
- Monitoring the truthfulness, completeness and accuracy of the financial statements, reports and accounts, and reviewing significant financial reporting opinions contained therein;
- Being responsible for the communication between internal audit departments and external auditors in order to ensure coordination between the internal and external auditors;
- Examining the Company's financial controls, internal control and risk management systems;
- Reviewing the financial and accounting policies and practices of the Company;
- Reviewing the risk management strategies and solutions for key risk management issues of the Company;
- Other duties conferred by the Board.

The audit committee of the Company consists of one non-executive Director and two independent non-executive Directors. The audit committee members of the first session of the Board are Mr. Ding Yuanchen (independent non-executive Director), Mr. Ma Chuanjing (non-executive Director), Mr. Cheung Yuk Ming (independent non-executive Director), and Mr. Ding Yuanchen is the chairman of the audit committee.

In 2016, the audit committee convened four meetings and conducted a separate interview with the external auditor of the Company to consider and approve five resolutions, namely the 2015 Annual Report and Annual Results Announcement of the Company (《公司2015年度報告及業績公告》), the Final Financial Report of 2015 of the Company (《公司2015年財務決算報告》), the 2016 Interim Report and Interim Results Announcement of the Company (《公司2016年中期報告及業績公告》), the Engagement of the Auditor of the Company for the Year 2016 (《聘請公司2016年度審計機構》), and the Arrangement of Annual Report Audit and the Progress of work of 2016 (《2016年年報審計工作安排及工作進度計劃》). The following table shows the attendance of each committee member at the audit committee:

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Ding Yuanchen	4	4	0
Ma Chuanjing	4	3	1
Cheung Yuk Ming	4	4	0

5.6 Board Diversity Policy

5.6.1 Purpose

With a view to achieving a sustainable and balanced development, the Company views the increasing diversity of the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

5.6.2 Measurable Objectives

Candidates of the Company's directors will be selected based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will contribute to the Board. The Board's composition (including gender and age) will be disclosed in the annual report of the Company annually.

5.6.3 Monitoring and Reporting

The nomination committee of the Company will report annually on the Board's composition under diversified perspectives, and monitor the implementation of Board's diversity policy.

5.7 Corporate Governance Functions

The Board recognizes that corporate governance shall be the collective responsibility of directors, and the corporate governance functions performed by the Board include the following:

(1) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(5) reviewing the Company's compliance with the Listing Rules and disclosures in the Corporate Governance Report.

6 The Supervisory Committee

The Supervisory Committee is responsible for supervising the legality of the performance of duties by the Directors and senior management members of the Company, thus to protect the overall benefits of the Company and shareholders.

As of 31 December 2016, the Supervisory Committee consists of five members, including Mr. Wang Zengyong, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr Wei Zhongxin, among whom Mr. Lian Yongjiu and Mr. Kan Zhen are employee representative supervisors.

In 2016, the Supervisory Committee convened six meetings to consider and approve sixteen resolutions, including resolutions on the annual report, connected transactions, fund raising and equity-incentive of the Company. The following table shows the attendance of each supervisor at the Supervisory Committee:

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Wang Zengyong	2	2	0
Wang Baoguo	3	3	0
Lian Yongjiu	6	5	1
Kan Zhen	5	5	0
Mao Xiangqian	1	1	0
Fu Dexiang	6	6	0
Wei Zhongxin	6	5	1

Other details are set out in the "Report of the Supervisory Committee" of this annual report.

7 Joint Company Secretaries

According to the provision of the Listing Rules, the Company employed Mr. Duan Qiurong and Ms. Yung Mei Yee as joint company secretaries of the Company after listing. Ms. Yung Mei Yee has resigned as the joint company secretary of the Company on 29 March 2016, and the Company appointed Ms. Mok Ming Wai, a director of KCS Hong Kong Limited and head of listing services division, as the joint company secretary of the Company, with effect from 29 March 2016. Please refer to the announcement dated 29 March 2016 for the details.

Mr. Duan Qiurong, the joint company secretary and the authorized representative of the Company, is the main internal liaison officer between Ms. Mok Ming Wai and the Company.

Mr. Duan Qiurong and Ms. Mok Ming Wai fully complied with the requirements under Rule 3.29 of the Listing Rules, and received not less than 15 hours of continuous professional training during the Reporting Period.

8 Internal Control and Risk Management

In strict compliance with the related requirements under the Basic Principles for Internal Control of Enterprises (《企業內部控制基本規範》) and its ancillary guidelines and the Corporate Governance Code, and combined with its actual situation, the Company formulated the internal control and risk management policy and established a relatively sound internal control and risk management system. The Board is responsible for the risk management and internal control system and the review on its effectiveness. The Board is responsible for setting up and maintaining the well-developed system of internal control and risk management. The audit committee is set up under the Board to oversee the formulation and implementation of the internal control and risk management system. The management of the Company established the internal control and risk management committee to lead the internal control and risk management of the Company. In addition, the legal department and the audit department were responsible for the establishment and operation management of the system, and the assessment on the same, respectively. According to the internal control and risk management system, the Company organizes annual risk assessment and collects risk information so as to assess significant risks in terms of the probability of occurrence and degree of impact and formulate measures for the management and control of significant risks accordingly. Each year, an internal control and risk management assessment is organized for the affiliated units. The assessment plan for the year 2016 encompasses the business segments ranging from planning and consultancy, survey and design, engineering project contracting, equipment manufacturing and investment operations of power and energy of the headquarters of the Company and affiliated units. Identifying and streamlining any potential significant risks and implementing the special risk assessment, the Company controlled its risk within a reasonable level by continuously improving its internal control system through internal and external monitoring and inspection.

In view of the above, the Board assessed the internal control and risk management system and reviewed the financial reporting system, internal control policy and risk management policy of the Company, as well as the adequacy and effectiveness of relevant processes, including the adequacy of resources, staff qualifications and experience, training programs and budget in respect of the Company's accounting and financial reporting function. According to the review, the Board and the audit committee considered that such systems were effective and adequate.

Being responsible for the internal control and risk management system of the Company, the Board has provided reasonable assurance in respect of effective management of the risks involved in the accomplishment of business objectives.

9 Auditors' Remuneration

The Company has appointed Deloitte Touche Tohmatsu and BDO China SHU LUN PAN Certified Public Accountants LLP as the international and the domestic auditors, respectively, for the financial statements of the Company for the Year 2016.

For the year ended 31 December 2016, the cost of audit in relation to the financial reports of the Company paid to the external auditors was RMB21.64 million.

10 Information Disclosure

The chairman of the Board is the first responsible person for the disclosure and management of the Company's information, and the secretary of Board is responsible for the detailed coordination. During the Reporting Period, the Company has made timely, effective, complete and legally appropriate disclosure to the discloseable information and voluntary disclosures in strict compliance with the requirements of the Listing Rules. The Company places emphasis on the management of inside information, strictly controls the scope of insiders and the confidentiality management of inside information vehicles. The Company commences the registration of insiders with inside information and implements the registration and filing of material matters pursuant to the requirements. With prudent judgment of information which might constitute inside information of the Company, the Company will disclose the discloseable information pursuant to the requirements as soon as reasonably practicable to further protect the legitimate rights of shareholders, creditors and other interest-related parties.

11 Accountability of the Directors in relation to Financial Statements

The Directors recognize their related responsibilities for the preparation of the financial statements of the Company and make sure the preparation of the financial statements conforms to relevant laws and regulations and applicable accounting standards, and ensure the financial statements of the Company to be published on time.

12 Amendments to the Articles of Association

The Articles of Association which was effective since listing on 10 December 2015 shall be revised to incorporate the terms which could only be confirmed after listing, including registered capital and shareholders, which were not stated in the Articles of Association. The revised Articles of Association was passed by voting and became effective at the 2015 annual general meeting held on 8 June 2016. The existing Articles of Association has been published on the Company's website and the website of the Stock Exchange.

13 Investor Relations

The Company attaches attention to provide accurate and timely information to investors, and procures to maintain communication with each other by means of effective channels, thus reinforce the knowledge of each other and improve the transparency of information disclosure. Apart from the Management Code and Measures on Investors Relations, the Company has also formulated the Measures on the Launch of Voluntary Information Disclosure with an aim to fully provide investors with the information of the Company. The Company has set up the relevant department for investors relations, responsible for calls, visits and site visiting from investors, and organizing the attendance of the investors annual meetings and overseas road shows of major financial institutions.

The Company will publish the Company's information in due course. The latest development, announcements and press in relation to the Company are available on the website designated by the Stock Exchange for investors (www.hkexnews.hk) and the Company's website (www.ceec.net.cn).

The Company will provide better service to investors by further expanding activities in relation to investors' relations.

To establish a legacy of refinement and quality innovation

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA ENERGY ENGINEERING CORPORATION LIMITED
(established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Energy Engineering Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 104 to 246, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on infrastructure construction contracts	
We identified the revenue from infrastructure construction contracts as set out in note 5 to the consolidated financial statements as a key audit matter due to the significant management estimates and judgements on the completion status of the contracts. Under the Group's accounting policies, revenue from construction contracts is required to be recognised using the percentage of completion method when the outcome of a construction contract can be estimated reliably. The Group's management estimates the total contract revenue and total contract costs at the beginning for each contract and, through regular reviews, revises the estimates when management considers there are changes in the assumptions in deriving the estimates throughout the contract period. Details of the accounting policies and the key estimation uncertainty of the Group's revenue from construction contracts are set out in notes 3 and 4, respectively, to the consolidated financial statements.	Our procedures in relation to revenue recognition on infrastructure construction contracts included: • Testing the key internal controls in place on budget preparation and revenue recognition of the construction contracts; • Recalculating percentage of completion of the construction contracts by reference to infrastructure construction contract ledger on a sample basis; • Evaluating management's basis in determining the total contract revenue and total contract costs of the construction contracts on a sample basis; • Checking construction costs incurred during the year by tracing to supporting documentation on a sample basis; • Visiting the selected sites of construction contracts to observe the progress of the construction work; and • Discussing with the site project managers the extent to which the construction work was completed.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and other receivables	
We identified the recoverability of trade receivables and other receivables as a key audit matter due to the significance of these receivables to the consolidated statement of financial position and management estimates and judgements involved in the recoverability assessment. Management takes into consideration the aging status and the likelihood of collection, identifies the objective evidence of impairment and estimates the underlying future cash flows from recovering of these receivables for impairment assessment purpose. Details of the accounting policies and the key estimation uncertainty of trade and other receivables are set out in notes 3 and 4, respectively, to the consolidated financial statements.	Our procedures in relation to the recoverability of trade receivables and other receivables included: • Corroborating the relevant consideration and objective evidence employed by management's assessment on the recoverability of trade receivables and other receivables; • For significant trade receivables and other receivables assessed to be impaired or past due but not considered to be impaired, checking supporting evidence for the estimated future cash flows on a sample basis; • Testing the aging analysis of the trade receivables and other receivables on a sample basis; and • Testing the cash collections subsequent to end of the reporting period on a sample basis.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yam Siu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	5	**222,171,025**	205,692,949
Cost of sales		**(196,858,214)**	(182,634,824)
Gross profit		**25,312,811**	23,058,125
Other income	6	**1,574,174**	881,638
Other gains and losses	7	**69,733**	803,954
Selling expenses		**(2,058,148)**	(1,637,078)
Administrative expenses		**(10,256,072)**	(9,995,369)
Research and development expenses		**(2,835,672)**	(2,242,205)
Finance income	8	**581,211**	731,342
Finance costs	8	**(2,671,207)**	(3,002,102)
Share of (losses) profits of joint ventures	19	**(7,703)**	10,909
Share of losses of associates	20	**(62,054)**	(23,315)
Profit before tax		**9,647,073**	8,585,899
Income tax expense	11	**(2,208,492)**	(2,115,536)
Profit for the year	9	**7,438,581**	6,470,363
Other comprehensive income (expense), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations	38	**436,199**	(591,258)
– Income tax relating to remeasurement of defined benefit obligations		**(20,802)**	21,216
		415,397	(570,042)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(70,759)**	60,878
– Net fair value loss on available-for-sale financial assets		**(456,584)**	(700,231)
– Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets		**(659)**	(101,676)
– Income tax relating to items that may be reclassified subsequently to profit or loss		**270,623**	209,947
		(257,379)	(531,082)
Other comprehensive income (expense) for the year, net of income tax		**158,018**	(1,101,124)
Total comprehensive income for the year		**7,596,599**	5,369,239

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Profit for the year attributable to:			
Owners of the Company		**4,281,292**	4,235,671
Holders of perpetual capital instruments		**301,104**	–
Non-controlling interests		**2,856,185**	2,234,692
		7,438,581	6,470,363
Total comprehensive income attributable to:			
Owners of the Company		**4,489,263**	3,514,890
Holders of perpetual capital instruments		**301,104**	–
Non-controlling interests		**2,806,232**	1,854,349
		7,596,599	5,369,239
Earnings per share			
– Basic and diluted (RMB)	12	**0.14**	0.19

Consolidated Statement of Financial Position

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**29,532,087**	27,701,938
Prepaid lease payments	15	**8,213,342**	8,042,079
Investment properties	16	**644,009**	693,514
Intangible assets	17	**15,993,386**	16,433,014
Investments in joint ventures	19	**3,566,814**	2,868,041
Investments in associates	20	**3,339,963**	1,656,748
Goodwill	21	**1,287,918**	779,958
Available-for-sale financial assets	22	**6,642,004**	6,536,527
Deferred tax assets	23	**1,413,215**	1,125,493
Trade receivables	24	**5,576,038**	7,113,935
Prepayments, deposits and other receivables	25	**1,881,948**	1,469,568
Other loans	26	**1,837,763**	1,300,000
		79,928,487	75,720,815
CURRENT ASSETS			
Inventories	27	**9,494,128**	9,243,066
Properties under development for sale	28	**24,860,970**	17,503,195
Completed properties for sale	28	**1,447,443**	2,116,053
Amounts due from customers for construction contracts	29	**23,804,689**	17,193,862
Trade and bills receivables	24	**53,633,187**	47,374,834
Prepayments, deposits and other receivables	25	**45,956,578**	36,586,775
Prepaid lease payments	15	**213,687**	192,057
Other loans	26	**1,434,536**	3,699,230
Financial assets at fair value through profit or loss	30	**70,182**	66,663
Pledged deposits	31	**2,698,576**	2,650,613
Bank and cash balances	31	**49,115,058**	48,250,759
		212,729,034	184,877,107
CURRENT LIABILITIES			
Trade and bills payables	32	**74,361,988**	62,459,066
Amounts due to customers for construction contracts	29	**5,734,119**	4,553,593
Other payables and accruals	33	**47,275,838**	43,464,444
Income tax payable		**1,323,432**	952,058
Bank and other borrowings	34	**23,099,999**	35,160,620
Short-term financing notes	37	**–**	3,515,981
Defined benefit obligations	38	**810,612**	776,240
Corporate bonds	36	**10,692,168**	500,000
Finance lease payables	35	**299,979**	228,775
Provisions	39	**144,091**	323,917
		163,742,226	151,934,694

Consolidated Statement of Financial Position

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NET CURRENT ASSETS		**48,986,808**	32,942,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,915,295**	108,663,228
NON-CURRENT LIABILITIES			
Other payables and accruals	33	**63,609**	359,240
Bank and other borrowings	34	**28,038,320**	29,965,531
Finance lease payables	35	**490**	279,103
Corporate bonds	36	**16,229,316**	5,773,612
Defined benefit obligations	38	**9,075,014**	10,077,718
Deferred tax liabilities	23	**964,669**	1,041,467
Deferred revenue	40	**554,878**	374,185
		54,926,296	47,870,856
NET ASSETS		**73,988,999**	60,792,372
Capital and reserves			
Issued share capital	41 (a)	**30,020,396**	29,600,000
Reserves	41 (b)	**14,372,896**	12,375,732
Equity attributable to owners of the Company		**44,393,292**	41,975,732
Perpetual capital instruments	42	**10,100,000**	1,000,000
Non-controlling interests		**19,495,707**	17,816,640
TOTAL EQUITY		**73,988,999**	60,792,372

The consolidated financial statements on pages 104 to 246 were approved and authorised for issue by the board of directors on 29 March 2017 and signed on its behalf by:

Wang Jianping
DIRECTOR

Ding Yanzhang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Issued share capital	Capital reserve	Statutory reserve	Share based compensation reserve	Special reserve	Defined benefit obligation remeasurement reserve	Investments revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the Company	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	21,600,000	5,066,957	–	–	366,909	414,940	694,272	(27,165)	–	28,115,913	–	15,885,606	44,001,519
Total comprehensive income	–	–	–	–	–	(402,973)	(378,040)	60,232	4,235,671	3,514,890	–	1,854,349	5,369,239
Contributions by owner (note (a))	–	164,095	–	–	–	–	–	–	–	164,095	–	–	164,095
Issue of shares	8,000,000	2,542,336	–	–	–	–	–	–	–	10,542,336	–	–	10,542,336
Transaction costs attributable to issue of new shares	–	(273,258)	–	–	–	–	–	–	–	(273,258)	–	–	(273,258)
Issue of perpetual capital instruments (note 42)	–	–	–	–	–	–	–	–	–	–	1,000,000	–	1,000,000
Cash capital contribution by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	543,289	543,289
Disposal of partial interest in a subsidiary without losing control	–	54,234	–	–	–	–	–	–	–	54,234	–	339,035	393,269
Acquisition of non-controlling interests	–	(33,365)	–	–	–	–	–	–	–	(33,365)	–	(96,072)	(129,437)
Acquisition of subsidiaries (note 51)	–	33,207	–	–	–	–	–	–	–	33,207	–	157,152	190,359
Disposal of subsidiaries (note 52)	–	61,282	–	–	–	–	–	–	–	61,282	–	(119,728)	(58,446)
Transfer to reserves	–	474,896	–	–	42,861	–	–	–	(517,757)	–	–	–	–
Dividends declared to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(746,991)	(746,991)
Other deemed distribution to owner (note (b))	–	(203,602)	–	–	–	–	–	–	–	(203,602)	–	–	(203,602)
At 31 December 2015	29,600,000	7,886,782	–	–	409,770	11,967	316,232	33,067	3,717,914	41,975,732	1,000,000	17,816,640	60,792,372
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**417,116**	**(138,686)**	**(70,459)**	**4,281,292**	**4,489,263**	**301,104**	**2,806,232**	**7,596,599**
Issue of shares for exercise of over-allotment	**420,396**	**145,363**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**565,759**	**–**	**–**	**565,759**
Transaction costs attributable to exercise of over-allotment	**–**	**(11,359)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,359)**	**–**	**–**	**(11,359)**
Issue of perpetual capital instruments (note 42)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,100,000**	**–**	**9,100,000**
Cash capital contribution by non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,219,570**	**1,219,570**
Acquisition of additional interests in subsidiaries	**–**	**(6,529)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,529)**	**–**	**(1,660,885)**	**(1,667,414)**
Acquisition of subsidiaries (note 51)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**124,606**	**124,606**
Transfer to reserves	**–**	**–**	**692,477**	**–**	**18,338**	**–**	**–**	**–**	**(710,815)**	**–**	**–**	**–**	**–**
Dividends declared to perpetual capital instruments holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(301,104)**	**–**	**(301,104)**
Dividends declared (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(124,885)**	**(124,885)**	**–**	**–**	**(124,885)**
Special dividends declared (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,523,073)**	**(2,523,073)**	**–**	**–**	**(2,523,073)**
Dividends declared to non-controlling interests of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(810,456)**	**(810,456)**
Effect of share based compensation (note 43)	**–**	**–**	**–**	**4,576**	**–**	**–**	**–**	**–**	**–**	**4,576**	**–**	**–**	**4,576**
Others	**–**	**23,808**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,808**	**–**	**–**	**23,808**
At 31 December 2016	**30,020,396**	**8,038,065**	**692,477**	**4,576**	**428,108**	**429,083**	**177,546**	**(37,392)**	**4,640,433**	**44,393,292**	**10,100,000**	**19,495,707**	**73,988,999**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Notes:

(a) During the year ended 31 December 2015, China Energy Engineering Group Co., Ltd. ("ENERGY CHINA GROUP") and Electric Power Planning & Engineering Institute Co., Ltd. ("EPPE Company", a wholly-owned subsidiary of ENERGY CHINA GROUP) made cash contributions amounting to RMB45,695,000 and non-cash contributions amounting to RMB118,400,000 to China Energy Engineering Corporation Limited (the "Company").

(b) The Company and its subsidiaries (collectively referred to as the "Group") incurred certain expenses on behalf of ENERGY CHINA GROUP for the year ended 31 December 2015 which will not be reimbursed by ENERGY CHINA GROUP to the Group. As such, these transactions were accounted for as other deemed distribution to owner of the Company for the year ended 31 December 2015.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before tax		**9,647,073**	8,585,899
Adjustment for:			
Depreciation of property, plant and equipment		**2,592,339**	2,749,756
Depreciation of investment properties	16	**32,913**	33,338
Amortisation of prepaid lease payments		**188,837**	187,168
Amortisation of intangible assets	17	**477,024**	550,686
Amortisation of unrealised profit on sale and leaseback transactions	40	**(11,250)**	(9,575)
Finance costs	8	**2,671,207**	3,002,102
Finance income	8	**(581,211)**	(731,342)
Net foreign exchange gain		**(312,429)**	(213,259)
Gain on disposal of associates	7	**(44,248)**	(27,500)
Gain on disposal of available-for-sale financial assets		**(3,437)**	(140,158)
Gain on disposal of property, plant and equipment	7	**(32,971)**	(9,717)
Gain on disposal of prepaid lease payments	7	**(351,739)**	(637,161)
Gain on disposal of subsidiaries	7	**(230,045)**	(545,521)
Loss on disposal of investment properties	7	**–**	21
Loss on disposal of intangible assets	7	**306**	16,305
Recognition of allowance for trade receivables	7	**443,151**	440,231
Recognition of allowance for other receivables	7	**333,835**	124,158
(Reversal) recognition of allowance on inventories	9	**(71,923)**	235,974
Impairment on available-for-sale financial assets	7	**–**	43,427
Impairment on investment properties	7	**867**	13,788
Impairment on property, plant and equipment	7	**314,088**	45,734
Impairment on prepaid lease payments	7	**5,491**	41,279
Impairment on intangible assets	7	**–**	1,150
Impairment on interest in associates	7	**–**	988
Dividend income from available-for-sale financial assets	6	**(174,232)**	(135,711)
Fair value changes of financial assets at fair value through profit or loss	7	**15,217**	41,224
Excess of fair value of the previously-held interests in a joint venture	7	**(111,161)**	–
Share based compensation expense		**4,576**	–
Waiver of certain payables from suppliers and others	6	**(66,212)**	(106,294)
Government grants related to assets	6	**(24,686)**	(22,995)
Share of losses (profits) of joint ventures		**7,703**	(10,909)
Share of losses of associates		**62,054**	23,315

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Operating cash flows before movements in working capital		**14,781,137**	13,546,401
Increase in trade and bill receivables		**(4,204,194)**	(8,454,298)
Increase in prepayments, deposits and other receivables		**(5,575,845)**	(13,179,949)
(Increase) decrease in inventories		**(179,630)**	62,765
Decrease (increase) in completed properties for sale		**668,610**	(886,374)
Increase in properties under development for sale		**(832,888)**	(124,344)
Increase in amounts due from customers for construction contracts		**(6,610,827)**	(631,493)
Increase (decrease) in amounts due to customers for construction contracts		**1,180,526**	(951,296)
Increase in trade and bills payables		**11,941,092**	11,083,928
Decrease in other payables and accruals		**(3,413,552)**	(2,439,594)
Decrease in defined benefit obligations		**(751,594)**	(548,910)
Increase in government grants related to income		**10,199**	–
Increase in provisions		**3,974**	27,992
(Increase) decrease in financial assets at fair value through profit or loss		**(18,736)**	53,510
Cash generated from (used in) operations		**6,998,272**	(2,441,662)
Income tax paid		**(2,330,214)**	(1,392,530)
Net cash generated from (used in) operating activities		**4,668,058**	(3,834,192)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Investing activities			
Interest received		**473,407**	645,530
Purchase of property, plant and equipment		**(4,833,241)**	(5,013,268)
Addition to prepaid lease payments		**(470,426)**	(453,724)
Addition to investment properties		**(255)**	(13,760)
Addition to intangible assets		**(2,081,393)**	(745,208)
Capital contributions to joint ventures		**(721,011)**	(369,888)
Deposit paid for acquisition of a subsidiary		**(389,030)**	–
Capital contributions to associates		**(1,787,559)**	(103,591)
Purchase of available-for-sale financial assets		**(821,326)**	(354,976)
Proceeds from disposal of property, plant and equipment		**186,517**	853,970
Proceeds from disposal of prepaid lease payments		**725,768**	378,917
Proceeds from disposal of intangible assets		**24,024**	–
Proceeds from disposal of joint ventures		**–**	101,277
Proceeds from disposal of associates		**115,823**	151,996
Proceeds from disposal of available-for-sale financial assets		**205,043**	235,238
Net increase in pledged deposits		**(47,963)**	(847,227)
Dividends received from joint ventures	19	**–**	76,353
Dividends received from associates	20	**25,204**	30,408
Dividends received from available-for-sale financial assets		**177,487**	128,662
Net (placement) withdrawal of deposits with original maturity of over three months		**(1,327,146)**	880,702
Acquisition of subsidiaries, net of cash acquired	51	**218,338**	(541,877)
Disposal of subsidiaries, net of cash disposed	52	**(6,433)**	503,545
New other loan and receivables		**(16,270,155)**	(17,587,247)
Collection of other loan and receivables		**15,623,726**	18,696,563
Repayments of cash advances by related parties		**324,326**	–
New cash advances made to related parties		**(321,738)**	(18,700)
Government grants received related to assets		**86,430**	24,267
Net cash used in investing activities		**(10,891,583)**	(3,342,038)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Financing activities			
Capital injections from non-controlling interests		**1,006,855**	543,289
Proceeds from disposal of partial interest in a subsidiary without losing control		**–**	393,269
Issue of perpetual capital instruments	42	**9,100,000**	1,000,000
Interests paid on perpetual capital instruments		**(66,378)**	–
Contributions by owner		**–**	45,695
Proceed from initial public offering		**–**	10,542,336
Payment on transaction costs attributable to issue of new shares		**–**	(248,686)
Proceed from exercise of over-allotment		**565,759**	–
Payment on transaction costs attributable to exercise of all over-allotment		**(11,359)**	–
H shares issuance proceeds received on behalf of National Council for Social Security Fund ("NSSF") of the People's Republic of China ("PRC")		**56,523**	1,065,549
H shares issuance proceeds paid to NSSF		**(1,127,863)**	–
Acquisition of additional interests in subsidiaries		**(1,667,414)**	(129,437)
Interests paid on bank and other borrowings		**(3,295,895)**	(2,828,987)
Interests paid on corporate bonds		**(316,581)**	(176,835)
Interests paid on short-term financing notes		**(112,300)**	(162,712)
New bank and other borrowings		**27,394,631**	46,711,827
Repayment of bank and other borrowings		**(40,938,095)**	(29,902,088)
New corporate bonds		**20,800,000**	–
Repayment of corporate bonds		**(500,000)**	(500,000)
New short-term financing notes		**–**	7,000,000
Repayment of short-term financing notes		**(3,500,000)**	(7,000,000)
Proceeds from sales and leaseback transactions		**32,338**	22,176
Repayment of finance lease payables		**(239,747)**	(237,012)
Advances from related parties		**1,991,628**	–
Repayment to related parties		**(172,474)**	(31,372)
Dividends paid to owners	13	**(124,885)**	–
Other distribution to owners	13	**(2,523,073)**	–
Dividends paid to non-controlling interests		**(820,200)**	(692,836)
Expenditures paid on behalf of owner as other deemed distribution		**–**	(19,205)
Net cash from financing activities		**5,531,470**	25,394,971
Net (decrease) increase in cash and cash equivalents		**(692,055)**	18,218,741
Cash and cash equivalents at the beginning of the year		**47,236,932**	28,756,576
Effects of exchange rate changes		**229,208**	261,615
Cash and cash equivalents at the end of the year	31	**46,774,085**	47,236,932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was established in the PRC on 19 December 2014 as a joint stock company with limited liability as part of the reorganisation of ENERGY CHINA GROUP in preparation for the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Building No.106 Lize Zhongyuan, Chaoyang District, Beijing, the PRC. In the opinion of the directors of the Company (the "Directors"), ENERGY CHINA GROUP is the immediate and ultimate holding company of the Company.

The Company is listed on the Main Board of the Stock Exchange on 10 December 2015.

The consolidated financial statements are presented in Renminbi, which is the functional currency of the Company and most of its subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 7	*Disclosure Initiative*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2014-2016 Cycle*[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Other than as further explained below, the Directors anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at the cost less impairment, will either be measured as fair value through profit or loss or be designated FVTOCI. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected. Furthermore, the Directors also consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group perform a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB571,445,000 as disclosed in note 47.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characters into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of assets*.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combination other than common control combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefit* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combination other than common control combination (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter periods, regardless of the date of the common control combination.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy for business combination other than common control combination above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business. Revenue is recognised as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue for services rendered including research and development, feasibility study, and operation service provided under service concession arrangements, is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from survey, design and consultancy contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Anticipated losses are fully provided on contracts when identified.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Sale of goods is recognised when goods are delivered and title has passed.

Revenue from sale of properties in the ordinary course of business is recognised when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Service income including that from operating service provided under service concession arrangement is recognised when services are provided.

Dividend income from investments is recognised when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's policy for the recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for construction contracts. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for construction contracts.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and bills receivables.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the periods in which they become receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line items of administrative expenses and finance costs or finance income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payment arrangements

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (restricted shares) of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted.

Non-market performance and service conditions are included in assumptions about the number of restricted shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-market performance and service conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost or deemed cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of each item of investment property over its estimated useful life and after taking into account its estimated residual value, using straight-line method.

If an item of investment property becomes owner-occupied property because its use has changed as evidenced by commencement of owner-occupation, the cost and accumulated depreciation of that item at the date of transfer are transferred to property, plant and equipment for subsequent measurement and disclosure purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost or revalued amount, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less recognised impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an owner-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, the cost and accumulated depreciation of that item at the date of transfer are transferred to investment property for subsequent measurement and disclosure purposes.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. The management of the Group is of the view that amortisation method based on units-of-usage is a more appropriate and systematic way to reflect the pattern in which the future economic benefits of toll roads are expected to be consumed by the Group.

Amortisation of the wastewater treatment infrastructures is provided using the straight-line method over the service concession period.

Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Non-patented technologies, patents, computer software and other intangible assets purchased with finite useful lives are recorded at cost on initial acquisition and subsequently stated at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

An internally-generated intangible asset arising from development expenditure is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (other than goodwill) and investments in subsidiaries, associates and joint ventures

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the relevant lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are intended to be sold in the ordinary course of business upon completion of the relevant property development project. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as investment properties or property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial periods of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with interests/investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Completed properties/properties under development for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the land cost, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other directly attributable expenses. Net realisable value represents the selling price estimated by management based on prevailing market conditions less estimated costs of completion, where applicable, and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), available-for-sale equity investments ("AFSs") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter periods to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 45.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

AFSs

AFSs are non-derivatives that are either designated as available for sale or are not classified as loans and receivables nor financial assets at FVTPL.

Listed equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the reporting period. The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of the reporting period. Fair value is determined in the manner described in note 45.

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, other loans, pledged deposits, bank and cash balances) are measured at amortised cost using the effective interest method, less any identified impairment at the end of the reporting period.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For other financial asset, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent periods, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFSs, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter periods to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and bills payables, other payables, bank and other borrowings, corporate bonds, short-term financing notes and finance lease payables) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements in applying accounting policy

De facto control over subsidiary

There is a subsidiary of the Company, China Gezhouba Group Stock Company Limited ("CGGC") (note 18), in which the Company has less than 50% ownership interest and voting rights. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its influence over the entity which includes, but is not limited to:

(i) the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders;

(ii) potential voting rights held by the Group, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Key assumptions and uncertainties about accounting estimates

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

Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by the management. The Group's management estimates the contract revenue and contract costs of construction contracts based on the budgets prepared for the contracts at the beginning for each contract and, through regular reviews, revises the estimates when management considers there are changes in the assumptions in deriving the estimates throughout the contract period. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (continued)

Key assumptions and uncertainties about accounting estimates (continued)

Estimated impairment of receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. When there is objective evidence of impairment loss, the Group estimates the underlying future cash flows from recovering of the relevant receivables for impairment assessment purpose. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB73,532 million (31 December 2015: RMB63,614 million). Details of movements of allowance for trade receivables and other receivables are disclosed in notes 24 and 25 respectively.

Useful lives and residual value of property, plant and equipment

The Group's management estimates the residual value and useful lives of property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or will write-off or write-down technically obsolete assets.

As at 31 December 2016, the carrying amounts of property, plant and equipment of the Group is RMB29,532 million (2015: RMB27,702 million). Details of property, plant and equipment are disclosed in note 14.

Amortisation and impairment assessment of service concession arrangements

The Group recognised the concession rights on the construction and operation of toll roads as intangible assets. Amortisation is calculated based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads over the service concession period as estimated by the management. These intangible assets are amortised commencing from the date of commencement of commercial operation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (continued)

Key assumptions and uncertainties about accounting estimates (continued)

Amortisation and impairment assessment of service concession arrangements (continued)

The management of the Group makes judgement on the estimation of the total expected traffic volume over the service concession period. The total expected traffic volume over the respective service concession periods could change significantly. The Group reviews regularly the total expected traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be obtained. When the difference between the actual traffic volume and the previous estimated expected traffic volume of the same period is material or/and there are circumstances came to the attention of the management that the future traffic volume may be significantly different to previous estimate, the Group will review and revise, if considered appropriate, the total expected traffic volume of the remaining period of the service concession, and adjust the future amortisation in accordance with the revised total expected traffic volume. A significant portion of the amortisation of concession rights of RMB302,704,000 for the year ended 31 December 2016 (2015: RMB363,725,000) was relating to the amortisation of concession arrangements of toll roads, details of which are set out in note 17.

In addition, at the end of the reporting period, the management of the Group reviewed the carrying amounts of the concession rights to determine whether there was any indication that those assets have suffered an impairment loss. The management of the Group was of the view that there was no indication that concession rights have suffered any significant impairment loss on their carrying values at 31 December 2016. As such, no impairment loss on concession rights was charged to profit or loss during the year ended 31 December 2016 (2015: nil).

As at 31 December 2016, the carrying amount of the concession rights was RMB15,312 million (2015: RMB15,791 million). Details are set out in note 17.

Recognition of deferred tax assets

As at 31 December 2016, deferred tax assets of RMB1,413 million (31 December 2015: RMB1,125 million) have been recognised in the consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place. Besides, no deferred tax asset has been recognised in respect of certain deductible tax losses of RMB6,935,110,000 (31 December 2015: RMB7,953,016,000) and other deductible temporary differences of RMB2,422,357,000 (31 December 2015: RMB2,833,958,000), due to the unpredictability of future profit streams, details of which are set out in note 23. In cases where the actual future profits generated are higher than expected, the deferred tax assets will be adjusted and recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which such a situation takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (continued)

Key assumptions and uncertainties about accounting estimates (continued)

Land appreciation tax

The Group is subject to land appreciation tax in the PRC, according to the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon completion of the property development projects. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognises land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the period in which such tax is finalised with local tax authorities.

As at 31 December 2016, the amount of prepayments for land appreciation tax included as part of prepaid taxes in the prepayments, deposits and other receivables (note 25) in the consolidated statement of financial position was RMB180,728,000 (31 December 2015: RMB34,958,000).

As at 31 December 2016, the amount of provision for land appreciation tax which was included in income tax payable on the consolidated statement of financial position were RMB148,621,000 (31 December 2015: RMB85,890,000).

Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in note 38. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	2016 RMB'000	2015 RMB'000
Revenue from:		
Survey, design and consulting services	**12,031,568**	12,211,748
Infrastructure construction contracts	**155,114,125**	147,540,475
Rendering of other services	**26,920,532**	21,400,294
Sale of properties	**9,933,256**	7,656,652
Sale of goods	**18,171,544**	16,883,780
Total	**222,171,025**	205,692,949

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 services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farm 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 and civil construction projects ("Infrastructure construction contracts");

- 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 ("Equipment manufacturing");

- Manufacturing and sales of civil explosives and cement, and the provision of blasting services for construction projects ("Civil explosives and cement production");

- Investing in and operating power plants, infrastructure projects (such as railways and roads) and environmental water project operation, as well as engaging in the real estate developing business ("Investment and other businesses").

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 3 above.

Segment revenue and results

For the year ended 31 December 2016

	Survey, design and consulting services RMB'000	Infrastructure construction contracts RMB'000	Equipment manufacturing RMB'000	Civil explosives and cement production RMB'000	Investment and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue							
External segment revenue	12,031,568	155,114,125	9,843,086	8,328,458	36,853,788	–	222,171,025
Inter-segment revenue	941,056	5,944,043	627,992	–	644,454	(8,157,545)	–
Segment revenue	12,972,624	161,058,168	10,471,078	8,328,458	37,498,242	(8,157,545)	222,171,025
Segment results	2,234,281	4,655,183	127,752	1,265,532	3,213,938	(217,390)	11,279,296
Unallocated items							
Cost of sales							(1,188)
Other income							823,845
Other gains and losses							69,733
Selling expenses							(8,717)
Administrative expenses							(349,635)
Research and development expenses							(6,508)
Finance income							581,211
Finance costs							(2,671,207)
Share of losses of joint ventures							(7,703)
Share of losses of associates							(62,054)
Profit before tax							9,647,073

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2015

	Survey, design and consulting services RMB'000	Infrastructure construction contracts RMB'000	Equipment manufacturing RMB'000	Civil explosives and cement production RMB'000	Investment and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue							
External segment revenue	12,211,748	147,540,475	9,003,470	7,880,310	29,056,946	–	205,692,949
Inter-segment revenue	242,986	5,632,345	694,556	–	17,701	(6,587,588)	–
Segment revenue	12,454,734	153,172,820	9,698,026	7,880,310	29,074,647	(6,587,588)	205,692,949
Segment results	2,536,069	4,093,262	383,171	1,224,470	2,543,263	(243,677)	10,536,558
Unallocated items							
Cost of sales							(274,592)
Other income							881,638
Other gains and losses							167,399
Selling expenses							(10,569)
Administrative expenses							(426,850)
Research and development expenses							(4,519)
Finance income							731,342
Finance costs							(3,002,102)
Share of profits of joint ventures							10,909
Share of losses of associates							(23,315)
Profit before tax							8,585,899

The accounting policies of the operating segments are the same as the Group's accounting policies described in the note 3. Segment profit represents the profit earned by each segment without allocation of certain cost of sales, other income, other gains and losses, selling expenses, administrative expenses, research and development expenses, finance income, finance costs, share of results of joint ventures and share of results of associates. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. REVENUE AND 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:

	2016 RMB'000	2015 RMB'000
Segment revenue		
Mainland China	**189,345,923**	176,270,112
Overseas:		
Pakistan	**6,776,712**	4,134,464
Vietnam	**3,251,735**	1,286,978
Philippines	**1,910,585**	2,286,781
Others	**20,886,070**	21,714,614
Total	**222,171,025**	205,692,949

	2016 RMB'000	2015 RMB'000
Non-current assets		
Mainland China	**62,356,062**	58,893,783
Overseas:		
Vietnam	**895,516**	217,249
Liberia	**152,459**	143,843
State of Libya	**93,299**	110,948
Ethiopia	**48,567**	110,011
Others	**733,564**	169,026
Total	**64,279,467**	59,644,860

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major customers

There is no major individual customers contributing over 10% of the total revenue of the Group for the year ended 31 December 2016 (2015: nil).

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.

6. OTHER INCOME

	2016 **RMB'000**	2015 RMB'000
Government grants		
– grants related to income (note)	**1,292,945**	597,256
– grants related to assets (note 40)	**24,686**	22,995
Dividend income from available-for-sale financial assets	**174,232**	135,711
Dividend income from financial assets at FVTPL	**850**	1,895
Compensation income on contract violation	**15,249**	17,487
Waiver of certain payables from suppliers and others	**66,212**	106,294
Total	**1,574,174**	881,638

Note:

Government grants include various government subsidies received by the Group from 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 31 December 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Net foreign exchange gain	**304,220**	7,765
Gain / (loss) on disposal of:		
– Associates	**44,248**	27,500
– Financial assets at FVTPL	**14,338**	193,401
– Available-for-sale financial assets	**2,778**	38,482
– Property, plant and equipment	**32,971**	9,717
– Prepaid lease payments	**351,739**	637,161
– Subsidiaries (note 52)	**230,045**	545,521
– Investment properties	**–**	(21)
– Intangible assets	**(306)**	(16,305)
Impairment loss recognised in respect of:		
– Trade receivables (note 24)	**(443,151)**	(440,231)
– Other receivables (note 25)	**(333,835)**	(124,158)
– Available-for-sale financial assets	**–**	(43,427)
– Interests in associates	**–**	(988)
– Property, plant and equipment (note 14)	**(314,088)**	(45,734)
– Prepaid lease payments (note 15)	**(5,491)**	(41,279)
– Investment properties (note 16)	**(867)**	(13,788)
– Intangible assets (note 17)	**–**	(1,150)
Fair value changes of financial assets at FVTPL	**(15,217)**	(41,224)
Excess of fair value of the previously-held interests in a joint venture (note 51)	**111,161**	–
Cumulative gain on disposal of available-for-sale financial assets	**659**	101,676
Others	**90,529**	11,036
Total	**69,733**	803,954

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

8. FINANCE INCOME AND FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest income on:		
Bank and cash balances and pledged deposits	**310,420**	316,976
Other loans	**203,990**	339,426
Defined benefit plan assets	**66,801**	74,940
Total finance income	**581,211**	731,342
Interest expenses on:		
Bank and other borrowings	**3,202,360**	2,800,950
Corporate bonds	**529,930**	334,617
Finance leases	**22,586**	35,211
Discounted bills	**41,614**	46,311
Short-term financing notes	**96,319**	120,921
Defined benefit obligations	**286,262**	457,363
	4,179,071	3,795,373
Less: Interest capitalised in		
– Construction in progress	**93,467**	59,737
– Properties under development for sale	**1,414,397**	733,534
Total finance costs	**2,671,207**	3,002,102

Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings, corporate bonds and short-term financing notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2016 RMB'000	2015 RMB'000
Directors' and supervisors' emoluments (note 10)	**6,274**	4,414
Other staff costs:		
Salaries and other labor costs	**16,311,143**	16,161,295
Retirement benefits and pensions	**2,498,931**	2,402,638
Other social benefits	**3,963,872**	3,852,868
Total staff and labor costs	**22,780,220**	22,421,215
Less: Capitalised in construction in progress	**(11,112)**	(8,081)
Less: Capitalised in properties under development for sale	**(23,740)**	(22,004)
	22,745,368	22,391,130
Depreciation:		
– Property, plant and equipment (note 14)	**2,601,818**	2,757,005
– Investment properties (note 16)	**32,913**	33,338
Less: released from deferred revenue under sales and leaseback transactions (note 40)	**(11,250)**	(9,575)
	2,623,481	2,780,768
Less: Capitalised in construction in progress	**(3,045)**	(4,861)
Less: Capitalised in properties under development for sale	**(6,434)**	(2,388)
	2,614,002	2,773,519
Amortisation:		
– Intangible assets (included in cost of sales)	**361,700**	361,692
– Intangible assets (included in administrative expenses)	**114,837**	188,448
– Intangible assets (included in selling expenses)	**487**	546
Subtotal (note 17)	**477,024**	550,686
– Prepaid lease payments (note 15)	**190,361**	189,036
Less: Capitalised in construction in progress	**(1,524)**	(1,868)
	665,861	737,854
Auditor's remuneration	**21,640**	16,950
(Reversal) recognition of allowance on:		
– Inventories	**(71,923)**	235,974
– Trade receivables (note 24)	**443,151**	440,231
– Other receivables (note 25)	**333,835**	124,158
Cost of inventories recognised as expense	**60,335,081**	58,161,371
Operating lease expenses	**387,703**	407,363
Gross rental income from investment properties	**(54,332)**	(51,189)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	**37,871**	35,309
	(16,461)	(15,880)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors', chief executive's and supervisors' remuneration of the Company during the year are as follows:

	2016 RMB'000	2015 RMB'000
Directors' fee	**487**	319
Salaries and other allowances	**1,578**	1,418
Discretionary bonus	**3,932**	2,413
Retirement benefit scheme contributions	**277**	264
Total	**6,274**	4,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

2016

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2016					
Executive directors and chief executive:					
Mr. WANG Jianping	–	215	829	49	1,093
Mr. DING Yanzhang (chief executive)	–	215	796	49	1,060
Mr. ZHANG Xianchong	–	196	747	49	992
	–	626	2,372	147	3,145
The executive directors and chief executive's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.					
Non-executive director:					
Mr. MA Chuanjing	–	–	–	–	–
Independent non-executive directors:					
Mr. DING Yuanchen	133	–	–	–	133
Mr. WANG Bin	107	–	–	–	107
Mr. ZHENG Qiyu	129	–	–	–	129
Mr. ZHANG Yuming	118	–	–	–	118
	487	–	–	–	487
The non-executive director's emoluments shown above was mainly for his services as Director or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as Directors.					
Supervisors:					
Mr. WANG Baoguo (Resigned in July 2016)	–	108	742	28	878
Mr. WANG Zengyong (Appointed in November 2016)	–	28	27	4	59
Mr. LIAN Yongjiu	–	326	396	49	771
Mr. MAO Xiangqian (Resigned in May 2016)	–	74	178	12	264
Mr. KAN Zhen (Appointed in May 2016)	–	246	217	37	500
Mr. WEI Zhongxin	–	83	–	–	83
Mr. FU Dexiang	–	87	–	–	87
	–	952	1,560	130	2,642
Total	487	1,578	3,932	277	6,274

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

2015

	Directors' fee RMB '000	Salaries and other allowances RMB '000	Discretionary bonus RMB '000	Retirement benefit scheme contributions RMB '000	Total RMB '000
For the year ended 31 December 2015					
Executive directors and chief executive:					
Mr. WANG Jianping	–	186	415	44	645
Mr. DING Yanzhang (chief executive)	–	186	415	44	645
Mr. ZHANG Xianchong	–	171	373	44	588
	–	543	1,203	132	1,878
The executive directors and chief executive's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.					
Non-executive director:					
Mr. MA Chuanjing	–	–	–	–	–
Independent non-executive directors:					
Mr. DING Yuanchen	95	–	–	–	95
Mr. WANG Bin	92	–	–	–	92
Mr. ZHENG Qiyu	76	–	–	–	76
Mr. ZHANG Yuming (Appointed in May 2015)	56	–	–	–	56
	319	–	–	–	319
The non-executive director's emoluments shown above was mainly for his services as Director or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as Directors.					
Supervisors:					
Mr. WANG Baoguo	–	163	352	44	559
Mr. LIAN Yongjiu	–	323	444	44	811
Mr. MAO Xiangqian	–	295	414	44	753
Mr. WEI Zhongxin (Appointed in May 2015)	–	46	–	–	46
Mr. FU Dexiang (Appointed in May 2015)	–	48	–	–	48
	–	875	1,210	132	2,217
Total	319	1,418	2,413	264	4,414

10. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (continued)

The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

Five highest paid individuals

For the year ended 31 December 2016, the five highest paid employees were not Directors, supervisors nor chief executive of the Group.

Details of the remuneration of the five highest paid individuals during the year are as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries and other allowances	**3,857**	1,280
Discretionary bonus	**4,367**	5,667
Retirement benefit scheme contributions	**212**	221
	8,436	7,168

Discretionary bonuses are calculated based on the Group's or respective member's performance for such financial year.

The number of the five highest paid individuals whose remuneration fell within the following bands is as follows:

	2016	2015
Hong Kong Dollar ("HKD") 1,000,001 to HKD1,500,000	**–**	–
HKD1,500,001 to HKD2,000,000	**3**	5
HKD2,000,001 to HKD2,500,000	**2**	–
	5	5

During the year, no emoluments were paid by the Group to any of the Directors, supervisors, chief executive, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors, supervisors and chief executive has waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current enterprise income tax	**2,150,015**	1,761,985
Deferred tax (note 23)	**(150,131)**	152,779
Land appreciation tax ("LAT")	**208,608**	200,772
	2,208,492	2,115,536

The majority of the entities in the Group are located in Mainland China. Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, which were exempted or taxed at a preferential rate of 15% during the reporting period primarily due to their status as entities engaging in technology development or development projects in the western part of Mainland China, the PRC entities within the Group are subject to corporate income tax at a rate of 25%.

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.

The taxation for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	**9,647,073**	8,585,899
Tax at the applicable tax rate of 25%	**2,411,768**	2,146,475
Effect of expenses that are not deductible for tax purposes	**100,464**	84,818
Tax effect of share of loss (profit) of joint ventures	**1,926**	(2,727)
Tax effect of share of loss of associates	**7,808**	5,829
Effect of tax-free income	**(63,324)**	(133,221)
Effect of unrecognised deductible losses and unrecognised deductible temporary differences	**681,045**	738,101
Effect of using previously unrecognised deductible losses and previously unrecognised deductible temporary differences	**(239,025)**	(242,261)
Preferential tax policies	**(848,425)**	(650,957)
LAT	**208,608**	200,772
Tax effect of LAT	**(52,152)**	(50,193)
Others	**(201)**	18,900
Taxation for the year	**2,208,492**	2,115,536

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**4,281,292**	4,235,671

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**30,013,486**	22,082,192

The computation of diluted earnings per share for both years do not assume the exercise of over-allotment option pursuant to the listing of the Company's H shares on the Stock Exchange since the exercise price is higher than the average market price during the exercise period of this option.

The potential dilutive effect arising from restricted share scheme (note 43) is not considered in the calculation of the diluted earnings per share as the dilution effect is not considered material.

13. DIVIDENDS

On 3 August 2015, the Company made a special resolution to make a special distribution to the then shareholders of the Company (the "Special Distribution") in an amount equal to the Group's profit attributable to the equity owners of the Company derived from 1 January 2015 to 31 October 2015. The Special Distribution amounting to RMB2,523.07 million was determined based on the audited consolidated financial statements of the Company prepared in accordance with the relevant accounting policies and financial regulations in the PRC (the "PRC GAAP") for the ten months ended 31 October 2015, after allowance has been made for the allocation to the statutory reserve and after giving effect to relevant necessary adjustments. The Special Distribution had been paid before the year ended 31 December 2016. Details of the above Special Distribution are set out in the Company's announcement dated 13 December 2016.

During the year, a final dividend of RMB0.00416 per share in respect of the year ended 31 December 2015, comprising 29,600,000,000 shares existed as at 31 December 2015 together with 420,396,364 new shares issued by the Company on the exercise of the over-allotment option on 8 January 2016, was approved at the annual general meeting of the Company held on 8 June 2016. The aggregate amount of the final dividends of the year ended 31 December 2015 approved and paid in the current year amounted to RMB124,884,849.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. DIVIDENDS (continued)

A final dividend of RMB0.0296 per share in respect of the year ended 31 December 2016, comprising 30,020,396,000 shares existing as at 31 December 2016, has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Transportation vehicles/ vessels RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2015	17,687,259	16,922,018	3,358,555	1,225,575	392,477	687,056	1,751,001	42,023,941
Additions	490,680	807,935	202,669	212,860	149,003	6,807	2,746,233	4,616,187
Transfer within property, plant and equipment	753,696	866,941	12,659	56,827	15,880	20,269	(1,726,272)	–
Acquisition of subsidiaries (note 51)	293,084	20,766	2,876	4,274	441	182	–	321,623
Contribution by owner	4,609	913	1,329	778	–	–	–	7,629
Transfer from investment properties (note 16)	38,464	–	–	–	–	–	–	38,464
Write off/disposals	(94,159)	(797,691)	(270,231)	(174,371)	(79,764)	(105,142)	–	(1,521,358)
Disposal of subsidiaries (note 52)	(530,646)	(294,130)	(3,795)	(93)	(1,462)	(17)	(12,680)	(842,823)
Transfer to investment properties (note 16)	(135,141)	–	–	–	–	–	–	(135,141)
Exchange adjustment	245	33,066	7,066	1,290	(57)	(334)	(90)	41,186
At 31 December 2015	18,508,091	17,559,818	3,311,128	1,327,140	476,518	608,821	2,758,192	44,549,708
Additions	**390,901**	**814,751**	**167,504**	**127,757**	**9,951**	**54,563**	**3,282,973**	**4,848,400**
Transfer within property, plant and equipment	**2,084,033**	**2,520,344**	**16,292**	**58,803**	**–**	**20,798**	**(4,700,270)**	**–**
Acquisition of subsidiaries (note 51)	**–**	**–**	**–**	**420**	**107**	**–**	**5,218**	**5,745**
Transfer from investment properties (note 16)	**20,027**	**–**	**–**	**–**	**–**	**–**	**–**	**20,027**
Write off/disposals	**(79,406)**	**(692,818)**	**(154,093)**	**(85,138)**	**(25,263)**	**(17,471)**	**–**	**(1,054,189)**
Disposal of subsidiaries (note 52)	**–**	**(5,890)**	**(2,429)**	**–**	**(682)**	**–**	**–**	**(9,001)**
Transfer to investment properties (note 16)	**(1,669)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,669)**
Exchange adjustment	**–**	**64,969**	**22,889**	**2,016**	**136**	**2,465**	**(2,597)**	**89,878**
At 31 December 2016	**20,921,977**	**20,261,174**	**3,361,291**	**1,430,998**	**460,767**	**669,176**	**1,343,516**	**48,448,899**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Machinery RMB'000	Transportation vehicles/ vessels RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT								
At 1 January 2015	(3,576,719)	(8,636,403)	(2,034,945)	(802,101)	(277,443)	(361,583)	–	(15,689,194)
Provided for the year (note 9)	(743,670)	(1,354,782)	(365,062)	(173,284)	(57,158)	(63,049)	–	(2,757,005)
Transfer from investment properties (note 16)	(14,470)	–	–	–	–	–	–	(14,470)
Write off/disposals	44,924	556,450	269,879	170,275	74,566	70,387	–	1,186,481
Disposal of subsidiaries (note 52)	209,041	275,910	3,090	40	1,087	9	–	489,177
Transfer to investment properties (note 16)	11,639	–	–	–	–	–	–	11,639
Impairment for the year (note 7)	(24,653)	(17,314)	(1,705)	(487)	(212)	–	(1,363)	(45,734)
Exchange adjustment	–	(19,359)	(8,490)	(624)	(46)	(145)	–	(28,664)
At 31 December 2015	(4,093,908)	(9,195,498)	(2,137,233)	(806,181)	(259,206)	(354,381)	(1,363)	(16,847,770)
Provided for the year (note 9)	**(669,165)**	**(1,363,529)**	**(299,975)**	**(161,843)**	**(42,671)**	**(64,635)**	**–**	**(2,601,818)**
Transfer from investment properties (note 16)	**(2,555)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,555)**
Write off/disposals	**47,484**	**617,868**	**138,076**	**62,144**	**23,853**	**11,218**	**–**	**900,643**
Disposal of subsidiaries (note 52)	**–**	**3,346**	**2,308**	**–**	**550**	**–**	**–**	**6,204**
Transfer to investment properties (note 16)	**177**	**–**	**–**	**–**	**–**	**–**	**–**	**177**
Impairment for the year (note 7)	**(72,497)**	**(213,219)**	**(613)**	**(215)**	**(293)**	**(155)**	**(27,096)**	**(314,088)**
Exchange adjustment	**–**	**(37,934)**	**(16,411)**	**(1,112)**	**(36)**	**(2,112)**	**–**	**(57,605)**
At 31 December 2016	**(4,790,464)**	**(10,188,966)**	**(2,313,848)**	**(907,207)**	**(277,803)**	**(410,065)**	**(28,459)**	**(18,916,812)**
CARRYING VALUES								
At 31 December 2016	**16,131,513**	**10,072,208**	**1,047,443**	**523,791**	**182,964**	**259,111**	**1,315,057**	**29,532,087**
At 31 December 2015	14,414,183	8,364,320	1,173,895	520,959	217,312	254,440	2,756,829	27,701,938

Property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values at the following years:

Buildings	8-40 years
Machinery	4-22 years
Transportation vehicles/vessels	4-30 years
Electronic equipment	3-10 years
Office equipment	5-10 years
Others	4-15 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at the end of each reporting period, there was indication that certain specific property, plant and equipment have suffered an impairment loss due to the change of the market condition. The recoverable amount of these assets were estimated by management of the Group in order to determine the extent of the impairment loss. Impairment on property, plant and equipment of RMB314,088,000 was made for the year ended 31 December 2016 (2015: RMB45,734,000) to reduce the carrying value of certain property, plant and equipment to the recoverable amount. These impairment losses were primarily due to the expected future losses of the cash generating units to which the assets belong. The recoverable amount is calculated based on the higher of assets' value in use or fair value less cost of disposal.

The Group pledged certain buildings with carrying values of approximately RMB975,091,000 as at 31 December 2016 (31 December 2015: RMB881,325,000) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 49.

The carrying amounts of property, plant and equipment held under finance leases as at 31 December 2016 amounted to RMB417,292,000 (31 December 2015: RMB596,772,000). Leased assets are pledged as security for the related finance lease liabilities, details of which are set out in note 35.

As at 31 December 2016, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amounts of approximately RMB461 million (31 December 2015: RMB363 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
COST		
At beginning of the year	**8,745,027**	8,395,861
Additions	**523,763**	495,299
Acquisition of subsidiaries (note 51)	**2,811**	32,349
Disposal of subsidiaries (note 52)	**–**	(28,103)
Disposals	**(142,814)**	(150,379)
At end of the year	**9,128,787**	8,745,027
AMORTISATION AND IMPAIRMENT		
At beginning of the year	**(510,891)**	(382,537)
Provided for the year (note 9)	**(190,361)**	(189,036)
Disposal of subsidiaries (note 52)	**–**	4,174
Disposals	**4,985**	97,787
Impairment for the year (note 7)	**(5,491)**	(41,279)
At end of the year	**(701,758)**	(510,891)
CARRYING VALUES		
At end of the year	**8,427,029**	8,234,136
At beginning of the year	**8,234,136**	8,013,324
Analysed for reporting purposes as:		
Non-current	**8,213,342**	8,042,079
Current	**213,687**	192,057
	8,427,029	8,234,136

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. PREPAID LEASE PAYMENTS (continued)

As at 31 December 2016, the Group pledged leasehold land with carrying value of RMB346,952,000 (31 December 2015: RMB90,837,000) to secure loan facilities of the Group. Details of pledge of assets are set out in note 49.

As at 31 December 2016, the Group was in the process of applying the title certificates of certain of its land use rights in the PRC with aggregate carrying amount of approximately RMB15 million (31 December 2015: RMB16 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

16. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	RMB'000
COST		
At the beginning of the year	**824,965**	720,879
Transfer from property, plant and equipment (note 14)	**1,669**	135,141
Disposals	**–**	(6,351)
Transfer to property, plant and equipment (note 14)	**(20,027)**	(38,464)
Additions	**255**	13,760
At the end of the year	**806,862**	824,965
ACCUMULATED DEPRECIATION		
At the beginning of the year	**(131,451)**	(93,486)
Transfer from property, plant and equipment (note 14)	**(177)**	(11,639)
Provided for the year (note 9)	**(32,913)**	(33,338)
Disposals	**–**	6,330
Transfer to property, plant and equipment (note 14)	**2,555**	14,470
Impairment for the year (note 7)	**(867)**	(13,788)
At the end of the year	**(162,853)**	(131,451)
CARRYING VALUES	**644,009**	693,514

16. INVESTMENT PROPERTIES (continued)

The above investment properties are depreciated on a straight-line basis taking into account their estimated residual value, over the estimated useful lives of 15 to 40 years, which is the shorter of the lease term of land and estimated useful lives of buildings.

As at 31 December 2016, the Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB84 million (31 December 2015: RMB88 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy and use these investment properties without incurring significant costs. The Directors are of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

As at 31 December 2016, the Group pledged investment properties with carrying value of RMB67 million (31 December 2015: RMB69 million) to secure loan facilities of the Group. Details of pledge of assets are set out in note 49.

The carrying amount of investment properties included the Group's leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, as such the entire lease is classified as finance lease and accounted for as investment properties.

The carrying amount of the Group's investment properties as at 31 December 2016 was RMB644 million (31 December 2015: RMB694 million). The aggregate fair value of the Group's investment properties as at 31 December 2016 was RMB1,192 million (31 December 2015: RMB1,235 million), including the fair value of the underlying buildings and land use rights.

The fair value of the investment properties as at 31 December 2015 and 2016 has been arrived at based on a valuation carried out by DTZ Cushman & Wakefield Limited (the "DTZ"), independent valuer not connected with the Group, based on the income approach and direct comparison approach. The Directors are of the view that it is the best estimate of the fair value of these investment properties.

There has been no change from the valuation technique used for the reporting period. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16. INVESTMENT PROPERTIES (continued)

Details of the carrying values of the Group's investment properties and information about the fair value hierarchy were as follows:

	Carrying value as at		(Level 3) Fair value as at	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Located in Anhui	**106,254**	112,277	**147,510**	149,330
Located in Yunnan	**96,007**	100,510	**116,480**	118,960
Located in Sichuan	**78,703**	97,794	**128,410**	171,370
Located in Shaanxi	**92,559**	95,054	**235,810**	235,510
Located in Xinjiang	**74,439**	78,001	**75,110**	78,640
Located in Jilin	**38,295**	39,790	**39,900**	39,790
Located in Hunan	**33,746**	35,444	**94,944**	90,830
Located in Zhejiang	**29,539**	34,408	**70,780**	71,670
Located in Jiangsu	**39,852**	42,334	**96,000**	96,000
Located in Liaoning	**21,792**	22,729	**41,200**	40,960
Located in Guangxi	**10,326**	11,045	**55,450**	55,240
Located in Hubei	**8,386**	8,795	**10,740**	10,710
Located in Tianjin	**6,256**	6,965	**33,720**	31,370
Located in Hebei	**5,139**	5,440	**6,150**	6,020
Located in Shanxi	**1,894**	2,055	**4,590**	4,590
Located in Gansu	**700**	751	**2,010**	2,000
Located in Guangdong	**122**	122	**33,290**	32,090
	644,009	693,514	**1,192,094**	1,235,080

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

17. INTANGIBLE ASSETS

	Patent & unpatented technology RMB'000	Software RMB'000	Mining rights RMB'000	Concession rights RMB'000	Others RMB'000	Total RMB'000
COST						
At 1 January 2015	156,439	490,601	91,634	17,956,191	154,323	18,849,188
Additions	20,111	78,097	53,969	516,569	76,462	745,208
Acquisition of subsidiaries (note 51)	56,128	–	–	59,657	–	115,785
Transfer within intangible assets	–	3,717	–	–	(3,717)	–
Disposal of subsidiaries (note 52)	–	(197)	–	–	–	(197)
Write off/disposal	(33)	(10,118)	(28,957)	(2,165)	(21,461)	(62,734)
At 31 December 2015	232,645	562,100	116,646	18,530,252	205,607	19,647,250
Additions	**3,383**	**92,588**	**23,222**	**1,875,347**	**86,853**	**2,081,393**
Acquisition of subsidiaries (note 51)	**–**	**14**	**–**	**–**	**36,269**	**36,283**
Transfer within intangible assets	**27,451**	**(19,634)**	**–**	**–**	**(7,817)**	**–**
Disposal of subsidiaries (note 52)	**–**	**(430)**	**–**	**(3,363,954)**	**(4,771)**	**(3,369,155)**
Write off/disposal	**(625)**	**(2,281)**	**(24,011)**	**–**	**–**	**(26,917)**
At 31 December 2016	**262,854**	**632,357**	**115,857**	**17,041,645**	**316,141**	**18,368,854**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2015	(38,351)	(251,352)	(18,413)	(2,375,826)	(24,982)	(2,708,924)
Provided for the year (note 9)	(27,542)	(103,812)	(33,734)	(363,725)	(21,873)	(550,686)
Disposal of a subsidiary (note 52)	–	95	–	–	–	95
Write off/disposal	13	1,102	27,957	87	17,270	46,429
Impairment for the year (note 7)	(495)	(655)	–	–	–	(1,150)
At 31 December 2015	(66,375)	(354,622)	(24,190)	(2,739,464)	(29,585)	(3,214,236)
Provided for the year (note 9)	**(32,261)**	**(126,201)**	**(6,031)**	**(302,704)**	**(9,827)**	**(477,024)**
Disposal of a subsidiary (note 52)	**–**	**218**	**–**	**1,312,987**	**–**	**1,313,205**
Transfer within intangible assets	**(21,849)**	**21,849**	**–**	**–**	**–**	**–**
Write off/disposal	**507**	**2,080**	**–**	**–**	**–**	**2,587**
At 31 December 2016	**(119,978)**	**(456,676)**	**(30,221)**	**(1,729,181)**	**(39,412)**	**(2,375,468)**
CARRYING VALUES						
At 31 December 2016	**142,876**	**175,681**	**85,636**	**15,312,464**	**276,729**	**15,993,386**
At 31 December 2015	166,270	207,478	92,456	15,790,788	176,022	16,433,014

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

17. INTANGIBLE ASSETS (continued)

The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a BOT basis in respect of its toll road operations and wastewater treatment plants. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads and wastewater treatment plants, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain the infrastructures at a specified level of serviceability and also maintain the infrastructure to an acceptable level of working conditions before handling over the infrastructures to the grantors; and (iii) is entitled to operate the toll roads and the wastewater treatment plants upon completion for a specified concession period from 25 to 30 years by charging users of the public service. The Group will not hold any residual interest in the toll roads and the wastewater treatment plants upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equal to the fair value of the consideration for provision of construction service upon initial recognition.

The rights in respect of toll road income under two (31 December 2015: three) concession agreements with an aggregate carrying amount of RMB7,721,317,000 as at 31 December 2016 (31 December 2015: RMB10,008,105,000) were pledged to obtain bank borrowings (note 49).

Except for mining rights and concession rights related to toll roads, intangible assets are amortised using the straight-line method at the following years:

Patent & unpatented technology	10 years
Software	5 years
Concession right related to wastewater treatment plants	20-30 years
Others	5-10 years

Amortisation for mining rights is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Amortisation of the toll roads infrastructures is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. SUBSIDIARIES

Details of the Company's principal directly-held subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Date and place of establishment/operation	Paid up registered capital RMB	Equity interests attributable to the Group at 31 December 2016	2015	Principal activities
中國能源建設集團東北電力第一工程有限公司 China Energy Engineering Group Northeast No. 1 Electric Power Engineering Co., Ltd. (Note i)	16 September 1951 PRC	409,100,000	**100%**	100%	Construction
中國能源建設集團安徽電力建設第二工程有限公司 China Energy Engineering Group Anhui No. 2 Electric Power Construction Engineering Co., Ltd. (Note i)	9 November 1952 PRC	201,261,650	**100%**	100%	Construction
中國能源建設集團黑龍江省火電第三工程有限公司 China Energy Engineering Group Heilongjiang No. 3 Thermal Power Engineering Co., Ltd. (Note i)	1 January 1962 PRC	350,000,000	**100%**	100%	Construction
中國能源建設集團天津電力建設有限公司 China Energy Engineering Group Tianjin Electric Power Construction Co., Ltd. (Note i)	15 December 1980 PRC	604,900,000	**100%**	100%	Construction
中國能源建設集團浙江火電建設有限公司 China Energy Engineering Group Zhejiang Thermal Power Construction Co., Ltd. (Note i)	6 April 1982 PRC	720,100,000	**100%**	100%	Construction
中國能源建設集團安徽電力建設第一工程有限公司 China Energy Engineering Group Anhui No.1 Electric Power Construction Engineering Co., Ltd. (Note i)	11 December 1982 PRC	254,314,000	**100%**	100%	Construction
中國能源建設集團天津電力設計院有限公司 China Energy Engineering Group Tianjin Electric Power Design Institute Co., Ltd. (Note i)	15 March 1985 PRC	100,000,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團東北電力第三工程有限公司 China Energy Engineering Group Northeast No. 3 Electric Power Engineering Co., Ltd. (Note i)	7 April 1985 PRC	205,000,000	**100%**	100%	Construction
中國能源建設集團東北電力第二工程有限公司 China Energy Engineering Group Northeast No. 2 Electric Power Engineering Co., Ltd. (Note i)	27 March 1986 PRC	103,072,700	**100%**	100%	Construction
中國能源建設集團廣東火電工程有限公司 China Energy Engineering Group Guangdong Thermal Power Engineering Co., Ltd. (Note i)	12 May 1986 PRC	1,041,200,000	**100%**	100%	Construction
中國能源建設集團山西省電力勘測設計院有限公司 China Energy Engineering Group Shanxi Electric Power Design Institute Co., Ltd. (Note i)	31 July 1986 PRC	632,600,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團雲南省電力設計院有限公司 China Energy Engineering Group Yunnan Electric Power Design Institute Co., Ltd. (Note i)	1 March 1987 PRC	200,000,000	**100%**	100%	Survey, design, consulting and construction

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. SUBSIDIARIES (continued)

Name of subsidiary	Date and place of establishment/operation	Paid up registered capital RMB	Equity interests attributable to the Group at 31 December 2016	2015	Principal activities
中國能源建設集團江蘇省電力建設第三工程有限公司 China Energy Engineering Group Jiangsu No. 3 Electric Power Construction Engineering Co., Ltd. (Note i)	10 September 1987 PRC	260,000,000	**100%**	100%	Construction
中國能源建設集團山西電力建設有限公司 China Energy Engineering Group Shanxi Electric Power Construction Co., Ltd. (Note i)	12 May 1988 PRC	377,000,000	**100%**	100%	Construction
中國能源建設集團新疆電力設計院有限公司 China Energy Engineering Group Xinjiang Electric Power Design Institute Co., Ltd. (Note i)	3 August 1989 PRC	105,700,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團廣東電力工程局有限公司 China Energy Engineering Group Guangdong Electric Power Engineering Co., Ltd. (Note i)	26 August 1989 PRC	118,900,000	**100%**	100%	Construction
中國能源建設集團陝西省電力設計院有限公司 China Energy Engineering Group Shaanxi Electric Power Design Institute Co., Ltd. (Note i)	18 November 1989 PRC	105,800,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團安徽省電力設計院有限公司 China Energy Engineering Group Anhui Electric Power Design Institute Co., Ltd. (Note i)	3 January 1990 PRC	136,200,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團遼寧電力勘測設計院有限公司 China Energy Engineering Group Liaoning Electric Power Design Institute Co., Ltd. (Note i)	29 March 1990 PRC	116,800,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團甘肅省電力設計院有限公司 China Energy Engineering Group Gansu Electric Power Design Institute Co., Ltd. (Note i)	12 April 1990 PRC	99,800,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團江蘇省電力設計院有限公司 China Energy Engineering Group Jiangsu Electric Power Design Institute Co., Ltd. (Note i)	21 September 1990 PRC	316,600,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團江蘇省電力建設第一工程有限公司 China Energy Engineering Group Jiangsu No. 1 Electric Power Construction Engineering Co., Ltd. (Note i)	17 July 1991 PRC	175,565,300	**100%**	100%	Construction
中國能源建設集團黑龍江省電力設計院有限公司 China Energy Engineering Group Heilongjiang Electric Power Design Institute Co., Ltd. (Note i)	24 April 1993 PRC	103,249,250	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團湖南省電力設計院有限公司 China Energy Engineering Group Hunan Electric Power Design Institute Co., Ltd. (Note i)	13 October 1993 PRC	80,000,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團西北電力建設工程有限公司 China Energy Engineering Group Northwest Electric Power Construction Engineering Co., Ltd. (Note i)	13 April 1994 PRC	710,000,000	**100%**	100%	Construction

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. SUBSIDIARIES (continued)

Name of subsidiary	Date and place of establishment/operation	Paid up registered capital RMB	Equity interests attributable to the Group at 31 December 2016	2015	Principal activities
中國能源建設集團湖南省火電建設有限公司 China Energy Engineering Group Hunan Thermal Power Construction Co., Ltd. (Note i)	2 May 1995 PRC	249,000,000	**100%**	100%	Construction
廣西水利電力建設集團有限公司 Guangxi Water Conservancy & Electric Power Construction Group Co., Ltd. (Note i)	3 November 1995 PRC	1,062,100,000	**100%**	100%	Construction
中國能源建設集團浙江省電力設計院有限公司 China Energy Engineering Group Zhejiang Electric Power Design Institute Co., Ltd. (Note i)	2 April 1996 PRC	612,500,000	**100%**	100%	Survey, design, consulting and construction
中國能源建設集團黑龍江省火電第一工程有限公司 China Energy Engineering Group Heilongjiang No.1 Thermal Power Engineering Co., Ltd. (Note i)	16 April 1996 PRC	100,000,000	**100%**	100%	Construction
中國能源建設集團廣東省電力設計研究院有限公司 China Energy Engineering Group Guangdong Electric Power Design Institute Co., Ltd. (Note i)	8 November 2001 PRC	1,053,300,000	**100%**	100%	Survey, design, consulting and construction
中國葛洲壩集團有限公司 CGGC Group (Note i)	10 June 2003 PRC	3,207,700,000	**100%**	100%	Survey, design, consulting, construction, civilian blasting, cement sales and real estate development
中國電力工程顧問集團有限公司 China Power Engineering Consulting Group Co., Ltd. ("CPEC") (Note i)	12 August 2003 PRC	1,050,200,000	**100%**	100%	Survey, design, consulting and construction
中國能建集團裝備有限公司 China Energy Engineering Group Equipment Co., Ltd. (Note i)	16 August 2012 PRC	3,734,604,140	**100%**	100%	Manufacturing of equipment

Note:

(i) English name of these companies are for reference only and have not been registered.

All the above subsidiaries were established as limited liability companies in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. SUBSIDIARIES (continued)

Information of issued capital and debt securities, representing corporate bonds, issued by subsidiaries of the Group:

As at 31 December 2016, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB'million	Carrying value of debt securities RMB'million	Maturity date
CGGC	550	550	25/12/2019
	600	625	06/03/2020
	3,000	3,089	19/01/2021
	3,000	3,065	04/05/2021
	4,000	4,088	13/05/2021
	800	803	21/11/2021
	2,500	2,534	29/07/2017
	2,500	2,536	29/07/2017
	2,000	2,024	08/08/2017
	3,000	3,040	08/08/2017
CGGC Group (exclude CGGC)	400	407	16/08/2017
	500	520	06/03/2018
	500	500	26/12/2019
		23,781	

As at 31 December 2015, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB'million	Carrying value of debt securities RMB'million	Maturity date
CGGC	500	524	25/02/2016
	550	549	25/12/2019
	600	625	06/03/2020
CGGC Group (exclude CGGC)	400	405	16/08/2017
	500	521	06/03/2018
	500	500	26/12/2019
		3,124	

The details of perpetual notes issued by CGGC and its subsidiaries are set out in note 42.

18. SUBSIDIARIES (continued)

Composition of the Group

Principal activity	Place of incorporation and operation	Number of principal directly-held subsidiaries	
		2016	2015
Construction	PRC	**17**	17
Manufacturing of equipment	PRC	**1**	1
Survey, design, consulting and construction	PRC	**14**	14
Survey, design, consulting, construction, civilian blasting, cement sales and real estate development	PRC	**1**	1
		33	33

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of equity interests and voting rights held by non-controlling interests at 31 December		Profit (loss) allocated to non-controlling interests year ended 31 December		Accumulated non-controlling interests at 31 December	
		2016	2015	**2016**	2015	**2016**	2015
				RMB'000	RMB'000	**RMB'000**	RMB'000
CGGC (note (a))	PRC	**57.66%**	57.66%	**2,839,640**	2,295,276	**19,299,572**	18,530,967
Others				**33,534**	16,996	**399,259**	305,175
Eliminations (note (b))				**(16,989)**	(77,580)	**(203,124)**	(1,019,502)
Total				**2,856,185**	2,234,692	**19,495,707**	17,816,640

Notes:

(a) The proportion of voting rights and ownership interests of CGGC indirectly held by the Company is less than 50%. The Directors concluded that the Group has had control over CGGC on the basis of the Group's absolute size of holding and voting rights in CGGC and the relative size and dispersion of the shareholdings owned by the other shareholders.

(b) Eliminations represent certain cross holding of subsidiaries by other subsidiaries of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of CGGC that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group elimination. The summarised financial information below represents amounts shown in the subsidiary's financial statements prepared in accordance with IFRSs.

CGGC and subsidiaries

	2016	2015
	RMB'000	RMB'000
Current assets	**100,536,221**	79,576,896
Non-current assets	**50,692,610**	48,052,875
Current liabilities	**69,588,665**	69,741,052
Non-current liabilities	**42,704,603**	29,787,897
Equity attributable to owners of the Company	**9,535,991**	8,569,855
Perpetual capital instruments holders	**10,100,000**	1,000,000
Non-controlling interests of CGGC	**12,986,426**	11,670,710
Non-controlling interests of CGGC's subsidiaries	**6,313,146**	6,860,257
Revenue	**100,254,150**	82,274,932
Expenses	**95,771,087**	78,843,057
Profit for the year	**4,483,063**	3,431,875
Profit attributable to owners of the Company	**1,342,319**	1,136,599
Profit attributable to perpetual capital instruments holders	**301,104**	–

18. SUBSIDIARIES (continued)

CGGC and subsidiaries (continued)

	2016 RMB'000	2015 RMB'000
Profit attributable to non-controlling interests of CGGC	**1,822,394**	1,547,047
Profit attributable to non-controlling interests of CGGC's subsidiaries	**1,017,246**	748,229
Total comprehensive income for the year	**4,333,294**	2,789,916
Total comprehensive income attributable to owners of the Company	**1,278,959**	864,741
Total comprehensive income attributable to perpetual capital instruments holders	**301,104**	–
Total comprehensive income attributable to non-controlling interests of CGGC	**1,736,111**	1,176,821
Total comprehensive income attributable to non-controlling interests of CGGC's subsidiaries	**1,017,120**	748,354
Dividends paid to non-controlling interests of CGGC	**833,300**	714,103
Total other changes to equity	**8,024,012**	2,225,920
Net cash inflows (outflows) from operating activities	**1,839,696**	(4,749,522)
Net cash outflows from investing activities	**(3,483,541)**	(4,971,794)
Net cash inflows from financing activities	**5,553,686**	16,271,435
Net cash inflows	**3,989,215**	6,673,676

Change in ownership interests in subsidiaries:

During the year ended 31 December 2015, Gezhouba Cements Group Co., Ltd. ("Gezhouba Cements Group", a subsidiary of CGGC) entered into an agreement with an independent third party, Hubei Zhongsha Cement Co., Limited ("Hubei Zhongsha"), under which Hubei Zhongsha agreed to make a cash capital contribution of RMB393,269,000 to Jingmen Gezhouba Cements Limited ("Jingmen Cements", a subsidiary of Gezhouba Cements Group). The carrying amounts of the Group's interest and the non-controlling interest in Jingmen Cements are adjusted to reflect the changes in their relative interests in Jingmen Cements. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received is recognised directly in equity and attributed to owners of the Company since the change in the Group's ownership interest in Jingmen Cements does not result in the Group losing control over Jingmen Cements and should be accounted for as equity transaction. Upon the completion of the transaction, the Gezhouba Cements Group's equity interest in Jingmen Cements reduced from 97.79% to 53.78%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Unlisted cost of interests in joint ventures	**3,557,813**	2,861,802
Share of post-acquisition profits, net of dividends received and receivables	**9,001**	6,239
	3,566,814	2,868,041

Particulars of the principal joint ventures of the Group are as follows:

Name of the joint ventures	Principal activities	Place of establishment and operation	Proportion of Ownership interest at 31 December 2016	Proportion of Ownership interest at 31 December 2015	Proportion of Voting rights held at 31 December 2016	Proportion of Voting rights held at 31 December 2015
廣州市正林房地產開發有限公司 Guangzhou Zhenglin Real Estate Development Co., Ltd ("Zhenglin")* (note (a))	Real estate	PRC	**49%**	49%	**49%**	49%
廣州市如茂房地產開發有限公司 Guangzhou Rumao Real Estate Development CO., Ltd ("Rumao")* (note (a))	Real estate	PRC	**49%**	49%	**49%**	49%
中電廣西防城港電力有限公司 CLP Guangxi Fangchenggang Power Co., Ltd ("Fangchenggang")* (note (b))	Generation and sale of electricity	PRC	**30%**	30%	**30%**	30%
Jaks Pacific Power Limited ("Jaks Pacific") 捷碩太平洋電力有限公司 (note (c))	Investment	HK	**70%**	70%	**50%**	50%

19. INTERESTS IN JOINT VENTURES (continued)

Notes:

(a) During the year ended 31 December 2015, the Group established two joint ventures and completed its capital contribution of RMB1,790,229,700 into these two joint ventures. In current year, the Group made further capital contribution of RMB36,535,000 to these two joint ventures. The Group held 49% equity interest in these two entities respectively and the remaining 51% equity interest in these two entities are held by another independent third party of the Group. Under the joint venture agreement, the boards of directors of these two entities all comprise 5 directors each, 2 of which are appointed by the Group. Unanimous approvals by all directors are required for decision on directing the relevant activities of these two entities. Hence, in the opinion of the Directors, the Group's interest in these two entities are accounted for as joint ventures. The share of net assets of these two joint ventures by the Group aggregated RMB1,810,214,000 as at 31 December 2016 (31 December 2015: RMB1,789,194,000).

(b) Guangxi Water Conservancy & Electric Power Construction Group Co., Ltd. ("Guangxi Water & Power Group"), a directly-held wholly-owned subsidiary of the Company, held 30% equity interest in Fangchenggang. The remaining 70% equity interest in Fangchenggang was held by other three third parties which are independent to the Group. Under the joint venture agreement, at least three-fourths of the voting rights are required for decision on directing the relevant activities of Fangchenggang, and hence in the opinion of the Directors, the Group's interest in Fangchenggang is accounted for as a joint venture.

(c) During the year ended 31 December 2015, the Group acquired 50% ordinary shares and 100% preference shares in Jaks Pacific for a consideration of RMB217,367,000 and obtained an aggregated 70% ownership interests in Jaks Pacific. The remaining 50% ordinary shares of Jaks Pacific was held by an independent third party. Under the joint venture agreement, the board of directors of Jaks Pacific comprise 5 directors, 3 of which are appointed by the Group. Unanimous approvals by all directors are required for decision on directing the relevant activities of Jaks Pacific. Hence, in the opinion of the Directors, the Group's interest in Jaks Pacific is accounted for as a joint venture. In the current year, the Group and the independent third party agreed to make further capital injection to Jaks Pacific in the same proportion, according to which further capital of RMB684,476,000 was injected into Jaks Pacific by the Group.

* The English name of the joint ventures represent a direct translation for the Chinese name of these joint ventures as no English name has been registered.

The summarised financial information in respect of the Group's material joint ventures which are accounted for using the equity accounting method and prepared using IFRSs is set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. INTERESTS IN JOINT VENTURES (continued)

Zhenglin

	2016 **RMB'000**	2015 RMB'000
Current assets	**4,765,949**	2,202,964
Non-current assets	**149**	–
Current liabilities	**1,431,796**	124,154
Non-current liabilities	**1,200,000**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**292,941**	1,551
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,200,000**	–

	2016 **RMB'000**	2015 RMB'000
Revenue	**–**	–
Loss and other comprehensive expense for the year	**(8,368)**	(190)
The above profit for the year includes the following:		
Finance income	**731**	2,541
Income tax expense	**2,789**	–

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Zhenglin recognised in these consolidated financial statements:

	2016 **RMB'000**	2015 RMB'000
Net assets of the joint venture	**2,134,302**	2,078,810
Proportion of the Group's interest in Zhenglin	**49%**	49%
Other adjustments	**–**	10,290
Carrying amount of the Group's interest in Zhenglin	**1,045,808**	1,028,907

19. INTERESTS IN JOINT VENTURES (continued)

Rumao

	2016 RMB'000	2015 RMB'000
Current assets	**4,564,726**	1,748,199
Non-current assets	**142**	67
Current liabilities	**2,024,955**	212,196
Non-current liabilities	**979,900**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**531,656**	1,249
Non-current financial liabilities (excluding trade and other payables and provisions)	**979,900**	–

	2016 RMB'000	2015 RMB'000
Revenue	**–**	–
Loss and other comprehensive expense for the year	**(23,293)**	(1,924)
The above profit for the year includes the following:		
Finance income	**1,365**	2,191
Income tax expense	**7,764**	–

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Rumao recognised in these consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	**1,560,013**	1,536,070
Proportion of the Group's interest in Rumao	**49%**	49%
Other adjustments	**–**	7,613
Carrying amount of the Group's interest in Rumao	**764,406**	760,287

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. INTERESTS IN JOINT VENTURES (continued)

Fangchenggang

	2016 RMB'000	2015 RMB'000
Current assets	**752,748**	381,244
Non-current assets	**7,509,516**	6,156,804
Current liabilities	**1,537,853**	952,462
Non-current liabilities	**4,157,792**	3,041,257
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**142,038**	128,318
Current financial liabilities (excluding trade and other payables and provisions)	**429,187**	668,285
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,124,686**	3,015,599

	2016 RMB'000	2015 RMB'000
Revenue	**970,067**	1,116,511
Profit and other comprehensive income for the year	**22,290**	107,978
Cash dividends received from the joint venture	**–**	76,353
The above profit for the year includes the following:		
Depreciation and amortisation	**(152,807)**	(145,234)
Finance income	**2,845**	2,024
Finance costs	**(111,270)**	(128,310)
Income tax expense	**(5,693)**	(39,442)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Fangchenggang recognised in these consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	**2,566,619**	2,544,329
Proportion of the Group's interest in Fangchenggang	**30%**	30%
Carrying amount of the Group's interest in Fangchenggang	**769,986**	763,299

19. INTERESTS IN JOINT VENTURES (continued)

Jaks Pacific

	2016 RMB'000	2015 RMB'000
Current assets	**1,507,524**	93,640
Non-current assets	**743,479**	456,759
Current liabilities	**38,248**	256,565
Non-current liabilities	**1,139,962**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,459,139**	81,566
Current financial liabilities (excluding trade and other payables and provisions)	**12,007**	229,221
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,139,962**	–

	2016 RMB'000	2015 RMB'000
Revenue	**57,119**	264,012
Profit (loss) and other comprehensive income (expense) for the year	**1,405**	(6,001)
The above profit for the year includes the following:		
Depreciation and amortisation	**(7)**	(6)
Finance income	**1**	–
Finance costs	**(15)**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19. INTERESTS IN JOINT VENTURES (continued)

Jaks Pacific (continued)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Jaks Pacific recognised in these consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net assets of the joint venture	**1,072,793**	293,834
Proportion of the Group's interest in Jaks Pacific	**70%**	70%
Other adjustments	**137,348**	11,565
Carrying amount of the Group's interest in Jaks Pacific	**888,303**	217,249

Aggregate information of joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
The Group's share of profit (loss) and other comprehensive income (expenses)	**140**	(16,248)
Cash dividend received	**–**	–

	2016 RMB'000	2015 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	**98,311**	98,299

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Unlisted cost of interests in associates	**3,546,132**	1,749,424
Share of post-acquisition profits, net of dividends received and receivable	**(165,187)**	(51,694)
Provision for impairment	**(40,982)**	(40,982)
	3,339,963	1,656,748

Details of the Group's principal associates are as follows:

Name of associate	Place/country of establishment and operations	Proportion of ownership interest held by the Group at 31 December		Principal activities
		2016	**2015**	
武漢華潤置地葛洲壩置業有限公司 Wuhan China Resources Land Gezhouba Real Estate Co., Ltd. ("WCRLGRE")* (note)	PRC	**40.00%**	–	Real estate

Note:

During the year ended 31 December 2016, one associate was newly established, into which capital of RMB960,000,000 was contributed by the Group. The Group held 40% equity interest in WCRLGRE while the remaining 60% is held by another independent third party. Under the associate agreement, two directors out of five were appointed by the Group. At least 50% approvals by the directors of WCRLGRE are required for decisions on directing the relevant activities of WCRLGRE. In the opinion of the Directors, the Group has significant influence over WCRLGRE and the interest in the entity is accounted for as interests in an associate.

* The English name of the associate represent a direct translation for the Chinese name of the associate as no English name has been registered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. INTERESTS IN ASSOCIATES (continued)

WCRLGRE

	2016 RMB'000
Current assets	5,007,785
Non-current assets	759
Current liabilities	2,610,862
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	1,017
Current financial liabilities (excluding trade and other payables and provisions)	2,610,099
Revenue	–
Loss and other comprehensive expenses for the year	(2,318)
The above loss for the year includes the following:	
Finance income	19
Income tax expense	750

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in WCRLGRE recognised in these consolidated financial statements:

	2016 RMB'000
Net assets of the associate	2,397,682
Proportion of the Group's interest in WCRLGRE	40%
Carrying amount of the Group's interest in WCRLGRE	959,073

20. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2016 **RMB'000**	2015 RMB'000
The Group's share of losses and other comprehensive expenses	**(61,127)**	(23,315)
Cash dividends received	**25,204**	30,408

21. GOODWILL

	2016 **RMB'000**	2015 RMB'000
Cost		
At the beginning of the year	**779,958**	725,467
Arising on acquisition of subsidiaries (note 51)	**507,960(*)**	54,491
At the end of year	**1,287,918**	779,958
Impairment		
At the beginning and end of the year	**–**	–
Carrying values		
At the end of year	**1,287,918**	779,958
At the beginning of the year	**779,958**	725,467

* The amount of goodwill is provisional and details are set out in note 51.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

21. GOODWILL (continued)

Impairment testing on goodwill

The carrying amount of goodwill at the end of year is attributable to the acquisition of subsidiaries of the following directly-held subsidiaries of the Company:

	2016 RMB'000	2015 RMB'000
CGGC Group	**1,250,133**	742,173
CPEC	**21,094**	21,094
Guangxi Water & Power Group	**10,493**	10,493
Others	**6,198**	6,198
	1,287,918	779,958

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

Goodwill with amount of RMB687,682,000, arising on acquisition of 葛洲壩鍾祥水泥有限公司 (Gezhouba Zhongxiang Cement Company Limited) (the "Zhongxiang Cement") by CGGC Group in 2014 included in civil explosives and cement production business of the Group, is principally engaged in the production and sales of cement businesses. The recoverable amount of this cash generating unit as at 31 December 2016 has been determined based on a value in use calculation. The recoverable amount is based on the financial budget approved by management of CGGC for the next five-year period and the cash flows beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The rate used to discount the forecast cash flows is 10.55% (31 December 2015: 10.53%). Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiary's past performance.

Goodwill with amount of RMB507,960,000, arising on acquisitions of 北京中凱興業投資管理有限公司 (Beijing Zhongkai Xingye Investment Management Company Limited)(the "Beijing Zhongkai Xingye") and 湖南海川達投資管理有限公司 (Hunan Haichuanda Investment Management Company Limited)(the "Hunan Haichuanda") by CGGC Group during 2016 included in investment business of the Group, is principally engaged in investment management business of water plants. The recoverable amounts of the cash generating units as at 31 December 2016 have been determined based on the value in use calculations. The recoverable amounts are based on the financial budgets approved by management of CGGC for the next five-year period and the cash flows beyond the five-year period are estimated based on the production and water supply plans. The rates used to discount the forecast cash flows are 9.10% and 8.17%, respectively. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the industry average level. As at 31 December 2016, the purchase price allocation of the acquisitions has not been completed and the amount of goodwill is reported as provisional amount accordingly, details of which is set out in note 51.

21. GOODWILL (continued)

Impairment testing on goodwill (continued)

Goodwill with amount of RMB20,780,000, arising on acquisition of AB, ENERGETIKOS TINKLU INSTITUTAS by CPEC in 2013 included in survey, design and consultancy business of the Group, is principally engaged in survey and design businesses. The recoverable amount of this cash generating unit has been determined based on a value in use calculation. The recoverable amount is based on the financial budget approved by management of CPEC for the next five-year period and the cash flows beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The rate used to discount the forecast cash flows is 15.7% (31 December 2015: 15.7%). Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiary's past performance.

The recoverable amounts in respect of subsidiaries, which are principally engaged in civil explosive product manufacturing, cements production, waste water treatment and electronic power, other than Zhongxiang Cement, Beijing Zhongkai Xingye, Hunan Haichuanda and AB, ENERGETIKOS TINKLU INSTITUTAS, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 5.4% to 13.39% (31 December 2015: 5.4% to 13.39%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period, covering 3 to 5 years, and a growth rate which is estimated based on the market trend and by reference to the relevant market trend report for the extrapolation period. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the remaining subsidiaries to exceed its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Listed investments:		
Equity securities listed in Mainland China	**2,316,368**	2,641,334
Equity securities listed in Hong Kong	**124,171**	216,100
Subtotal	**2,440,539**	2,857,434
Unlisted investments:		
Private companies (note (a))	**3,914,073**	3,450,223
Listed company (note (b))	**401,570**	347,977
Provision for impairment	**(114,178)**	(119,107)
Subtotal	**4,201,465**	3,679,093
Total	**6,642,004**	6,536,527
Analysed for reporting purposes as:		
Non-current assets	**6,642,004**	6,536,527

Notes:

(a) The unlisted investments in private companies represent equity securities of private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that the fair values cannot be reliably measured. The Group does not intend to dispose them in the near future.

(b) These investments represent non-tradable shares of Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin", a PRC established company which is under control by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")), the H shares of which were listed on the Stock Exchange in 2012. The investment is measured at fair value and details of fair value measurement is disclosed in note 45(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Defined benefit obligations	Impairment of assets	Unrealised profit in intra-group transactions	Employee benefits payables	Deductible losses	Depreciation difference between taxation and accounting basis	Fair value changes of available-for-sale financial assets	Differences between book value and tax basis of assets acquired not under common control	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	476,038	470,106	105,147	72,973	8,862	(275,684)	(725,213)	(26,461)	2,928	108,696
(Charge) credit to profit or loss (note 11)	(213,590)	69,050	64,062	(5,933)	(4,800)	(114,870)	–	15,516	37,786	(152,779)
Credit to other comprehensive income	21,216	–	–	–	–	–	209,947	–	–	231,163
Acquisitions of subsidiaries (note 51)	–	86	–	–	–	(94,688)	–	(7,814)	–	(102,416)
Disposals of subsidiaries (note 52)	–	(638)	–	–	–	–	–	–	–	(638)
At 31 December 2015	**283,664**	**538,604**	**169,209**	**67,040**	**4,062**	**(485,242)**	**(515,266)**	**(18,759)**	**40,714**	**84,026**
(Charge) credit to profit or loss (note 11)	**(7,717)**	**48,028**	**128,158**	**1,473**	**16,048**	**(65,594)**	**-**	**2,056**	**27,679**	**150,131**
(Charge) credit to other comprehensive income	**(20,802)**	**-**	**-**	**-**	**-**	**-**	**270,623**	**-**	**-**	**249,821**
Acquisitions of subsidiaries (note 51)	**-**	**-**	**-**	**-**	**-**	**(35,432)**	**-**	**-**	**-**	**(35,432)**
At 31 December 2016	**255,145**	**586,632**	**297,367**	**68,513**	**20,110**	**(586,268)**	**(244,643)**	**(16,703)**	**68,393**	**448,546**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**1,413,215**	1,125,493
Deferred tax liabilities	**(964,669)**	(1,041,467)
	448,546	84,026

Details of tax losses and other temporary differences not recognised are set out below:

	2016	2015
	RMB'000	RMB'000
Tax losses	**6,935,110**	7,953,016
Other unrecognised temporary differences	**2,422,357**	2,833,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. DEFERRED TAXATION (continued)

No deferred tax asset has been recognised in respect of the above tax loss due to the unpredictability of future profit stream for relevant subsidiaries. Included in unrecognised tax losses are losses that will expire in the following years:

	2016 **RMB'000**	2015 RMB'000
2016	**–**	1,628,226
2017	**437,898**	1,127,124
2018	**888,161**	1,221,426
2019	**1,634,713**	1,759,117
2020	**2,056,459**	2,217,123
2021	**1,917,879**	–
	6,935,110	7,953,016

24. TRADE AND BILLS RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Trade receivables	**44,659,392**	40,756,525
Retention money receivables	**7,935,233**	6,797,604
Less: allowance of doubtful debts	**(2,803,199)**	(2,375,139)
	49,791,426	45,178,990
Bills receivable	**4,799,663**	3,477,579
Build-transfer ("BT") / BOT project receivables	**4,618,136**	5,832,200
Total trade and bills receivables	**59,209,225**	54,488,769
Analysed for financial reporting purpose:		
Non-current	**5,576,038**	7,113,935
Current	**53,633,187**	47,374,834
	59,209,225	54,488,769

24. TRADE AND BILLS RECEIVABLES (continued)

The following is an analysis of trade and bills receivables including BT and BOT receivables by age, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0 to 6 months	**39,773,585**	34,137,929
6 months to 1 year	**7,655,659**	6,497,153
1 year to 2 years	**5,947,042**	8,450,143
2 years to 3 years	**2,984,576**	3,178,505
3 years to 4 years	**1,357,346**	1,185,050
4 years to 5 years	**670,758**	476,944
Over 5 years	**820,259**	563,045
	59,209,225	54,488,769

An aged analysis of the trade and bills receivables that are past due but neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Less than 6 months past due	**422,513**	604,581
6 months-1 year past due	**125,893**	527,430
1-2 years past due	**208,367**	261,825
2-3 years past due	**82,373**	3,175
3-4 years past due	**1,321**	26,159
4-5 years past due	**4,430**	41,151
Over 5 years past due	**24,052**	22,701
	868,949	1,487,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

24. TRADE AND BILLS RECEIVABLES (continued)

Movements in the allowance of doubtful debts are set out as follows:

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**2,375,139**	1,933,170
Provided for the year (note 7)	**443,151**	440,231
Written off	**(15,339)**	(2,636)
Elimination on disposal of subsidiaries	**(164)**	(24)
Exchange adjustment	**412**	4,398
At the end of the year	**2,803,199**	2,375,139

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

	2016 RMB'000	2015 RMB'000
Ultimate holding company	**778**	1,324
Fellow subsidiaries	**15,792**	14,764
Joint ventures	**86,000**	849
Associates	**1,113,990**	277,254
Total	**1,216,560**	294,191

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

As at 31 December 2016, the Group pledged its trade receivables from grid companies amounting to approximately RMB459,796,000 (31 December 2015: RMB1,368,035,000) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 49.

24. TRADE AND BILLS RECEIVABLES (continued)

Trade receivables denominated in currencies other than the functional currencies of respective entities are set out below:

	2016 RMB'000	2015 RMB'000
United States Dollar ("USD")	**1,411,584**	909,889
Others	**278,482**	40,760
	1,690,066	950,649

Bills receivable issued among subsidiaries of the Group for intra-group transactions were discounted with recourse at 31 December 2016 and 31 December 2015 and these bills receivable have not been recognised in these consolidated financial statements.

During the year, one subsidiary of the Group entered into an asset based security arrangement (the "ABS Arrangement") with China Everbright Bank. According to the ABS Arrangement, the Group transferred a BT project receivable amounting to RMB3,076 million to a special purpose vehicle (the "SPV") set up by China Everbright Bank. The SPV issued notes to independent investors then. Upon the completion of transfer, the Group has transferred substantially all the risks and reward of ownership of the BT project receivable. Thus, the BT project receivable has been derecognised in these consolidated financial statements.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Advance to suppliers	**29,598,876**	23,999,025
Other receivables (note (a))	**14,674,884**	11,332,140
Prepayments for acquisition of property, plant and equipment	**1,240,742**	1,187,528
Prepaid taxes	**1,801,003**	1,391,096
Dividends receivable	**28,495**	28,724
Interests receivable	**68,868**	27,865
Deposits for prepaid lease payments (note (b))	**36,628**	89,965
Deposits for investments	**389,030**	–
	47,838,526	38,056,343
Analysed for financial reporting purpose:		
Non-current	**1,881,948**	1,469,568
Current	**45,956,578**	36,586,775
	47,838,526	38,056,343

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

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

(b) Deposits for prepaid lease payments represented the deposit made by the Group to acquire land use rights, of which the relevant procedures have not yet completed at the end of reporting period.

Movements in the allowance of doubtful debts are set out as follows:

	2016	2015
	RMB'000	RMB'000
At the beginning of the year	**1,034,963**	939,623
Provided for the year (note 7)	**333,835**	124,158
Written off	**(7,055)**	(29,184)
Elimination on disposal of subsidiaries	**(550)**	(5,916)
Exchange adjustment	**1**	6,282
At the end of the year	**1,361,194**	1,034,963

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:

	2016	2015
	RMB'000	RMB'000
Ultimate holding company		
– Non-trade nature	**245,237**	1,126,017
Fellow subsidiaries		
– Trade nature	**165,518**	50,929
– Non-trade nature	**62,828**	–
Joint ventures		
– Non-trade nature	**28,836**	136,895
Associates		
– Non-trade nature	**224,977**	170,082
Total	**727,396**	1,483,923

26. OTHER LOANS

At 31 December 2016, the amounts due from joint ventures, associates and third parties included in other loans were mainly repayable within one year, except for loans amounting to RMB1,837,763,000 as at 31 December 2016 (31 December 2015: RMB1,300,000,000) which were repayable from 2 to 14 years (31 December 2015: 2 years). These loans are all unsecured and non-trade, further details of which are analysed as follows:

	2016 RMB'000	2015 RMB'000
Amounts due from:		
Fellow subsidiaries	**190,000**	–
Joint ventures	**1,137,763**	–
Associates	**1,329,536**	2,907,578
Third parties	**615,000**	2,091,652
	3,272,299	4,999,230
Analysed for financial reporting purpose:		
Non-current	**1,837,763**	1,300,000
Current	**1,434,536**	3,699,230
	3,272,299	4,999,230
Loans:		
With ultimate holding company guarantee	**190,000**	–
With third party guarantees	**500,000**	600,000
Without guarantees	**2,582,299**	4,399,230
	3,272,299	4,999,230
Interest bearing loans (fixed rate)	**1,423,838**	4,710,528
Interest bearing loans (floating rate)	**1,137,763**	–
Interest-free loans repayable on demand	**710,698**	288,702
	3,272,299	4,999,230
Range of interest rate (per annum)	**4.35% to 10.50%**	2.55% to 10.50%

For these loans, the management of the Group assesses recoverability on an individual item basis based on estimated irrecoverable amounts which is determined by reference to the credit history, objective evidences of impairment and expected recoverable amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

27. INVENTORIES

	2016 RMB'000	2015 RMB'000
Materials in transit	**25,364**	62,011
Raw materials	**3,414,962**	3,246,822
Work in progress	**1,250,085**	1,271,934
Finished goods	**4,562,189**	4,446,031
Low value consumables and spare parts	**241,528**	216,268
Total	**9,494,128**	9,243,066

28. PROPERTIES UNDER DEVELOPMENT FOR SALE/COMPLETED PROPERTIES FOR SALE

	2016 RMB'000	2015 RMB'000
Properties under development for sale	**24,860,970**	17,503,195
Completed properties for sale	**1,447,443**	2,116,053
	26,308,413	19,619,248

The amount of properties under development for sale not expected to be completed within the next twelve months is as follows:

	2016 RMB'000	2015 RMB'000
Properties under development	**10,199,862**	14,931,502

Certain properties under development for sale and completed properties for sale of the Group were pledged against the loans and borrowings, details of which are set out in note 49.

29. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2016 RMB'000	2015 RMB'000
Gross amounts due from customers for construction work	**23,804,689**	17,193,862
Gross amounts due to customers for construction work	**(5,734,119)**	(4,553,593)
	18,070,570	12,640,269
Contract costs incurred plus recognised profits less recognised losses to date	**758,561,624**	652,544,244
Less: Progress billings received and receivables	**(740,491,054)**	(639,903,975)
	18,070,570	12,640,269

Gross amounts due from customers for construction work above include amounts attributable to joint venture and associates as follows:

	2016 RMB'000	2015 RMB'000
Joint venture	**94,719**	–
Associates	**67,336**	70,597
	162,055	70,597

Gross amounts due to customers for construction work above include amounts attributable to joint venture and associates as follows:

	2016 RMB'000	2015 RMB'000
Joint venture	**688**	52,872
Associates	**37,586**	–

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 Consolidated Financial Statements

For the year ended 31 December 2016

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The analysis of the Group's financial assets at FVTPL is as follows:

	2016 RMB'000	2015 RMB'000
Listed investments		
Equity securities listed in Mainland China (note 45 (b))	**70,182**	66,663

31. BANK AND CASH BALANCE, PLEDGED DEPOSITS/OTHER DEPOSITS OVER THREE MONTHS

	2016 RMB'000	2015 RMB'000
Bank and cash balances	**47,284,860**	47,534,919
Time deposits	**4,528,774**	3,366,453
	51,813,634	50,901,372
Less: Pledged deposits for		
Bills payable	**931,116**	1,438,124
Letter of credit	**1,257,072**	1,017,434
Others	**510,388**	195,055
	2,698,576	2,650,613
Bank and cash balances at end of year	**49,115,058**	48,250,759
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**2,340,973**	1,013,827
Cash and cash equivalents in the consolidated statement of cash flows	**46,774,085**	47,236,932

The Group's bank and cash balances comprise cash and bank deposits, including pledged deposits, carrying interest at prevailing variable market rates ranging from 0.01% to 2.90% per annum as at 31 December 2016 (31 December 2015: 0.30% to 1.495% per annum).

As at 31 December 2016, the bank deposits of RMB2,340,973,000 (31 December 2015: RMB1,013,827,000) carried fixed rate interests ranging from 1.10% to 4.50% per annum (31 December 2015: 0.45% to 4.75% per annum) with original maturity of more than three months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**69,459,841**	56,334,038
Bills payable	**4,902,147**	6,125,028
	74,361,988	62,459,066

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

As at 31 December 2016, retention payables of RMB3,011,815,000 (31 December 2015: RMB2,242,086,000) was 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.

Details of the bank deposits pledged for the Group's bills payable are set out in note 31.

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

	2016 RMB'000	2015 RMB'000
Within 1 year	**61,060,118**	52,233,016
1 to 2 years	**7,143,900**	5,953,089
2 to 3 years	**3,496,652**	1,873,757
More than 3 years	**2,661,318**	2,399,204
	74,361,988	62,459,066

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

	2016 RMB'000	2015 RMB'000
Fellow subsidiaries	**78,458**	88,862
Associates	**17,249**	1,061
	95,707	89,923

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advance from customers	**25,706,229**	22,583,279
Other payables	**17,250,214**	16,059,140
Payable to NSSF (Note)	**–**	1,065,549
Accrued payroll and welfare	**2,120,215**	1,871,753
Non-income tax related tax payables	**1,926,480**	1,968,778
Dividend payables	**217,472**	127,013
Interest payables	**118,837**	148,172
	47,339,447	43,823,684
Analysed for financial reporting purpose:		
Current	**47,275,838**	43,464,444
Non-current portion	**63,609**	359,240
	47,339,447	43,823,684

Note: In accordance with relevant PRC regulations regarding disposal of state-owned shares, in the event of an initial public offering to public shareholders in overseas securities market by a PRC joint stock company in which the state has an interest, such company shall dispose of its state-owned shares representing 10% of the amount received from such offering. Proceeds generated from the disposal of such state-owned shares was payable to NSSF as of 31 December 2015 and has been fully paid to NSSF during the year.

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

33. OTHER PAYABLES AND ACCRUALS (continued)

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

	2016 **RMB'000**	2015 RMB'000
Ultimate holding company	**1,302,364**	217,025
Fellow subsidiaries	**137,870**	177,649
Joint ventures	**20,606**	479,659
Associates	**47,916**	421,699
	1,508,756	1,296,032
Analysed by nature:		
Trade nature	**56,743**	63,778
Non-trade nature (Note)	**1,452,013**	1,232,254
	1,508,756	1,296,032

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. BANK AND OTHER BORROWINGS

	2016 RMB'000	2015 RMB'000
Current		
Short term bank borrowings:		
– unsecured	**10,812,709**	25,029,012
– secured	**547,320**	786,300
Short term other borrowings:		
– unsecured	**5,293,947**	1,784,119
– secured	**–**	112,460
Current portion of long term bank borrowings:		
– unsecured	**5,116,108**	3,940,735
– secured	**1,285,865**	3,394,371
Current portion of long term other borrowings:		
– secured	**44,050**	113,623
	23,099,999	35,160,620
Non-current		
Long term bank borrowings:		
– unsecured	**18,090,813**	19,394,494
– secured	**8,526,231**	9,045,235
Long term other borrowings:		
– secured	**1,421,276**	1,525,802
	28,038,320	29,965,531

34. BANK AND OTHER BORROWINGS (continued)

	2016 RMB'000	2015 RMB'000
Carrying amount is repayable as follows*:		
Within one year	**22,477,139**	34,672,760
More than one year but within two years	**10,607,998**	6,546,671
More than two years but within three years	**3,244,437**	8,846,269
More than three years but within four years	**1,634,473**	2,545,401
More than four years but within five years	**3,676,635**	1,185,698
More than five years	**9,497,637**	11,329,352
	51,138,319	65,126,151
Less:		
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than five years	**(622,860)**	(487,860)
Amounts due within one year	**(22,477,139)**	(34,672,760)
Amounts shown under current liabilities	**(23,099,999)**	(35,160,620)
Amounts shown under non-current liabilities	**28,038,320**	29,965,531

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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

	2016 RMB'000	2015 RMB'000
Ultimate holding company	**500,001**	1,103,117
Fellow subsidiaries	**175,157**	–
Joint ventures	**1,473,540**	–
Associate	**154,215**	25,000
	2,302,913	1,128,117

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 49.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. BANK AND OTHER BORROWINGS (continued)

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

	2016 RMB'000	2015 RMB'000
Guaranteed by		
Ultimate holding company (note 50)	–	185,000
Third parties	127,811	436,250
	127,811	621,250

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	2016 RMB'000	2015 RMB'000
USD	2,355,207	1,110,756
Japanese Yen ("JPY")	127,811	120,250
EURO	–	3,766
	2,483,018	1,234,772

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

	2016		2015	
	RMB'000	%	RMB'000	%
Fixed rate bank and other borrowings	23,677,784	1.05-9.60	34,723,850	1.05-9.60
Floating rate bank and other borrowings	27,460,535	1.20-8.84	30,402,301	2.75-8.70
	51,138,319		65,126,151	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China or at London Interbank Offered Rate.

35. FINANCE LEASE PAYABLES

The Group leases certain of its buildings and machinery. These leases are classified as finance leases and have average lease term ranging from 3 to 7 years. The Group has the option to purchase the buildings and machinery at nominal amounts upon the expiry of the lease term.

At the end of the reporting period, the Group's total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments At 31 December		Present value of minimum lease payments At 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable:				
Within one year	**314,956**	235,852	**299,979**	228,775
In the second year	**493**	308,761	**490**	279,103
Total minimum finance lease payments	**315,449**	544,613	**300,469**	507,878
Future finance charges	**(14,980)**	(36,735)	**–**	–
Total net finance lease payables	**300,469**	507,878	**300,469**	507,878
Portion classified as current liabilities			**299,979**	228,775
Non-current portion			**490**	279,103

	2016	2015
Effective interest rate (per annum)	**5.15%-8.00%**	5.15%-8.00%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

36. CORPORATE BONDS

	2016 RMB'000	2015 RMB'000
Carrying amount repayable based on repayment term*:		
Within one year	**557,645**	500,000
More than one year but within two years	**670,856**	407,113
More than two years but within three years	**1,201,304**	520,342
More than three years but within four years	**775,713**	1,050,790
More than four years but within five years	**10,442,482**	625,284
More than five years	**13,273,484**	3,170,083
	26,921,484	6,273,612
Less:		
Carrying amounts of corporate bonds that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than five years	**(10,134,523)**	–
Amounts due within one year	**(557,645)**	(500,000)
Amounts shown under current liabilities	**(10,692,168)**	(500,000)
Amounts shown under non-current liabilities	**16,229,316**	5,773,612
Effective interest rate – floating rate (per annum)	**4.75%**	4.75%
Effective interest rate – fixed rate (per annum)	**3.14%-5.37%**	4.75%-5.85%

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

37. SHORT-TERM FINANCING NOTES

Short-term financing notes are unsecured with fixed interest rate.

	2016 RMB'000	2015 RMB'000
Short-term financing notes	**–**	3,515,981
Effective interest rate (per annum)	**–**	3.08%-3.38%

38. DEFINED BENEFIT OBLIGATIONS

The Group paid post-employment obligations to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees, who were terminated or early retired, standby staff with injury and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group. These benefits were only applicable to the qualifying employees.

38. DEFINED BENEFIT OBLIGATIONS (continued)

ENERGY CHINA GROUP has operated a fund, which was injected into ENERGY CHINA GROUP by the MOF in 2012. According to the circular issued by the MOF, this fund can be used to pay for certain pension or allowance of the above qualifying employees. ENERGY CHINA GROUP has deposited this fund entirely with specific accounts in certain commercial banks in the PRC and China Energy Engineering Group Gezhouba Finance Co., Ltd., a financial institution and a subsidiary of the Company, as time deposits, of which an amount of RMB3,283,313,000 was designated by ENERGY CHINA GROUP in 2012 for satisfying the needs of certain pension or allowance of the above qualifying employees of the Group. This designated fund of RMB3,283,313,000 is accounted for as a defined benefit plan asset consisting of time deposits operated under the name of ENERGY CHINA GROUP (the "Defined Benefit Plan Asset"). The interest income generated on the Defined Benefit Plan Asset is also allocated to the Group. During the year, ENERGY CHINA GROUP made some cash payments to the Group amounting to RMB200,968,000 (2015: RMB431,261,000) to settle part of the Defined Benefit Plan Asset with the Group, details of the movements of the Defined Benefit Plan Asset during the year are set out in the latter part of this note below. The Defined Benefit Plan Asset as at 31 December 2016 was offset against defined benefit obligations of the Group for presentation purpose in these consolidated financial statements.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The actuarial valuations of the present value of the defined benefit obligations as at 31 December 2016 and 31 December 2015 were carried out by an independent firm of actuaries, Willis Towers Watson, a member of China Association of Actuaries. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. DEFINED BENEFIT OBLIGATIONS (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015
Discount rate	**3.00%-3.25%**	2.75%-3.00%
Early-retiree's and standby staff with injury salary and supplemental benefit inflation rate	**4.50%**	4.50%
Retired employees, dependents of deceased employees and standby staff's benefit inflation rate	**2.00%**	2.00%
Medical cost trend rates	**5.50%**	5.50%

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	2016 RMB'000	2015 RMB'000
Past service costs	**20,196**	21,230
Interest costs	**286,262**	457,363
Less: Interest income	**66,801**	74,940
Components of defined benefit costs recognised in profit or loss	**239,657**	403,653
Component of defined benefit (income) costs recognised in other comprehensive income	**(436,199)**	591,258
Total	**(196,542)**	994,911

Past service cost is included in the administrative expenses in profit or loss. The interest cost is included in the finance costs in profit or loss. The interest income is included in the finance income in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in financial assumptions is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	2016 RMB'000	2015 RMB'000
Liability arising from defined benefit obligations	**12,063,621**	13,166,120
Fair value of Defined Benefit Plan Asset	**(2,177,995)**	(2,312,162)
Less: Net amount due within one year	**810,612**	776,240
Net amount due after one year	**9,075,014**	10,077,718

38. DEFINED BENEFIT OBLIGATIONS (continued)

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2016 RMB'000	2015 RMB'000
At beginning of the year	**13,166,120**	13,097,670
Past service costs	**20,196**	21,230
Interest costs	**286,262**	457,363
Benefits paid	**(972,758)**	(1,001,401)
Actuarial (gain) losses arising from changes in financial assumptions	**(436,199)**	591,258
At end of the year	**12,063,621**	13,166,120

Movements in the present value of Defined Benefit Plan Asset during the year were as follows:

	2016 RMB'000	2015 RMB'000
At beginning of the year	**2,312,162**	2,668,483
Interest income	**66,801**	74,940
Cash received by the Group from ENERGY CHINA GROUP	**(200,968)**	(431,261)
At end of the year	**2,177,995**	2,312,162

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate, supplemental benefit rate and average medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other factors constant.

- If the discount rate on benefit obligations increases by 0.25%, the defined benefit obligations would decrease by RMB280,790,000 for the year ended 31 December 2016 (2015: RMB320,440,000);
- If the discount rate on benefit obligations decreases by 0.25%, the defined benefit obligations would increase by RMB293,480,000 for the year ended 31 December 2016 (2015: RMB335,460,000);

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. DEFINED BENEFIT OBLIGATIONS (continued)

- If the supplemental benefit rate increases by 1%, the defined benefit obligations would increase by RMB937,810,000 for the year ended 31 December 2016 (2015: RMB1,067,370,000);

- If the supplemental benefit rate decreases by 1%, the defined benefit obligations would decrease by RMB805,570,000 for the year ended 31 December 2016 (2015: RMB911,870,000);

- If the average medical cost trend rate increases by 1%, the defined benefit obligations would increase by RMB310,400,000 for the year ended 31 December 2016 (2015: RMB359,910,000);

- If the average medical cost trend rate decreases by 1%, the defined benefit obligations would decrease by RMB261,030,000 for the year ended 31 December 2016 (2015: RMB299,620,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average duration of the benefit obligations can be analysed as follows:

- Retired members: 17 years for the year ended 31 December 2016 (2015: 18 years);

- Civil retirees: 6 years for the year ended 31 December 2016 (2015: 6 years);

- Early retired staff: 4 years for the year ended 31 December 2016 (2015: 4 years);

- Standby staff with injury: 10 years for the year ended 31 December 2016 (2015: 11 years);

- Dependents of deceased employees: 14 years for the year ended 31 December 2016 (2015: 14 years);

- Terminated staff: 8 years for the year ended 31 December 2016 (2015: 8 years);

39. PROVISIONS

The movements of provisions are shown as follows:

	Provision for relocation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	82,225	30,744	112,969
Additions	168,687	120,989	289,676
Paid	(59,523)	(19,205)	(78,728)
At 31 December 2015	191,389	132,528	323,917
Additions	**–**	**10,246**	**10,246**
Paid	**(41,953)**	**(6,272)**	**(48,225)**
Reversal	**(141,847)**	**–**	**(141,847)**
At 31 December 2016	**7,589**	**136,502**	**144,091**

40. DEFERRED REVENUE

	Government grants related to assets	Government grants related to income	Unrealised profit of sales and leaseback transaction	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note (a))	(note (b))	(note (c))	
At 1 January 2015	305,536	–	76,952	382,488
Additions	24,267	–	–	24,267
Released to profit or loss	(22,995)	–	(9,575)	(32,570)
At 31 December 2015	306,808	–	67,377	374,185
Additions	**106,430**	**110,199**	**–**	**216,629**
Released to profit or loss	**(24,686)**	**–**	**(11,250)**	**(35,936)**
At 31 December 2016	**388,552**	**110,199**	**56,127**	**554,878**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

40. DEFERRED REVENUE (continued)

Notes:

(a) The government grants received are treated as deferred revenue and will be released to profit or loss over the estimated useful lives of the underlying property, plant and equipment.

(b) Government grants are recognised in profit or loss on a systematic basis over the periods in which the group entities recognise expenses for which the grants are intended to compensate.

(c) When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset upon sale is deferred and amortised over the lease term.

41. CAPITAL AND RESERVE

(a) Issued share capital

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

	At 31 December 2016		At 31 December 2015	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**RMB'000**	'000	RMB'000
Registered, issued and fully paid				
State legal person shares of RMB1.00 each	**20,757,960**	**20,757,960**	20,800,000	20,800,000
H Shares of RMB1.00 each	**9,262,436**	**9,262,436**	8,800,000	8,800,000
	30,020,396	**30,020,396**	29,600,000	29,600,000

41. CAPITAL AND RESERVE (continued)

(a) Issued share capital (continued)

A summary of the movements in the Company's issued share capital is as follows:

	At 31 December 2016		At 31 December 2015	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At beginning of the year	**29,600,000**	**29,600,000**	21,600,000	21,600,000
Public offer of H Shares (Note (i))	**–**	**–**	8,000,000	8,000,000
Exercise of over-allotment (Note (ii))	**420,396**	**420,396**	–	–
Reduction of State legal person shares (Note (iii))	**(42,040)**	**(42,040)**	(800,000)	(800,000)
Conversion to H shares (Note (iii))	**42,040**	**42,040**	800,000	800,000
	30,020,396	**30,020,396**	29,600,000	29,600,000

Notes:

(i) On 10 December 2015, the Company issued 8,000,000,000 H shares of RMB1.00 each at the price of HK$1.59 per share by way of public offering. On the same date, the Company's H shares were listed on the Main Board of the Stock Exchange.

(ii) On 8 January 2016, the Company issued an additional 420,396,364 H shares of RMB1.00 each at the price of HK$1.59 per share by means of exercise of the over-allotment option as set out in the prospectus issued by the Company dated 27 November 2015.

(iii) 800,000,000 and 42,039,636 State legal person shares of the Company were converted into H shares and transferred to the NSSF on 10 December 2015 and 8 January 2016, respectively.

(b) Group's reserves

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

42. PERPETUAL CAPITAL INSTRUMENTS

The Group issued certain perpetual capital instruments by several tranches during 2015 and 2016:

Date	Distribution Rate p.a	Amount
	%	RMB'000
31 December 2015	6.50	1,000,000
31 May 2016	4.28	3,000,000
21 September 2016	3.76	3,000,000
30 November 2016	5.70	1,600,000
12 December 2016	5.60	1,500,000
Total		10,100,000

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

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

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

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

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

43. RESTRICTED SHARE INCENTIVE SCHEME

On 21 November 2016, the Company adopted a restricted share scheme (the "Scheme") with a duration of ten years.

On 21 November 2016, the Board of Directors approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 287,500,000 restricted shares, representing approximately 0.96% of the issued share capital of the Company as at 31 December 2016, were granted to 542 selected Scheme participants at the grant price of HK$0.66 per share.

Upon the grant of restricted shares to Scheme participants, 100% of the grant price was funded by the Scheme participants amounting to approximately RMB159,932,300. These restricted shares would vest gradually after the Scheme participants complete a period of 3 years from the date of grant. The shares which will be acquired from the market will be held as restricted shares by a trustee before they are vested. By the end of the year, no shares has been acquired from the market yet. The total amount of RMB69,633,750 have been paid to the trustee as prepayment for acquire of shares.

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

	Average fair value (per share)	Number of restricted shares granted
	HK$	'000
As at 1 January 2016	–	–
Granted	0.66	287,500
As at 31 December 2016		287,500

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt (which includes bank and other borrowings, finance lease payables, corporate bonds and short-term financing notes, as disclosed in notes 34, 35, 36 and 37 respectively, net of pledged deposits and bank and cash balances), perpetual capital instruments and equity attributable to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

44. CAPITAL RISK MANAGEMENT (continued)

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares or capital contribution, raising new debts or the redemption of existing debts.

45. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**59,209,225**	54,488,769
Deposits and other receivables	**14,322,851**	9,124,982
Other loans	**3,272,299**	4,999,230
Pledged deposits	**2,698,576**	2,650,613
Bank and cash balances	**49,115,058**	48,250,759
Subtotal	**128,618,009**	119,514,353
Available-for-sale financial assets	**6,642,004**	6,536,527
Financial assets at FVTPL	**70,182**	66,663
Financial liabilities		
Amortised cost:		
Trade and bills payables	**74,361,988**	62,459,066
Other payables	**17,499,880**	17,061,789
Short-term financing notes	**–**	3,515,981
Bank and other borrowings	**51,138,319**	65,126,151
Finance lease payables	**300,469**	507,878
Corporate bonds	**26,921,484**	6,273,612
	170,222,140	154,944,477

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, other loans, pledged deposits, bank and cash balances, deposits and other receivables, trade and bills payable, other payables, short-term financing notes, bank and other borrowings, corporate bonds and finance lease payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk which arises from fixed rate bank and other borrowings, other loans, corporate bonds, short-term financing notes and finance lease payables.

In addition, the Group is exposed to cash flow interest rate risk which arises from corporate bonds, floating rate bank and other borrowings, pledged deposits and bank and cash balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and cash balances, pledged deposits, floating rate corporate bonds and bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 10 basis points increase or decrease in interest rate on bank and cash balances and pledged deposits and a 50 basis points increase or decrease in interest rate on floating rate corporate bonds and bank and other borrowings are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 10 basis points (2015: 10 basis points) higher/lower for bank and cash balances and pledged deposits with all other variables held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by approximately RMB39,952,000 (2015: RMB38,359,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower for floating rate corporate bonds and bank and other borrowings with all other variables held constant, the Group's post-tax profit (net of interest capitalised) for the year ended 31 December 2016 would decrease/increase by approximately RMB65,820,000 (2015: RMB87,068,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Currency risk

The Group's exposure to currency risk is attributable to bank and cash balances, available-for-sales financial assets, trade and bills receivables, trade and bills payables and bank borrowings which are denominated in the currencies other than the functional currency of the relevant group entities. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
USD	**11,537,532**	4,995,933	**2,537,159**	1,406,574
EURO	**30,949**	159,680	**–**	8,824
HKD	**1,032,653**	11,729,673	**47**	–
Others	**788,829**	441,663	**1,264,936**	311,409

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on a 6% (2015: 5%) increase/decrease in functional currency of respective group entities against the relevant foreign currencies. 6% (2015: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 6% (2015: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in the Group's post-tax profit and the Group's other comprehensive income, where functional currency of respective group entities had strengthened 6% (2015: 5%) against the relevant foreign currency. For a 6% (2015: 5%) weakening of functional currency of respective group entities against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and other comprehensive income for the year.

	2016	2015
	RMB'000	RMB'000
Increase (decrease) in the Group's post-tax profit		
– if RMB strengthens against USD	**(416,396)**	(148,813)
– if RMB strengthens against EURO	**(1,432)**	(5,684)
– if RMB strengthens against HKD	**(42,028)**	(433,833)
– if RMB strengthens against others	**22,027**	(4,908)
Decrease in the Group's other comprehensive income		
– if RMB strengthens against HKD	**(5,745)**	(8,143)

(iii) Other price risk

The Group is exposed to other price risk because the fair value of certain available-for-sale financial assets and financial assets at fair value through profit or loss are measured by reference to quoted prices or determined in accordance with Black-Scholes option pricing model. Details of the available-for-sale financial assets and financial assets at fair value through profit or loss are set out in notes 22 and 30, respectively.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on a 12% (2015: 10%) increase/decrease in equity price of the equity securities mentioned above. 12% (2015: 10%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in equity price. A positive (negative) number below indicates an increase (decrease) in the Group's post-tax profit or increase (decrease) in the Group's other comprehensive income.

	2016	2015
	RMB'000	RMB'000
Increase (decrease) in post-tax profit		
– as a result of increase in equity price	**6,494**	5,024
– as a result of decrease in equity price	**(6,494)**	(5,024)
Increase (decrease) in other comprehensive income		
– as a result of increase in equity price	**262,976**	241,561
– as a result of decrease in equity price	**(262,976)**	(241,561)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to the financial guarantees provided by the Group.

The Group has concentration of credit risk as 3% of the total trade receivables was due from the Group's largest five customers in the PRC as at 31 December 2016 (31 December 2015: 7%). The Group's remaining customers individually contribute less than 1% of the total trade receivables of the Group.

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

In the opinion of management, the Group has no significant credit risk with these largest customers as the Group maintains long-term and stable business relationships with these companies with healthy repayment history. For other trade and bills receivables, the management of the Group performs an ongoing individual credit evaluation of their customers' and counterparties' financial conditions, and is of the opinion that the outstanding debts are recoverable.

The ongoing individual credit evaluation of the counterparties' financial conditions are also performed for other loans, and the management of the Group is of the opinion that the outstanding debts are recoverable.

Regarding balances with related parties, the management of the Group assesses the recoverability by reviewing their financial position and results periodically and considers the credit risk to be insignificant.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with good reputation.

Other than the above mentioned concentration of credit risk, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank and cash balances as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and bills payable to ensure compliance with loan covenants.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank and other borrowings with a repayable on demand clause were included in the earliest time band regardless of the probability of the lenders choosing to exercise their right. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate	Repayable on demand or within one year	In the second year	In the third year	In the fourth year	In the fifth year	After five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016									
Trade and bills payables	N/A	74,361,988	–	–	–	–	–	74,361,988	74,361,988
Other payables	N/A	17,477,037	16,449	–	–	–	6,394	17,499,880	17,499,880
Financial lease payables	5.64	314,956	493	–	–	–	–	315,449	300,469
Corporate bonds	3.89	11,527,470	1,269,770	1,790,470	1,283,070	10,697,160	3,322,200	29,890,140	26,921,484
Interest-bearing bank and other borrowings									
– Floating rate	4.95	6,256,907	9,890,972	3,168,422	1,859,843	2,042,220	10,388,095	33,606,459	27,460,535
– Fixed rate	4.89	19,605,416	1,846,095	852,452	464,634	2,211,664	1,009,838	25,990,099	23,677,784
		129,543,774	13,023,779	5,811,344	3,607,547	14,951,044	14,726,527	181,664,015	170,222,140
Financial guarantee contracts	N/A	6,089,066	–	–	–	–	–	6,089,066	–

	Weighted average interest rate	Repayable on demand or within one year	In the second year	In the third year	In the fourth year	In the fifth year	After five years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015									
Trade and bills payables	N/A	62,459,066	–	–	–	–	–	62,459,066	62,459,066
Other payables	N/A	16,702,549	179,620	107,251	72,369	–	–	17,061,789	17,061,789
Short-term financing notes	3.39	3,613,604	–	–	–	–	–	3,613,604	3,515,981
Financial lease payables	6.13	235,852	308,761	–	–	–	–	544,613	507,878
Corporate bonds	5.16	792,210	688,115	770,415	1,294,775	794,049	3,505,708	7,845,272	6,273,612
Interest-bearing bank and other borrowings									
– Floating rate	5.01	8,743,575	5,325,619	7,821,680	2,859,157	1,228,393	9,116,073	35,094,497	30,402,301
– Fixed rate	5.42	28,929,766	2,643,139	2,026,111	390,789	556,870	2,009,772	36,556,447	34,723,850
		121,476,622	9,145,254	10,725,457	4,617,090	2,579,312	14,631,553	163,175,288	154,944,477
Financial guarantee contracts	N/A	4,423,881	–	–	–	–	–	4,423,881	–

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or within one year" time band in the above maturity analysis. As at 31 December 2016, the aggregate carrying amount of these bank borrowings amounted to RMB622,860,000 (31 December 2015: RMB487,860,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand for immediate repayment.

Corporate bonds with a repayment on demand clause are included in the "Repayable on demand or within one year" time band in the above maturity analysis. As at 31 December 2016, the aggregate carrying amount of these corporate bonds amounted to RMB10,134,523,000 (31 December 2015: nil). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the investors will exercise their discretionary rights to demand for immediate repayment.

Other borrowings have no fixed repayment term and are included in the "Repayable on demand or within one year" time band in the above maturity analysis.

The amounts included above for financial guarantee contracts are the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Fair value measurement

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 these consolidated financial statements approximate their fair values.

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	**23,677,784**	34,723,850	**24,670,791**	34,913,525
Corporate bonds (fixed rate)	**26,514,352**	5,773,612	**26,857,967**	5,996,911
Financial lease payables (fixed rate)	**300,469**	507,878	**308,782**	548,185
	50,492,605	41,005,340	**51,837,540**	41,458,621

Fair value hierarchy as at 31 December 2016

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	–	**24,670,791**	**24,670,791**
Corporate bonds (fixed rate)	–	**26,857,967**	–	**26,857,967**
Financial lease payables (fixed rate)	–	–	**308,782**	**308,782**
	–	**26,857,967**	**24,979,573**	**51,837,540**

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Fair value measurement (continued)

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

Fair value hierarchy as at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	–	34,913,525	34,913,525
Corporate bonds (fixed rate)	–	5,996,911	–	5,996,911
Financial lease payables (fixed rate)	–	–	548,185	548,185
	–	5,996,911	35,461,710	41,458,621

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 technique(s) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

45. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Fair value measurement (continued)

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

Financial assets	Fair value at		Fair value hierarchy	Valuation technique	Key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2016 RMB'000	31 December 2015 RMB'000					
Tradable listed equity securities classified as available-for-sale financial assets	**2,440,539**	2,857,434	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable
Non-tradable securities of a company listed in Hong Kong classified as available-for-sale financial assets (note)	**401,570**	347,977	Level 3	Black-Scholes option pricing model	Spot price of the securities, volatility of the securities, expected life of the option and risk-free interest rate	Expected volatility. Expected life of the option.	The higher the volatility, the lower the fair value. The longer the expected life of the option, the lower the fair value.
Subtotal	**2,842,109**	3,205,411					
Financial assets at fair value through profit or loss (note 30)	**70,182**	66,663	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable

Note: These investments represent non-tradable shares of Huadian Fuxin which was listed on the Stock Exchange in 2012.

Reconciliation of level 3 fair value measurement of financial assets:

	2016 RMB'000	2015 RMB'000
At beginning of year	**347,977**	744,003
Fair value gain (loss) recognised in other comprehensive income	**53,593**	(396,026)
At end of year	**401,570**	347,977

46. CAPITAL COMMITMENTS

Capital expenditure:

	2016 RMB'000	2015 RMB'000
Contracted for but not provided in these consolidated financial statements:		
Property, plant and equipment	**1,093,704**	2,866,876

The Group's share of the capital commitments of its joint ventures is as follows:

	2016 RMB'000	2015 RMB'000
Commitments to contribute funds for the acquisition and construction of property, plant and equipment	**358,801**	424,389

Investment commitments:

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

	2016 RMB'000	2015 RMB'000
Investment commitments in:		
– Associates	**2,931,387**	622,542
– Joint ventures	**1,733,242**	2,272,697
– Available-for-sale financial assets	**22,528**	–
	4,687,157	2,895,239

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

47. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**226,200**	256,667
1 to 3 years	**276,257**	391,078
Over 3 years	**68,988**	155,500
	571,445	803,245

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises. Lease of rented premises are negotiated with fixed lease term for 1 to 10 years.

The Group as lessor

For the year ended 31 December 2016, rental income earned by the Group from its investment properties was RMB54,332,000 (2015: RMB51,189,000).

All of the properties leased out have committed tenants for 1 to 18 years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**56,048**	46,018
1 to 3 years	**58,686**	71,859
Over 3 years	**108,036**	173,874
	222,770	291,751

48. CONTINGENCIES

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

(b) Guarantees

	2016 RMB'000	2015 RMB'000
Guarantees given to banks and other financial institutions in respect of loan facilities granted to: (note i)		
Joint ventures (note 50 (a))	**1,068,151**	–
Associates (note 50 (a))	**3,701,466**	3,565,588
Investee recognised as available-for-sale financial asset	**75,000**	79,500
	4,844,617	3,645,088
Mortgage loan guarantees provided by the Group to banks in favor of its customers (note ii)	**1,244,449**	778,793
	6,089,066	4,423,881

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

(ii) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

49. 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:

	Notes	2016 RMB'000	2015 RMB'000
Property, plant and equipment	14	**975,091**	881,325
Prepaid lease payments	15	**346,952**	90,837
Investment properties	16	**66,670**	69,254
Intangible assets	17	**7,721,317**	10,008,105
Trade receivables	24	**459,796**	1,368,035
Properties under development for sale	28	**9,418,948**	10,348,935
Completed properties for sale	28	**19,722**	99,940
Bank deposits	31	**2,698,576**	2,650,613
		21,707,072	25,517,044

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

50. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000
Sales of goods		
Associates	**83,406**	71,842
Fellow subsidiaries	**2,242**	–
	85,648	71,842
Provision of construction services		
Ultimate holding company	**–**	8,006
Joint ventures	**57,273**	152,725
Associates	**3,500,437**	1,266,569
Fellow subsidiaries	**11,274**	3,666
	3,568,984	1,430,966
Purchase of goods		
Associates	**18,799**	10,259
Purchase of services		
Fellow subsidiaries	**30,853**	51,863
Lease expense		
Fellow subsidiaries	**160,445**	108,415
Finance income		
Associates	**99,991**	120,988
Joint ventures	**29,114**	–
Fellow subsidiaries	**5,996**	–
	135,101	120,988
Finance costs		
Ultimate holding company	**33,141**	54,175
Fellow subsidiaries	**201**	–
Associates	**–**	121,765
	33,342	175,940

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

50. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

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

	2016	2015
	RMB'000	RMB'000
Associates (note 48 (b))	**3,701,466**	3,565,588
Joint ventures (note 48 (b))	**1,068,151**	–
	4,769,617	3,565,588

The Group had obtained guarantees by ultimate holding company in respect of certain bank loans of the Group:

	2016	2015
	RMB'000	RMB'000
Ultimate holding company (note 34)	**–**	185,000

In the opinion of the Directors, the transaction between the Group and the related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises"). During the year, the Group had transactions with 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.

50. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 25, 26, 29, 32, 33, 34 and 38.

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2016 RMB'000	2015 RMB'000
Directors' fee	**487**	319
Salaries and other allowances	**3,280**	2,934
Discretionary bonus	**9,570**	5,461
Retirement benefit schemes contributions	**666**	618
	14,003	9,332

The remuneration of key management is determined having regard to the Group's or respective member's performance for such financial period.

During the year, certain key management personnel was granted restricted share, in respect of his service to the Group under the Scheme of the Company. Details of the Scheme are set out in note 43.

51. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2015 and 2016, the Group acquired equity interests of certain companies owned by other independent third parties.

Acquisition-related costs relating to the above transactions are insignificant and have been excluded from the cost of acquisitions and have been recognised directly as expenses in the year in which the transactions were made and included in the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

51. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2016

In current year, the Group obtained control of 北京葛洲壩龍湖置業有限公司 ("Gezhouba Longhu"), which is engaged in property development, by modifying the contractual agreement with the other shareholder to hold majority voting right. As at 31 December 2015, Gezhouba Longhu was a joint venture of the Group. Pursuant to the revised articles of Gezhouba Longhu entered into during the current year, the board of directors of Gezhouba Longhu shall comprise seven directors whereby the Group has the right to appoint four and the other sole investor shall appoint three. At least 50% approvals by the directors of Gezhouba Longhu are required for decisions on directing the relevant activities of Gezhouba Longhu. In the opinion of the Directors, the Group has control over Gezhouba Longhu based on the revised articles of Gezhouba Longhu and therefore Gezhouba Longhu became a subsidiary of the Group. The acquisition is accounted for using the acquisition method of accounting in accordance with IFRS 3 Business Combinations. The Directors believe that the acquired items constitute a business in accordance with IFRS 3 (for example, construction activities and pre-completion sales activities had been started before the acquisition). Such acquisition enabled the Group to expand its property portfolio.

On 1 July 2016, the Group's investment segment acquired two water plants of 北京中凱興業投資管理有限公司 (Beijing Zhongkai Xingye Investment Management Company Limited)(the "Beijing Zhongkai Xingye") and 湖南海川達投資管理有限公司 (Hunan Haichuanda Investment Management Company Limited)(the "Hunan Haichuanda") to expand its water treatment operation in Hunan province and Beijing in the PRC, respectively.

51. ACQUISITION OF SUBSIDIARIES (continued)

Assets and liabilities recognised at the date of acquisition are as follows:

2016

	Gezhouba Longhu RMB'000	Others RMB'000	Total RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment (note 14)	343	5,402	5,745
Prepaid lease payments (note 15)	–	2,811	2,811
Intangible assets (note 17)	–	36,283	36,283
Trade receivables from service concession arrangements	–	717,528	717,528
Prepayments, deposits and other receivables	–	26	26
	343	762,050	762,393
CURRENT ASSETS			
Inventories	–	957	957
Properties under development for sale	5,104,056	–	5,104,056
Trade and bills receivables	–	30,538	30,538
Prepayments, deposits and other receivables	2,499,490	95,492	2,594,982
Bank and cash balances	759,246	8,792	768,038
	8,362,792	135,779	8,498,571
CURRENT LIABILITIES			
Bank and other borrowings	1,116,589	20,000	1,136,589
Trade and bills payables	9,944	20,716	30,660
Other payables and accruals	5,225,380	448,422	5,673,802
	6,351,913	489,138	6,841,051
NET CURRENT ASSETS / (LIABILITIES)	2,010,879	(353,359)	1,657,520
TOTAL ASSETS LESS CURRENT LIABILITIES	2,011,222	408,691	2,419,913
NON-CURRENT LIABILITIES			
Bank and other borrowings	1,788,900	64,000	1,852,900
Other payables	–	77,774	77,774
Deferred tax liabilities (note 23)	–	35,432	35,432
	1,788,900	177,206	1,966,106
Net assets	222,322	231,485	453,807

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

51. ACQUISITION OF SUBSIDIARIES (continued)

2016 (continued)

	Gezhouba Longhu RMB'000	Others RMB'000	Total RMB'000
Consideration transferred			
– Consideration paid/payable	–	726,000	726,000
– Carrying amount of previously-held interests in a joint venture	–	–	–
– Excess of fair value of the previously-held interests in a joint venture	111,161	–	111,161
	111,161	726,000	837,161
Plus: non-controlling interests	111,161	13,445	124,606
Less: net assets acquired	222,322	231,485	453,807
Goodwill arising from acquisition (note 21)	–	507,960(*)	507,960(*)
Net cash inflow (outflow) arising on acquisition			
Total cash consideration paid	–	(549,700)	(549,700)
Add: cash and cash equivalents acquired	759,246	8,792	768,038
Net inflow (outflow) of cash and cash equivalents in respect of the acquisition	759,246	(540,908)	218,338

* The amount of goodwill is provisional.

The initial accounting for these two acquisitions of Beijing Zhongkai Xingye and Hunan Haichuanda was incomplete by 31 December 2016, provisional amounts are reported for intangible assets and goodwill. The Group is currently still in the process to engage a third party valuation firm to obtain some new information about facts and circumstances that existed as of the acquisition date. Once the fair value exercises are completed during the measurement period (within one year from the acquisition date), the Group will retrospectively adjust the amount of identifiable intangible assets which are currently at nil balance and reduce the current provisional amount of goodwill accordingly.

For the year ended 31 December 2015

In 2015, in respect of the companies owned by certain employees of the Group, SASAC initiated the transactions to acquire these companies for the purpose of onward injection into ENERGY CHINA GROUP so as to enable ENERGY CHINA GROUP to make injection of these companies into the Group pursuant to the reorganisation. Under these acquisition transactions initiated by SASAC, the total fair value of the net assets of these companies at the respective dates of acquisition were higher than the purchase consideration amounts. As SASAC is the controlling party of ENERGY CHINA GROUP, these bargain purchase gain obtained by SASAC at the date of acquisition of the above subsidiaries are recognised in reserve of the Group as shareholder contribution upon completion of the acquisition transactions.

51. ACQUISITION OF SUBSIDIARIES (continued)

Assets and liabilities recognised at the date of acquisition are as follows:

2015

	Enterprises-owned by employees RMB'000	Others RMB'000	Total RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment (note 14)	25,899	295,724	321,623
Intangible assets (note 17)	2,478	113,307	115,785
Investments in joint ventures	–	886,010	886,010
Trade receivables	–	781,966	781,966
Prepayments, deposits and other receivables	–	19,013	19,013
Available-for-sale financial assets	–	6,382	6,382
Deferred tax assets (note 23)	–	86	86
Prepaid lease payments (note 15)	–	32,349	32,349
	28,377	2,134,837	2,163,214
CURRENT ASSETS			
Inventories	1	15,429	15,430
Trade and bills receivables	14,820	68,957	83,777
Prepayments, deposits and other receivables	26,480	40,192	66,672
Bank and cash balances	6,868	44,017	50,885
	48,169	168,595	216,764
CURRENT LIABILITIES			
Bank and other borrowings	–	2,200	2,200
Trade and bills payables	13,162	57,846	71,008
Other payables and accruals	25,577	1,084,831	1,110,408
	38,739	1,144,877	1,183,616
NET CURRENT ASSETS/(LIABILITIES)	9,430	(976,282)	(966,852)
TOTAL ASSETS LESS CURRENT LIABILITIES	37,807	1,158,555	1,196,362
NON-CURRENT LIABILITIES			
Bank and other borrowings	–	337,850	337,850
Other payable	–	4,780	4,780
Deferred tax liabilities (note 23)	–	102,502	102,502
	–	445,132	445,132
Net assets	37,807	713,423	751,230

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

51. ACQUISITION OF SUBSIDIARIES (continued)

2015 (continued)

	Enterprises-owned by employees	Others	Total
	RMB'000	RMB'000	RMB'000
Identifiable net assets acquired	(37,807)	(713,423)	(751,230)
Non-controlling interests	–	157,152	157,152
Consideration transferred			
– Consideration paid/payable	4,600	610,762	615,362
Bargain purchase gain recognised as deemed contributions by owner	33,207	–	33,207
Goodwill (note 21)	–	54,491	54,491
Net cash inflow (outflow) arising on acquisition			
Total cash consideration paid	–	(592,762)	(592,762)
Add: cash and cash equivalents acquired	6,868	44,017	50,885
Net inflow (outflow) of cash and cash equivalents in respect of the acquisition	6,868	(548,745)	(541,877)

The aggregate fair value of receivables acquired as a result of the above acquisitions amounting to RMB1,969,202,000 for the year ended 31 December 2016 (2015: RMB983,439,000), which comprised trade receivables, bills receivable and other receivables, approximate the gross contractual amounts. There are no contractual cash flows not expected to be collected.

Goodwill arose on the above acquisitions because the costs of the combinations included a control premium. In addition, the considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they are not capable of being separated from the acquirees group and sold, transferred, licensed, rented or exchanged, either individually or collectively. None of the goodwill arising on these transactions is expected to be deductible for tax purposes.

Had the respective acquisition been completed at the beginning of respective year, total revenue and profit of the Group for the year would be as follows:

51. ACQUISITION OF SUBSIDIARIES (continued)

Pro forma information

	2016 RMB'000	2015 RMB'000
Revenue	**222,290,378**	205,767,376
Profit for the year	**7,438,343**	6,533,719

The additional business generated by these newly acquired subsidiaries contributed revenue and profit (loss) to the Group in the year of acquisition are as follows:

	2016 RMB'000	2015 RMB'000
Revenue	**4,627,182**	235,067
Profit (loss) for the year	**834,947**	(56,075)

In determining the "pro-forma" revenue and profit of the Group had the respective subsidiaries been acquired at the beginning of the year, the Directors have calculated depreciation of property, plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

52. DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2016 and 2015, equity interests of certain companies held by the Group were disposed of by the Group.

2016

	RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment (note 14)	**2,797**
Intangible assets (note 17)	**2,055,950**
	2,058,747
CURRENT ASSETS	
Inventories	**1,448**
Trade and bills receivables	**1,368**
Prepayments, deposits and other receivables	**32,057**
Bank and cash balances	**10,846**
	45,719
CURRENT LIABILITIES	
Trade and bills payables	**2,618**
Other payables and accruals	**10,212**
Bank and other borrowings	**2,255,268**
	2,268,098
NET CURRENT LIABILITIES	**(2,222,379)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**(163,632)**
NON-CURRENT LIABILITIES	
Bank and other borrowings	**62,000**
	62,000
Net liabilities disposed of	**225,632**
Cash consideration received by the Group	**4,413**
Gain on disposal of subsidiaries	**230,045**
Net cash outflow arising on disposal	
Cash consideration received	**4,413**
Less: Cash and cash equivalents disposed of	**10,846**
	(6,433)

52. DISPOSAL OF SUBSIDIARIES (continued)

2015

	RMB'000
NON-CURRENT ASSETS	
Property, plant and equipment (note 14)	353,646
Deferred tax assets (note 23)	638
Intangible assets (note 17)	102
Prepaid lease payments (note 15)	23,929
Prepayments, deposits and other receivables	579,924
	958,239
CURRENT ASSETS	
Inventories	1,975
Properties held for sale	802,308
Trade and bills receivables	43,502
Prepayments, deposits and other receivables	257,708
Bank and cash balances	167,425
	1,272,918
CURRENT LIABILITIES	
Trade and bills payables	147,887
Other payables and accruals	503,446
	651,333
NET CURRENT ASSETS	621,585
TOTAL ASSETS LESS CURRENT LIABILITIES	1,579,824
NON-CURRENT LIABILITIES	
Bank and other borrowings	1,149,245
	1,149,245
Net assets	430,579
Less: non-controlling interest	119,728
Less: carrying amount of the Group's retained interests	256
Net assets disposed of	310,595
Cash consideration received/receivable by the Group	(855,950)
Gain on remeasurement of group's retained interests	(166)
Gain on disposal of subsidiaries	(545,521)
Net cash inflow arising on disposal	
Cash consideration received	670,970
Less: Cash and cash equivalents disposed of	(167,425)
	503,545

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

53. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**14,410**	16,581
Intangible assets	**14,279**	12,276
Investments in subsidiaries	**40,338,981**	36,559,490
Investments in joint ventures	**1,523,550**	–
Investments in associates	**57,000**	–
Available-for-sale financial assets	**–**	268,043
Other receivables (note)	**–**	918,375
Prepayments, deposits and other receivables	**120,804**	–
Other loans to subsidiaries	**1,916,000**	–
	43,985,024	37,774,765
CURRENT ASSETS		
Other receivables	**5,089,015**	4,386,018
Other loans to subsidiaries	**2,309,850**	1,679,850
Pledged deposits	**200**	–
Bank and cash balances	**9,559,512**	15,557,520
	16,958,577	21,623,388
CURRENT LIABILITIES		
Other payables and accruals	**10,547,481**	9,943,816
NET CURRENT ASSETS	**6,411,096**	11,679,572
TOTAL ASSETS LESS CURRENT LIABILITIES	**50,396,120**	49,454,337
NON-CURRENT LIABILITIES		
Corporate bonds	**3,154,198**	3,149,713
NET ASSETS	**47,241,922**	46,304,624
Capital and reserves		
Issued share capital	**30,020,396**	29,600,000
Reserves	**17,221,526**	16,704,624
TOTAL EQUITY	**47,241,922**	46,304,624

Note: The non-current other receivables represent part of the Defined Benefit Plan Asset to be recovered from ENERGY CHINA GROUP during the year ending 31 December 2017, details of which are set out in note 38.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

53. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (continued)

	Issued share capital	Capital reserve	Share based compensation reserve	Retained earnings (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	21,600,000	14,728,898	–	3	36,328,901
Loss and total comprehensive expense for the year	–	–	–	(159,384)	(159,384)
Issue of shares	8,000,000	2,542,336	–	–	10,542,336
Transaction costs attributable to issue of new shares	–	(273,258)	–	–	(273,258)
Contribution by ENERGY CHINA GROUP	–	69,315	–	–	69,315
Others	–	(203,286)	–	–	(203,286)
As at 31 December 2015	29,600,000	16,864,005	–	(159,381)	46,304,624
Profit and total comprehensive income for the year	–	–	–	3,013,768	3,013,768
Issue of shares for exercise of over-allotment	**420,396**	**145,363**	**–**	**–**	**565,759**
Transaction costs attributable to exercise of over-allotment	**–**	**(11,359)**	**–**	**–**	**(11,359)**
Dividends declared	**–**	**–**	**–**	**(124,885)**	**(124,885)**
Special dividends declared	**–**	**–**	**–**	**(2,523,073)**	**(2,523,073)**
Effect of share based compensation	**–**	**–**	**4,576**	**–**	**4,576**
Others	**–**	**12,512**	**–**	**–**	**12,512**
As at 31 December 2016	**30,020,396**	**17,010,521**	**4,576**	**206,429**	**47,241,922**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

54. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Contributions of non-cash net assets to the Group by ENERGY CHINA GROUP (note)	–	118,400
Addition of property, plant and equipment under finance lease arrangements	–	16,102
Increase of equity interests in a joint venture through conversion of dividend receivables	–	345,000

Note: Details of these contributions are set out in notes to the consolidated statement of changes in equity.

55. EVENTS AFTER THE REPORTING PERIOD

In January 2017, the Company obtained the approval from the State-owned Assets Supervision and Administration Commission of the State Council, pursuant to which ENERGY CHINA GROUP has transferred 2,029,378,794 and 522,354,897 state legal person shares of the Company (representing approximately 6.76% and 1.74% of the total share capital of the Company, respectively) to China Reform Holdings Corporation Ltd.* (中國國新控股有限責任公司) (the "China Reform") and Beijing Chengtong Financial Investment Co., Ltd.* (北京誠通金控投資有限公司) (the "Chengtong Financial"), a subsidiary of China Chengtong Holdings Group Limited* (中國誠通控股集團有限公司), respectively (an aggregate of 2,551,733,691 shares), for nil consideration by way of gratuitous transfer (the "Transfer"). Before completion of the Transfer, Energy China Group and China Reform directly held 20,659,417,713 domestic shares and 677,582,000 H shares of the Company respectively, representing approximately 68.82% and 2.26% of the total share capital of the Company. Upon completion of the Transfer, Energy China Group, China Reform and Chengtong Financial directly held 18,107,684,022 domestic shares, 2,706,960,794 domestic and H shares and 522,354,897 domestic shares of the Company respectively, representing approximately 60.32%, 9.02% and 1.74% of the total share capital of the Company. There is no change to the controlling shareholder of the Company.

Glossary of Vocabulary and Technical Terms

"Articles of Association"	refer to the Articles of Association of China Energy Engineering Corporation Limited, which was effective and implemented on 10 December 2015 after the listing on the Stock Exchange of Hong Kong, and as amended after being considered and passed at the 2015 shareholders' annual general meeting held on 8 June 2016
"Board"	refers to the board of directors of the Company
"CGGC"	refers to China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司), a joint stock company established in the PRC with limited liability on 21 May 1997, the shares of which are listed on the Shanghai Stock Exchange, and a subsidiary of our Company
"CGGC Group"	refers to China Gezhouba Group Company Limited (中國葛洲壩集團有限公司), a limited liability company established in the PRC on 10 June 2003 and a wholly-owned subsidiary of our Company
"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 the PRC on December 19, 2014
"Company Law"	refers to Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress of the People's Republic of China on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effective on March 1, 2014
"Securities Law"	refers to Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	refers to the Corporate Governance Code as contained in Appendix 14 to the Listing Rules
"CPECC"	refers to China Power Engineering Consulting Group Co., Ltd. (中國電力工程顧問集團有限公司), a limited liability company established in the PRC on 12 August 2003 and a wholly-owned subsidiary of our Company
"Director(s)"	refers to the director(s) of the Company
"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

"EPC"	refers to a common form of contracting arrangement whereby the contractor is commissioned by the project owner to carry out such project work as design, procurement, construction and trial operations, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"BOT"	refers to the model of Build-Operate-Transfer; it is a model in which the government grants the concession rights of an infrastructure project to a contractor, which the contractor is responsible for the design, financing, construction and operation of the project during the concession period to cover its costs, repay debts and earn profits. Upon expiration of the concession period, the ownership of the project will be transferred back to the government
"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
"Finance Company"	refers to China Energy Engineering Group Finance Co., Ltd. (中國能源建設集團財務有限公司), formerly known as China Energy Engineering Group Gezhouba Finance Co.,Ltd. (中國能源建設集團葛洲壩財務有限公司), a limited liability company established in the PRC on January 18,1996 and a subsidiary of our Company
"Group" or "our Group"	refers to the Company and its subsidiaries
"Listing Date"	refers to the date of listing of the H shares of the Company on the Stock Exchange, namely 10 December 2015
"Listing Rules"	refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China"	refers to the People's Republic of China
"MOF"	refers to Ministry of Finance of the People's Republic of China
"National Bureau of Statistics"	refers to the National Bureau of Statistics of the People's Republic of China
"MW"	refers to a measure of electric power equal to 1,000,000 watts, alternatively 1 MW equals 1,000 kW

Glossary of Vocabulary and Technical Terms

"One Belt and One Road"	refers to a development strategy and framework, proposed by the People's Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road"
"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
"three supply in one industry"	refers to the water, power and gas supply and property management took place in the residence to employees of state-owned enterprises
"PV"	refers to a technology directly converting the light energy into electrical energy by using the photovoltaic effect of the semiconductor interface
"Reporting Period"	refers to the year ended 31 December 2016
"SASAC"	refers to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFO"	refers to Hong Kong Securities and Future Ordinance
"smart grid"	refers to the new modern grid highly integrating the advanced sensor measurement technology, information and communication technology, analysis and decision technology, automatic control technology, energy electric technology and power grid infrastructure in order to achieve the reliable, economical, efficient, and environmental friendly and safety use objectives
"nuclear power plant CAP1400"	refer to the third-generation large, advanced passive pressurized water reactor nuclear power set developed domestically with proprietary intellectual property on the basis of introducing, assimilating, absorbing and mastering the third-generation advanced passive AP1000 technology of nuclear power
"replacing small capacity generating units with large capacity ones"	refer to the use of large generating units for power stations and shut down of small generating units. The main purpose is to reduce energy consumption, reduce pollutant emissions and reduce obsolete capacity
"sponge city"	refers to the city having a good "flexibility" in adaptation to environmental change and response to natural disasters caused by rain, etc., capable of water absorption, water storage, water seepage, and water purification when it rains, and "release" and exploitation of the stored water when required

"urban comprehensive pipe galleries"	refer to the public tunnels laid underground in urban areas for paving municipal pipelines including electricity, telecommunications, television broadcast, water supply, water drainage, heat and gas, etc.
"Stock Exchange"	refers to The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Supervisory Committee"	refers to the committee of supervisors of the Company
"USC"	refers to main steam pressure higher than that of a supercritical generation unit. The main steam pressure is normally at 28 MPa or above with temperature higher than 600°C
"year-on-year"	refers to comparison with the same period of the previous year
"12th Five-Year Plan" or "13th Five-Year Plan"	refers to the Twelfth or Thirteenth Five-Year Planning Outline For National Economic and Social Development of the People's Republic of China
"920 Funds"	refers to the funds allocated to Energy China Group by MOF for realizing 9200 MW power generation assets to finance five types of labor costs and expenses, namely (i) the cost of early retired employees of Energy China Group; (ii) the overall cost of employees who officially retired; (iii) the cost of surviving dependants and widows after employees' death (including those who suffered from work-related injury or occupational disease, and those who were deprived of jobs due to organizational streamlining); (iv) the cost of people waiting for employment; and (v) the localized cost of social insurance of Energy China Group

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