中国能建
ENERGY CHINA

China

Asia

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ANNUAL REPORT 2017

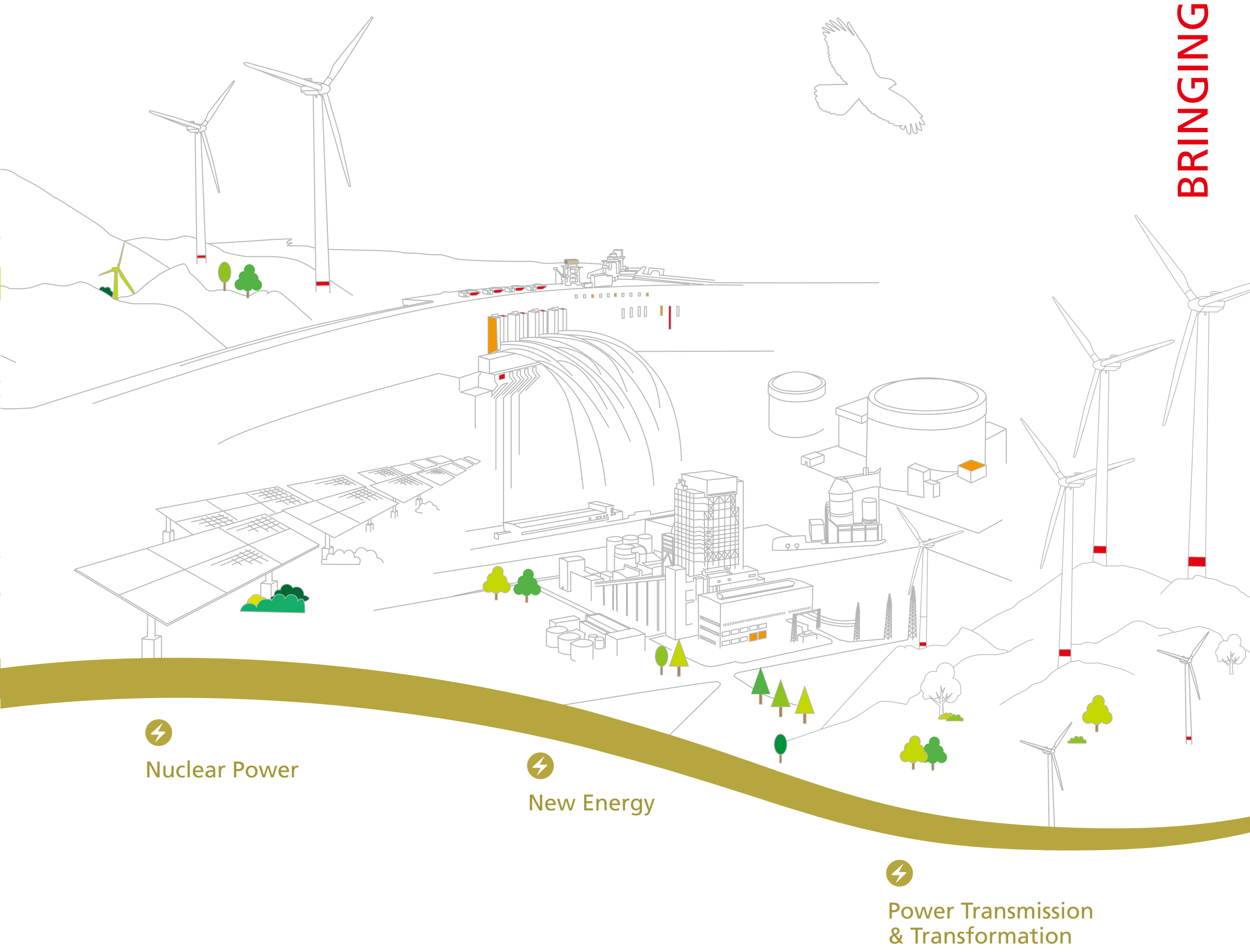
The BELT AND ROAD BRINGING ENERGY TO THE WORLD

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

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

Hydropower

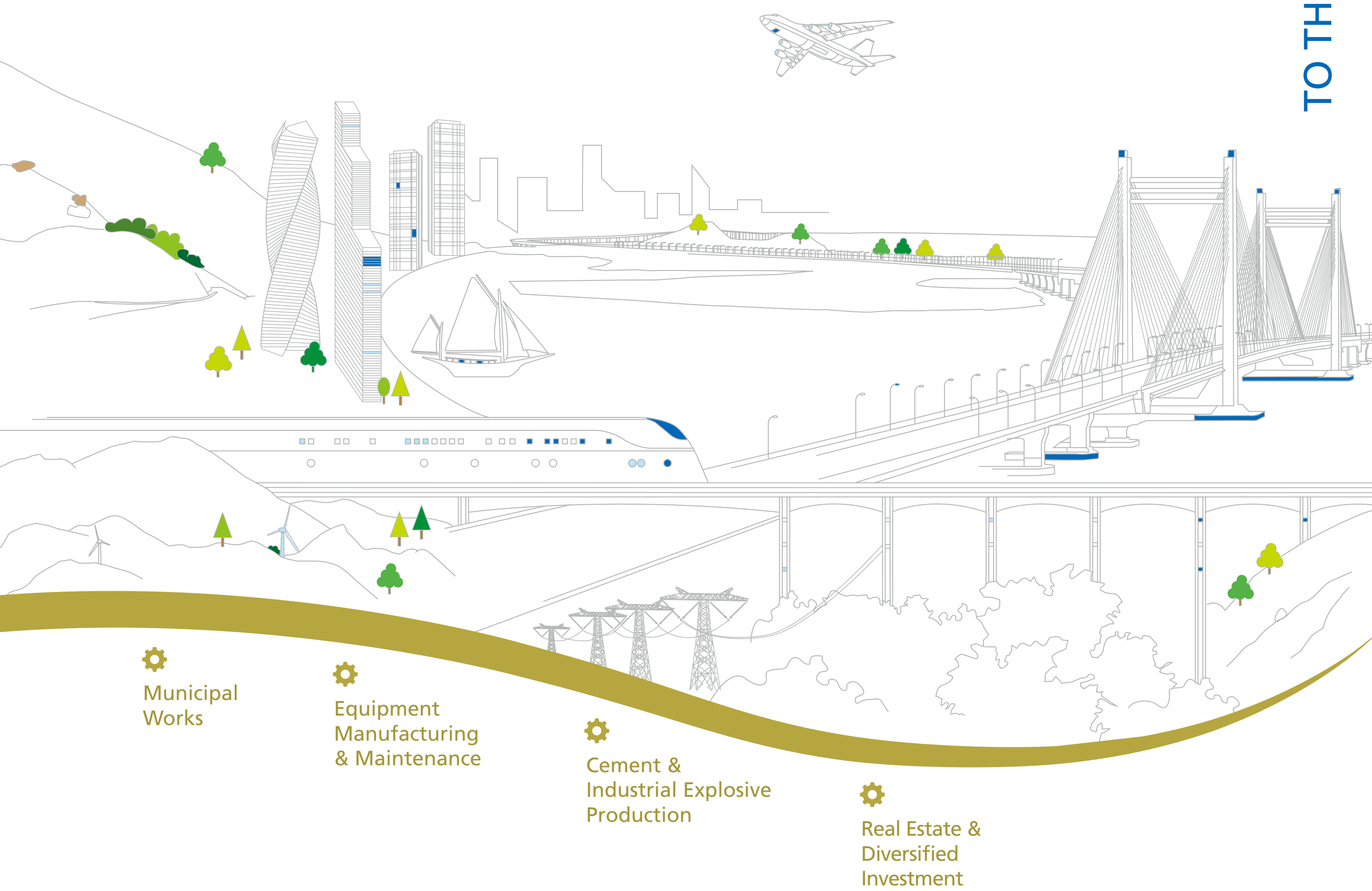
Fossil Fuel Power



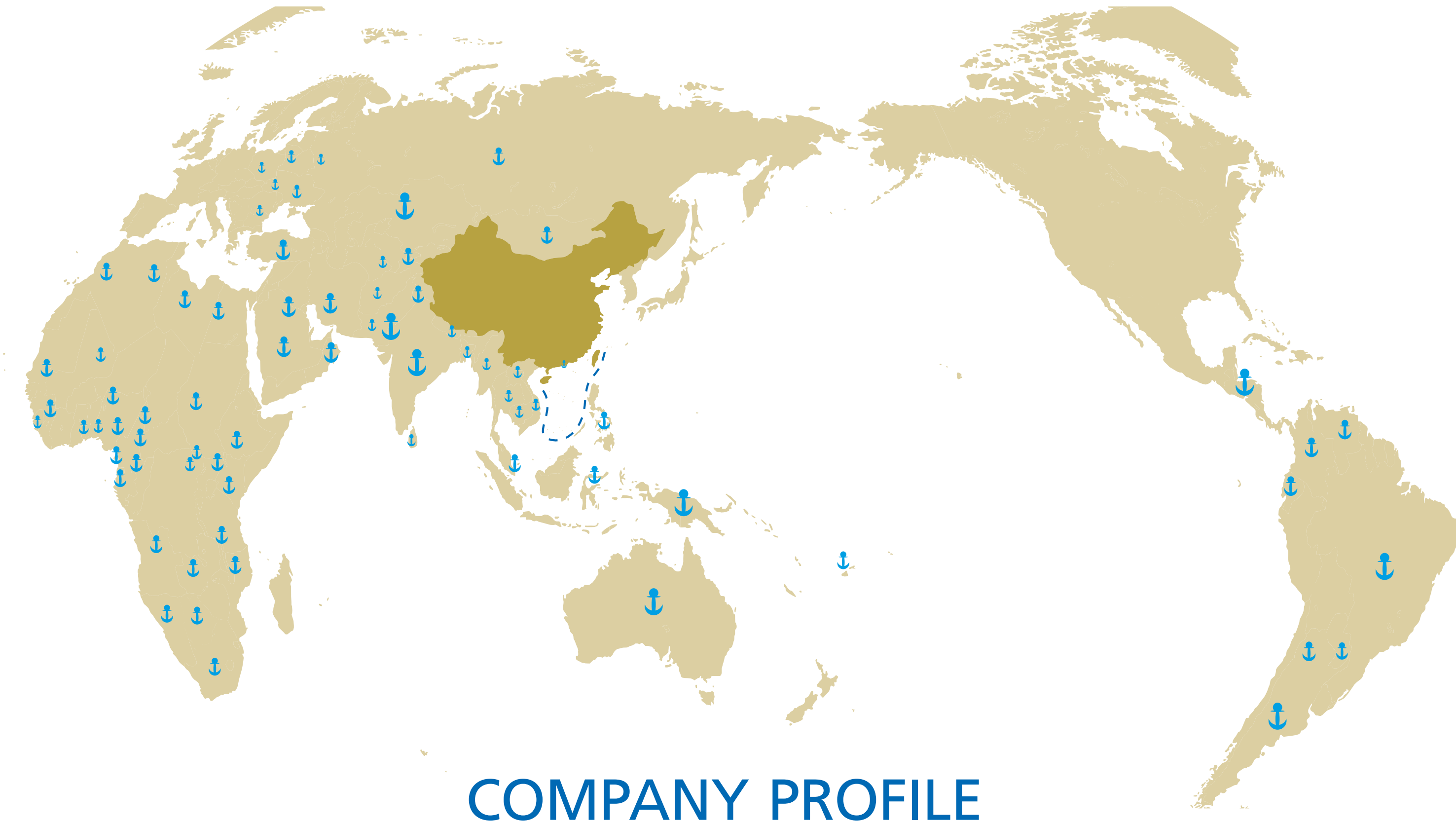
EVER-IMPROVING PROFESSIONAL COMPETENCE AND OPERATIONAL CAPACITY


Architecture
Shipping
Railway
Road & Bridge

TO THE WORLD



TO ACHIEVE HARMONIOUS COLLABORATION AND SOLID DEVELOPMENT



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 State-owned Assets Supervision and Administration Commission of the State Council) 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).

The Company is a comprehensive service provider engaged in construction project planning and consultancy, survey and design, construction and contracting, equipment manufacturing and investment operations, and is one of the largest integrated solution providers in the industry both at home and abroad. The Company is determined to become a "scientific, managerial, international, and diversified" engineering company with international competitiveness. It has ranked among the world's top 500 companies for four consecutive years and also climbs top to ENR150 of global engineering design companies, top 225 international engineering design companies, top 250 international contractors and top 250 global contractors, and has obtained internationally authoritative rating agencies such as Fitch and Moody's A-(A3) credit rating. It has established 147 overseas branches in 80 countries and regions with business footprints extending all provinces and regions in China and more than 140 countries and regions and its contracted projects cover more than 60% of countries along the "Belt and Road".

The Company is equipped with strong comprehensive technology capabilities and enjoys high industry leading position. As at the end of 2017, the Company owned 2 national enterprise technology centers, 3 academician and expert workstation, 8 postdoctoral research and development workstations, 43 provincial research institutions, 68 high-tech enterprises as well as 7,992 effective patents, whereas having prepared and revised nearly 1,000 national and industry standards. In addition, the Company was awarded almost 1,200 national and provincial Science and Technology Progress awards. From 2015 to 2017, it won 169 national quality awards, including 6 Luban Awards and 18 National Quality Engineering Gold Awards. It contributed 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 over 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 which represented the world's highest technological standard, the world's first "300" thermal power project, the world's largest scenic energy storage and transmission project, the world's first multi-terminal flexible DC transmission project, the world's most complex plateau power transmission and distribution in the network engineering and smart grid and other projects. 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 Company focused on implementing a diversified development strategy. In 2017, its financing construction and industrial investment increased by 124.90% year-on-year, the investment in clean energy grew rapidly and the real estate, cement, and civil explosion businesses were steadily gaining momentum and environmental protection business was booming. The total mileage of highways increased by 850.82 kilometers year-on-year, and a number of overseas investment projects were steadily implemented.

The Company, adhering to the concept of innovation, coordination, green, openness, and sharing new developments, will promote the development of high quality throughout the entire workflow. Upholding the strategic vision of "world-class, industrial top leader" and the corporate objective of "lean creates value, quality leads the future", and bearing the organisational mission of "World Energy, China Energy", the Company will capitalize on new opportunities brought by the "Belt and Road" initiative and constantly enhance the Company's development vitality, control, influence, international competitiveness, and risk resistance capabilities. Besides, it will seek new development under the new era and strives to contribute world-class quality projects to China and the world, thus creating value for customers, shareholders, employees and the society.

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COMPANY INFORMATION

COMPANY INFORMATION

Chinese Name: 中國能源建設股份有限公司
English Name: China Energy Engineering Corporation Limited
Registered Office: 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 Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's Website: www.ceec.net.cn
Tel.: +86 (10) 59098818
Fax: +86 (10) 59098711
E-mail: zgnj3996@ceec.net.cn

STOCK INFORMATION OF THE COMPANY

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Ma Chuanjing
Mr. Liu Xueshi
(appointed on 28 December 2017)
Mr. Si Xinbo
(appointed on 28 December 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Wang Zengyong *(Chairman)*
Mr. Lian Yongjiu
Mr. Kan Zhen
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 Chuanjing
Mr. Si Xinbo
(appointed on 28 December 2017)

NOMINATION COMMITTEE

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

COMPANY INFORMATION

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Zheng Qiyu *(Chairman)*
Mr. Wang Bin
Mr. Cheung Yuk Ming
Mr. Liu Xueshi
(appointed on 28 December 2017)

AUDIT COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Duan Qiurong
Ms. Mok Ming Wai

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
(Resigned in June 2017)

KPMG
8/F, Prince's Building, 10 Chater Road,
Central, Hong Kong
(appointed in June 2017)

LEGAL ADVISERS

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

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

PRINCIPAL 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					
	2017 (RMB in million)	2016 (RMB in million)	2015 (RMB in million)	2014 (RMB in million)	2013 (RMB in million)	Changes of 2017 over 2016 (%)
Revenue:						
Survey, design and consulting	**13,282.6**	12,972.6	12,454.7	12,432.2	12,293.5	2.39
Construction and contracting	**168,751.7**	161,058.2	153,172.8	142,436.6	119,245.2	4.78
Equipment manufacturing	**10,247.4**	10,471.1	9,698.0	8,897.4	8,919.9	(2.14)
Civil explosives and cement production	**9,711.5**	8,328.5	7,880.3	8,117.7	7,209.1	16.61
Investment and other businesses	**43,813.3**	37,498.1	29,074.7	16,446.4	10,982.8	16.84
Inter-segment elimination and adjustment	**(11,436.4)**	(8,157.5)	(6,587.6)	(4,506.3)	(5,015.1)	–
Total	**234,370.1**	222,171.0	205,692.9	183,824.0	153,635.4	5.49
Gross profit	**27,628.7**	25,312.8	23,058.1	20,216.5	16,536.1	9.15
Profit before tax	**11,955.3**	9,647.0	8,585.8	6,017.8	4,054.2	23.93
Profit for the year	**9,064.2**	7,438.6	6,470.4	4,095.6	2,617.5	21.85
Profit for the year attributable to equity shareholders of the Company	**5,261.1**	4,281.3	4,235.7	2,152.8	1,344.2	22.89
Basic and diluted earnings per share (RMB)	**0.18**	0.14	0.19	0.10	0.06	28.57

2 SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December					
RMB in million	**2017 (RMB in million)**	2016 (RMB in million)	2015 (RMB in million)	2014 (RMB in million)	2013 (RMB in million)	Changes of 2017 over 2016 (%)
Current assets	**242,329.4**	212,729.1	184,877.1	148,160.3	126,728.6	13.91
Non-current assets	**101,557.7**	79,928.4	75,720.8	70,724.8	54,402.0	27.06
Total assets	**343,887.1**	292,657.5	260,597.9	218,885.1	181,130.6	17.50
Current liabilities	**204,337.1**	163,742.2	151,934.7	131,207.3	113,550.0	24.79
Non-current liabilities	**59,694.3**	54,926.3	47,870.9	43,676.3	39,704.3	8.68
Total liabilities	**264,031.4**	218,668.5	199,805.6	174,883.6	153,254.3	20.75
Total equity	**79,855.7**	73,989.0	60,792.3	44,001.5	27,876.3	7.93
Total equity and liabilities	**343,887.1**	292,657.5	260,597.9	218,885.1	181,130.6	17.50

CHAIRMAN'S STATEMENT

Wang Jianping
Chairman

Dear all shareholders,

With time zips by, we have jointly get through the unforgettable year of 2017. On behalf of the Board of directors of the Company, I would like to express my sincere gratitude to the shareholders for giving the Company care and support in the past year.

The year of 2017 was an important year for the Company's acceleration of business transformation, quality and efficiency enhancement, and creation of a new situation of reform and development. In the past year, we proactively coped with the severe and complicated market situation and effectively eliminated the effects caused by the drop in the traditional power business market. We went all out to seek for development against the global market competition through speeding up business transformation to achieve breakthroughs, deepening internal reform to release vitality and strengthen standard management to consolidate the foundation. As new achievements were made in all work, the Company further maintained a steady development trend.

Production and operation recorded best ever results. During the year, the new contract value amounted to RMB443.773 billion, representing a year-on-year increase of 7.99%; revenue amounted to RMB234.370 billion, representing a year-on-year increase of 5.49%; net profit attributable to owners of the parent company was RMB5.261 billion, representing a year-on-year increase of 22.89%. The Company managed to deliver stable development and improvement in operating results, and achieved overall growth and steady enhancement of profitability, facilitating a significant improvement in operation quality.

New breakthroughs were made in business transformation and upgrade. The new contract value and revenue recorded a year-on-year increase of 14.43% and 21.28%, respectively. The Company entered into contracts in over 60% of countries along the "One Belt and One Road". The contract value of international

We expect to coorperate with domestic and overseas peers in good faith to achieve mutual development, share development fruits and create a desired future.

power projects exceeded USD10 billion for the third consecutive year, accounting for over 1/3 of overseas power engineering contracts entered into by Chinese enterprises. The new contract value for PPP projects exceeded RMB100 billion, representing a year-on-year increase of 50.60%. The new contract value and revenue of non-power project business saw an increase of 17.52% and 9.70%, respectively, with the percentage up by 39.96% and 14.03%, respectively. The new contract value for general contracting business was more than RMB300 billion and the new contract value and revenue increased by 18.08% and 19.56%, respectively.

Proactive progress was achieved in deepening internal reform. The Company comprehensively promoted the adjustment and restructuring of organization structure. Following the overall idea of segment-based, professional and regional development, the Company established a planning and engineering company, a construction investment company in Southern China, Northern China, Eastern China and Northwest China and performed restructuring for investment, international and engineering consulting business platforms. All the subsidiaries will give the rein to advantages in terms of discipline, technology and product and shoulder the responsibility for reinforcement and optimization of the Company's principal businesses; the platform companies will focus on serving the principal businesses and center on investment-driven, integration of industry and finance and enhancement of the Company's overall functions to lead and support the Company's subsidiaries in coordinated and orderly development in the international and domestic markets; the construction investment companies in all regions will strengthen the development of capacity to adapt to new situation and new business forms and speed up to drive the transformation and development of engineering enterprises of the Company to guarantee the stable growth of engineering business as the principal business of the Company. Proactive development has been achieved in the mixed ownership reform. Both subsidiaries have been successfully included in the third batch of national pilots.

Boosting enterprise development relying on technology and talents triggered vigor. The Company stepped up scientific and technological innovation by establishment of 2 academician and expert workstations and 3 professional enterprise research centers. 7 enterprises were rated as high-tech enterprises. During the year, the Company won 3 National Prizes for Progress in Science and Technology and 175 professional, ministerial and industry level and above prizes for progress in science and technology. In particular, the "ultra high-voltage ±800KV direct current transmission project" in which the Company participated in was awarded the national special prize for progress in science and technology; the Company prepared and published 1 international standard, 32 national and industrial standards and obtained 65 software copyrights and licensing for 1,226 patents including 315 patents for invention. The Company continuously optimized the talent team structure. As of the end of the year, the staff holding a bachelor's degree or above accounted for 41.2% of the total number of staff; the percentage of staff with a senior professional title or above and highly skilled staff including technicians and above in the total number of professional staff holding a certificate was 26.8% and 25.7%, respectively; the management and professional technical personnel represented 58.2% of the total number of staff, up by 2%, 1%, 0.9% and 1.7%, respectively. The Company has 29 experts who enjoy the special government subsidies, 8 national exploration and design masters, 2 national nuclear industry engineering exploration and design masters, 4 experts of new century talent project, 3 national young and middle-aged experts with outstanding contribution, and 21 national technical experts.

Standard governance was constantly enhanced. The general meeting of shareholders, the Board, the Supervisory Committee and the management operated compliantly in line with laws. Directors, supervisors and the management fulfilled their duties diligently and management on information disclosure, connected transaction, insider information as well as investor relations and market value management were further enhanced. The Company was rated as the listed company with the most investment potential and received the A-(A3) rating by Fitch and Moody's, both being international authoritative rating agencies, indicating a stable outlook.

Safety, quality and environmental protection manifested corporate responsibility. In respect of construction in progress, the production safety was generally stable with good performance in honoring agreements. The quality management was further strengthened and notable achievements were made in creation of excellence. The Company won a total of 49 national quality awards including 2 Luban Awards, 5 National Quality Construction Golden Awards (representing 38% of total number of gold awards of the year), 21 National Quality Construction Awards, 9 "China Installation Star" awards and 12 National Outstanding Project Consulting Awards. Due to vigorous promotion of green construction management and clean production, no environment event or violations in respect of energy conservation and emission reduction occurred.

In 2018, there will still be an ample space for development of international and domestic infrastructures and energy construction market and the Company's development is still in a period with strategic opportunities for great development. Centering on the strategic objective of accelerating building the Company into an engineering company with international competitiveness, we will concentrate our effort in the following four key tasks.

Firstly, maintaining stable growth and realizing high quality development. The Company will consolidate and enhance the advantages of traditional power construction, speed up business transformation and proactively and steadily develop the PPP business market to seek for growth by leveraging on transformation and upgrade of power industry, incremental market and non-power market. The overall layout of international business will be improved to promote the extent and level of participation in "One Belt and One Road" construction and implementation of key projects and seek for growth through international operation. The Company will implement refined management and deeply tap internal potentials to reduce costs and achieve growth through quality and efficiency enhancement. With the focus placed on principal businesses, more efforts will be exerted for capital operation to realize growth through deepening integration of industry and finance. The Group's overall advantages will be utilized to deliver growth in collaborative operation. Moreover, the Company will vigorously proceed with the transformation of development mode, structural adjustment, system construction and risk prevention to solidly promote the high quality development of the Company.

Secondly, constantly deepening reform to stimulate impetus for organic growth. To adapt to development requirements, the Company's development plan will be adjusted. The Company will deeply streamline and integrate the functional positioning of the head office and subsidiaries and the corresponding organization and management system to enhance management and control efficiency. In order to promote system and mechanism innovation, the Company will encourage and guide subsidiaries to introduce strategic investors and conduct integration of external resources. Besides, the pilot work for mixed ownership reform will be vigorously promoted for subsidiaries to support innovation of incentive and constraint system and mechanism of scientific and technological enterprises, knowledge-intensive enterprises and management intensive enterprises. The Company will try to explore the effective way for discharge of the functions and powers of the Board and execute the professional manager system, and increase incentive efforts for talents.

Thirdly, improving governance capacity and consolidating the development foundation. Upholding the policy of "strict corporate governance according to law", the Company will make decisions and conduct operations in accordance with laws, and implement standard management and rigorous supervision and execute procedures in accordance with standards with clear division of responsibilities to constantly improve standard operation of the Company. Furthermore, the Company will improve the management system and mechanism, strengthen responsibility of management and control at all levels, and increase incentive and constraint efforts. While reinforcing risk prevention and supervision, great efforts will be made for project management and production safety and standardization of Board construction and corporate governance to consolidate the foundation of standard operation.

Fourthly, strengthening innovation driving to improve innovation capacity. Pursuing the concept of innovative development, the Company will thoroughly implement the innovation driving strategy and increase investment in innovation to achieve new breakthroughs in terms of scientific and technological development, investment and merger, and integration of industry and finance and constantly improve innovation capacity and level. In addition, the Company will further speed 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 2018, the Company will continue to make a long arm for opportunities and speed up 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 2018

World-class Industrial Top leader

BUSINESS OVERVIEW

1 OVERVIEW OF INDUSTRY DEVELOPMENT

Construction industry. In 2017, the total output value of construction industry in China reached RMB21.4 trillion, representing an increase of 10.5% compared with the same period of last year and a year-on-year increase of 3.4 percentage points in growth rate. The annual added value of the construction industry reached RMB5.57 trillion, representing a year-on-year increase of 4.3%. The infrastructure investment of China maintained a high growth rate, which recorded accelerated investment in construction projects and new construction projects and increasing amount of newly signed contracts and available capital.

Power industry. In 2017, the national power consumption reached 6.3 trillion KWh, representing a year-on-year growth of 6.6%. In 2017, the power grid and power generation projects in China completed an investment of RMB801.5 billion, representing a year-on-year decrease of 9.37%. Among which, the power grid projects completed an investment of RMB531.5 billion, representing a year-on-year decrease of 2.2%. The power generation projects of nationwide major power enterprises completed an investment of RMB270.0 billion, representing a year-on-year decrease of 20.8%. Among which, the hydropower investment was RMB61.8 billion, representing a year-on-year increase of 0.1%; the fossil-fuel power investment was RMB74.0 billion, representing a year-on-year decrease of 33.9%; the nuclear power investment was RMB39.5 billion, representing a year-on-year decrease of 21.6%; the wind power investment was RMB64.3 billion, representing a year-on-year decrease of 30.6%.

Fixed asset investment. In 2017, the investment in fixed assets in China (excluding rural households) amounted to RMB63.17 trillion, representing a year-on-year growth of 7.2% and a year-on-year decline of 0.9 percentage point in growth rate. Infrastructure investment swayed at high level. Infrastructure investment (excluding power, thermal power, gas and water production and supply) reached RMB14 trillion, representing a year-on-year growth of 19% and a rise of 1.6 percentage points in growth rate over the previous year. Among which, water conservancy management investment increased by 16.4%, representing a drop of 4 percentage points in growth rate compared with the same period of last year; utility management investment increased by 21.8%, representing a drop of 1.1 percentage points in growth rate compared with the same period of last year; road transport investment increased by 23.1%, representing a rise of 8 percentage points in growth rate compared with the same period of last year; and railway transport investment recorded a year-on-year decrease of 0.1%, representing a drop of 0.1 percentage point compared with the same period of last year.

Overseas contracting. The turnover of China's overseas contracting business reached RMB1.14 trillion, representing a year-on-year growth of 7.5% (equivalent to USD168.59 billion, representing a year-on-year growth of 5.8%). The new contract value reached RMB1.79 trillion, representing a year-on-year growth of 10.7% (equivalent to USD265.28 billion, representing a year-on-year growth of 8.7%). In 2017, the new contract value for overseas contracting projects of China's enterprises in 61 countries along the "One Belt and One Road" reached USD144.32 billion, accounting for 54.4% of the total new contract value for overseas contracting projects of China for the same period, with a year-on-year increase of 14.5%; the turnover reached USD85.53 billion, accounting for 50.7% of the total turnover for the same period, with a year-on-year increase of 12.6%.

Cement industry. Overall, benefited from factors such as self-discipline in the industry, stricter environmental protection policies and peak shifting production halts, the supply side has been better regulated, which enabled the overall demand of the cement industry to remain basically stable. and led to a better momentum of recovery. In 2017, the total cement production in China amounted to 2.34 billion tonnes, representing a year-on-year decline of 3.1%. The average price of cement in the market as at the end of the year recorded a substantial rise compared with that at the beginning of the year and the same period of last year, leading to the further profit improvement of enterprises. The profit of China' cement industry in 2017 is expected to reach approximately RMB90.0 billion. In terms of region, East China and Central and South China markets achieved stable sales with rising prices, while North China market recorded sales decline with increased prices.

Civil explosives industry. Civil explosives industry is a core industry subject to the State's control, thus having relatively higher entry barriers. Civil explosives products play an important role in basic industries and major infrastructure construction, approximately 70% of which are used for the mining of coal, metal and non-metal mines. Because of the overcapacity in civil explosives industry, the entire industry output value has showed negative growth for three consecutive years since 2014. However, the decline recorded a significant year-on-year shrink in 2016. Total output value in the industry and ex-factory price indices of pyrotechnic products such as explosives in 2017 have remained unchanged or achieved slight improvement year-on-year, showing obvious signs of recovery in the industry. The integrated service model as well as industrial reorganization and integration were still major development trends in civil explosives industry.

Real estate industry. In 2017, the investment for real estate development in China amounted to RMB10.98 trillion, representing a year-on-year increase of 7.0% and a year-on-year increase of 0.1 percentage point in growth rate. The amount of national investment in property development, area of building construction and new construction, the total gross floor area of sold commodity properties, sales of commodity properties, land purchase area and other major indicators continued to go up.

2 OVERVIEW OF BUSINESS DEVELOPMENT

2017 was a year for the Company to accelerate its transformation, improve quality and efficiency, and create a new situation in production and operation. Facing the intricate economic condition and profoundly changing market environment, the Company has taken multiple and effective measures through persistent efforts for structure adjustment, transformation acceleration and quality improvement. We managed to further optimize its business structure and enhance its operating level, leading to its rapid development in incremental business, steadily increasing market share and improving growth quality. The Company achieved "steady progress, enhanced quality, and overall growth" in operating results, marking a firm step towards the goal of becoming an engineering company with international competitiveness. In 2017, the Company was ranked 312th on Fortune Global 500 list, 68th on China Enterprise Top 500 list issued by China Enterprise Confederation, 11th among ENR's Top 250 Global Contractors, 27th among ENR's Top 250 International Contractors, 4th among ENR's Top 150 Global Engineering Design Companies, 29th among ENR's Top 225 International Engineering Design Companies, further demonstrating its position in the industry and its high brand value.

The Company's principal businesses, comprising of survey, design and consulting services, construction and contracting, equipment manufacturing, civil explosives and cement production, investment and others, maintained strong market performance, showing a good momentum of growing principle businesses and further rationalization, high-end trend and internationalization of business structure. In 2017, the business transformation has entered into a new phase of overall advancement and speed shifting, and major transforming businesses such as international engineering, non-power engineering, new business model and investment have achieved relatively rapid and effective development. The proportion of the value of newly signed contracts of international engineering, domestic non-power engineering and domestic power engineering businesses accounted for 29.91%, 31.20% and 38.89%, respectively. We achieved coordinated development and effective complementation between transforming and traditional businesses. The Company has consistently promoted the implementation of a series of strategic deployment and major initiatives for business transformation through strengthening the organization and coordination. In particular, the Company has effectively accelerated its overall pace of transformation with intensified strategic cooperation, enhanced high-end operations, improved management systems, optimized working mechanisms, integrated internal and external resources, adjusted organizational structure, reinforced supervision and inspection and strengthened risk management and control. We reorganized and integrated business platforms such as planning and engineering, international business, investment and engineering consulting, and set up four regional investment companies in the North, Northwest, East and South China, aiming to deepen resource integration, aggregate development advantages and optimize organizational structure. As a result, planning and engineering as front-end business has presented comprehensive advantages and played a more important leading role, while key transforming businesses including international business, non-power, new business model and investment have become more prominent in the market, offering diversified services. In addition, several subsidiaries of the Company have newly obtained a number of high grade qualifications including special grade qualifications for construction engineering, water conservancy and hydropower engineering, which further enhanced the Company's competence.

In 2017, with breakthroughs in its international operations, the Company consolidated its position as the mainstay of the "One Belt and One Road" initiative, and has become one of leading enterprises for international engineering contracting in China with the most growth potential and core competitiveness. By closely following the major foreign strategic directions such as the "One Belt and One Road" initiative, international capacity cooperation and infrastructure connection with surrounding countries, as well as strengthening its headquarters' overall coordination for international business and enhancing the capabilities and efficiency of overseas branches, the Company optimized its international layout and comprehensively built high-end platform for international operations in various forms so as to fully implement the strategy of developing international business as a priority. As a result of the above effort, the new contract value for international business accounted for 29.91% of the Company's total value of signed contract for the year. The contribution from our international business increased and its structure was further optimized, leading to a relatively fast growth in the value of signed contracts for direct contracts, general contracting projects and non-power projects. The new contract value for overseas power engineering exceeded US$10 billion for three consecutive years, and the amount of which in the past three years accounted for more than one-third of that of China's enterprises for the same period, which consolidated our leading position in the power industry. Through extensively and deeply participating in the "One Belt and One Road" initiative, the Company has achieved fruitful results from key projects developments, and has signed contracts for over 130 large and medium-sized projects with 40 countries targeted by the "One Belt and One Road" initiative, the new contract value of which accounted for 59.23% of the Company's new international contracts. In 2017, the operating revenue and total profit of the international business of the Company both recorded a higher growth rate than the Company's overall level. The Company made smooth progress in key projects undertaken by the Company, such as Argentina Cruise River Jisai Hydropower Station (阿根廷聖克魯斯河基什內爾-塞佩尼克(基塞)水電站), Angola Kagu Luca Barcelona Hydropower Station (安哥拉卡古路卡巴薩水電站), CPHGC 2x660 MW Coal-fired Power Plant in Pakistan (巴基斯坦胡布2×660兆瓦燃煤電站), No. 7 2x1,050 MW Coal-fired Power Plant in Java, Indonesia (印度尼西亞爪哇7號2×1,050兆瓦燃煤電站), Oil Shale-fueled Power Plant in Attarat, Jordan (約旦阿塔拉特油頁岩發電), Resettlement Housing and Related Infrastructure in Luanda, Angola (安哥拉羅安達安置房和相關基礎設施), Infrastructure Construction of Kuwait South Al Mutlaa City (科威特南穆塔拉城基礎設施建設). The Company has successfully commenced the construction of a number of large-scale overseas projects such as Vietnam Hai Duong 2×600 MW Coal-Fired Power Plant (越南海陽2×600兆瓦燃煤電站) and SukiKinari (SK) Hydropower Project in Pakistan (巴基斯坦蘇基克納里(SK)水電站).

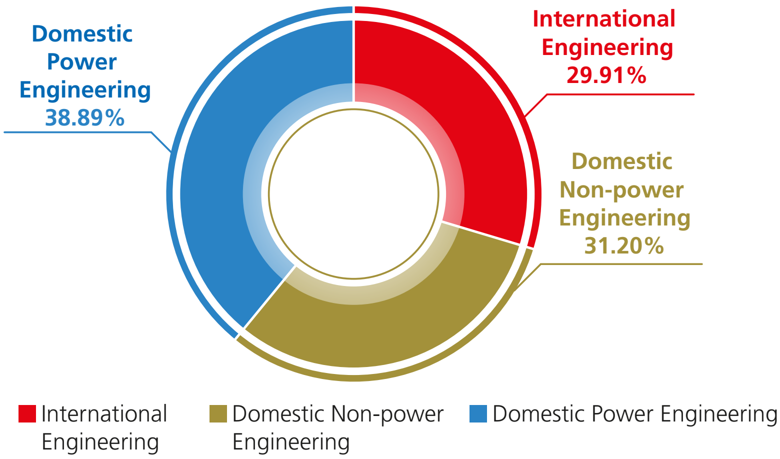
BUSINESS OVERVIEW

In 2017, the Company accelerated the implementation of the “mega building” strategy. While actively exploring the traditional power, new energy and power upgrade projects to strengthen its leading position in the domestic and global power and energy construction market, the Company continued to enhance its global competitiveness in the whole industry and all sectors of construction and contracting, further demonstrating its capability as an industry-leading global comprehensive contractor with great competitiveness and growth potential. In 2017, the Company insisted on providing domestic and overseas power industry with power engineering services in full range, full-industry-chain and full-life-cycle. The new contract amount of the power engineering business totaled RMB266,453 million, representing a year-on-year increase of 2.46%. The Company showed its strong technological advantage and comprehensive service capabilities in aspects of exploration, survey, design and consulting, engineering and construction, related equipment manufacturing and others in relation to large-capacity and high-parameter USC thermal power, energy conservation and emission reduction and flexibility transformation of thermal power, water conservancy and hydropower, conventional islands of nuclear plants and nuclear islands, photovoltaic power generation, offshore wind power, waste power generation, ultra high voltage power transmission and transformation projects. In 2017, the Company’s non-power engineering construction business realized a new contract value of RMB177.320 billion, representing a year-on-year increase of 17.52%, which effectively supported the continuous growth of the Company. In the domestic non-power engineering market, leveraging on the improvement and adjustment of organizational structure, establishment of regional integrated investment companies, development of new business model business and building of non-power engineering construction platform, strengthened internal collaboration and optimized business strategies, the Company further expanded the businesses of new business model such as PPP and non-power engineering which significantly improved its capabilities, adding new momentum to the sustainable development of domestic businesses. Upon the successful contract sign-ups for key projects in areas such as municipal administration, housing construction, transportation, comprehensive pipe gallery, environmental protection, water supply and mine, the Company greatly broadened the room for development of its core engineering business. In the international market, in line with the actual needs of the key countries of “One Belt and One Road”, we actively explored opportunities for non-power business through existing channels to further expand the international business of the Company.

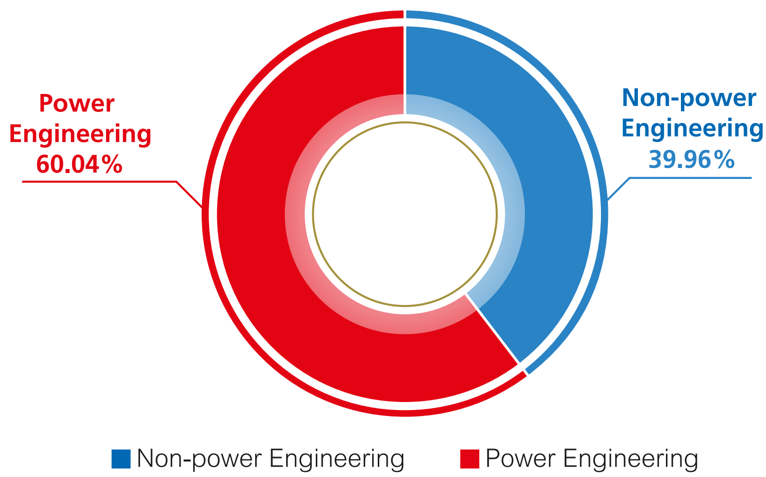
BUSINESS OVERVIEW

In 2017, the Company insisted on giving full play to its advantages, developing the strategic and fundamental key industrial segments in a high-end, innovative, centralized and efficient and differentiated manner. The civil explosives and cement production, environmental and water supply, real estate, power generation, expressway and other investment businesses continued to expand, and became the leader in innovation and a high-end value creator in related fields, subdivision industries and regional markets. With respect to the civil explosives business, the Company actively responded to multiple challenges such as the consolidation of industry capacity, and took numerous measures to improve quality and efficiency. The profitability, market layout, technological advance, and safety management of the business continued to maintain the leading position in the industry. With respect to the cement production business, the Company has adhered to the principle of innovation-driven and green development, strengthening the construction of the market-oriented network layout, which leads to the Company maintaining its leading position in the industry and districts in terms of comprehensive strengths and development quality and efficiency. With respect to environmental protection and water supply, real estate, power generation and expressway operations, the investment landscape featuring intensive, diversified and coordinated development has been improving, and the effect of investment-driven development of the principle business has been significantly increasing. Particularly, as to the environmental and water supply business, by virtue of merger and acquisition, reorganization, upstream and downstream extension, incubation and expansion, the Company conducted its investment deployment in sectors such as utilization of recycled resources, hydro-environment governance, water supply, solid waste treatment, sewage and sludge treatment, and new style road materials, obtaining the comprehensive ability for environmental and water supply business throughout the whole industry chain from planning, design, scientific research to manufacturing, construction and operation, and rapidly becoming the powerful resource integrator and innovation leader in advanced technologies, specifications and standards. The Company has actively and soundly developed the real estate business and created a high-value real estate brand. In addition to further deepen the development in first-tier cities, the Company has also placed great effort for covering the second-tier core cities. The Company enlarged and optimized the green and high-efficiency power generation businesses. Domestically, the Company focused on investment and development of new energy and clean energy projects; overseas, the Company made investment in and development of large-scale thermal power, hydropower and new energy projects. The attributable installed capacity of electricity under construction and operation by the Company reached 2,714 MW at the end of 2017. The development model of "professionalism, standardization, centralism and intelligentization" of the expressway investment and operation of business became mature, and the scale and benefits of expressway operation continued to grow rapidly. The Company successfully obtained the investment and operation rights of many expressways, with mileage of new highways operated and constructed by the Company totaled 1,422 km at the end of 2017. The operation of those projects is in good condition as a whole.

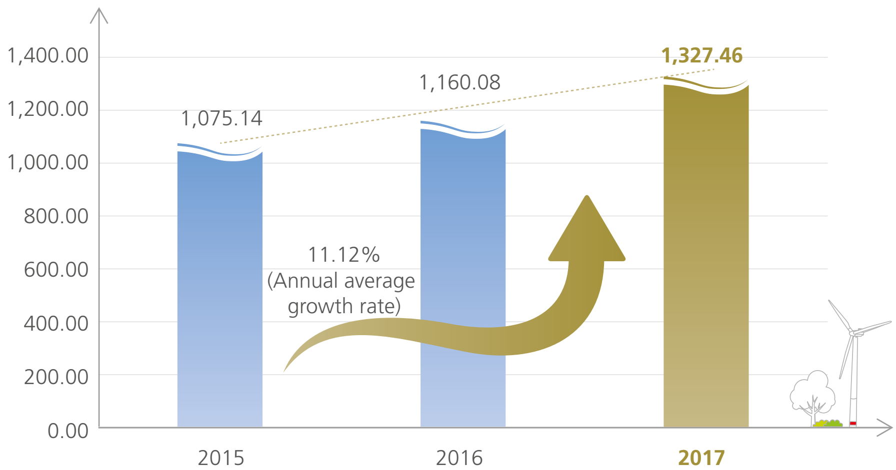
2017 New Contract Value Composition (Figure 1)



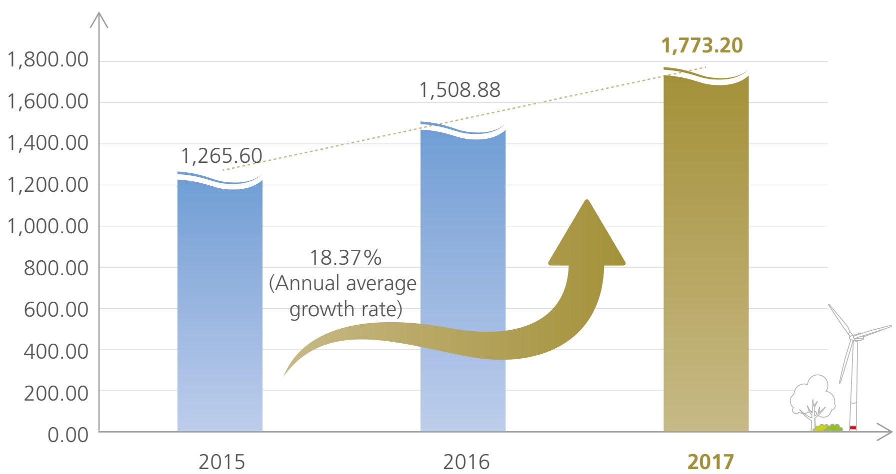
2017 New Contract Value Composition (Figure 2)



New Contract Value of International Engineering (RMB 100 million)



New Contract Value of Non-power Engineering (RMB 100 million)



BUSINESS OVERVIEW

The table below sets out the new contract value of the Company in 2017:

Currency: RMB Unit: RMB100 million

	New Contract Value		
Business Segment	**2017**	2016	Change
Survey, Design and Consulting Services	**109.01**	121.27	-10.11%
Of which: Fossil-fuel power	**27.64**	34.98	-20.97%
Hydropower	**6.38**	1.13	466.11%
Nuclear power	**1.20**	4.61	-73.95%
New Energy	**10.89**	9.39	16.01%
Power transformation and transmission	**55.80**	57.88	-3.58%
Non-power	**7.09**	13.30	-46.65%
Construction and Contracting	**4,207.39**	3,865.09	8.86%
Of which: Fossil-fuel power	**1,189.14**	1,164.65	2.10%
Hydropower	**383.82**	465.92	-17.62%
Nuclear power	**33.42**	38.87	-14.04%
New Energy	**686.67**	570.88	20.28%
Power transformation and transmission	**148.23**	129.19	14.74%
Non-power	**1,766.11**	1,495.58	18.09%
Equipment Manufacturing	**121.33**	123.11	-1.44%
Total	**4,437.73**	4,109.47	7.99%

In 2017, the Company recognized RMB443.773 billion as to the value of newly-signed contracts, representing a year-on-year increase of 7.99%. Among which, the value of domestic newly-signed contracts amounted to RMB311.027 billion, representing a year-on-year increase of 5.45%; the value of international newly-signed contracts amounted to RMB132.746 billion, representing a year-on-year increase of 14.43%.

As of 31 December 2017, the aggregate outstanding contract value of the Company was RMB1,063.683 billion, representing a year-on-year increase of 17.92%. The pipeline contracts of the Company was sufficient, and the existing contract value to operating revenue coverage ratio ranked top among the comparable companies in the industry.

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, grid projects and non-power projects; plan and the policy consultation for the power industry; and evaluation, assessment and supervision for power projects. In 2017, the revenue before inter-segment elimination of survey, design and consulting services business was RMB13.283 billion, representing a year-on-year increase of 2.39%. The new contract value was RMB10.901 billion, representing a year-on-year decrease of 10.11%. Among which, the value of new contracts of the hydropower and new energy were RMB0.638 billion and RMB1.089 billion, representing a year-on-year increase of 466.11% and 16.01%, respectively; and the value of new contracts of the fossil-fuel power, nuclear power, power transmission and transformation and non-power were RMB2.764 billion, RMB0.120 billion, RMB5.580 billion and RMB0.709 billion, representing a year-on-year decrease of 20.97%, 73.95%, 3.58% and 46.65%, respectively.

As of 31 December 2017, the outstanding contract value of survey, design and consulting services business was RMB23.815 billion, representing an increase of 1.25% as compared to that of the end of 2016.

In 2017, in response to new developments such as the power structure adjustment in China and a year-on-year slight decrease in power generation and grid investment, the Company proactively adjusted our market development strategy and utilized the pioneering advantage in power planning to fully explore the existing coal power market and the incremental grid market. The Company continued to maintain its leading position in terms of survey, design and consulting of large-capacity and high-parameter USC units, conventional islands of nuclear plants and ultra high (extra high) voltage alternating and direct current transmission projects by entering into survey and design contracts for representative engineering projects, including Expansion of 1×1,000 MW Unit of Tongling Power Plant Phase VI (銅陵發電廠六期擴建1×1,000兆瓦機組工程), Conventional Island Design Subcontracting and Technical Service Project of Fangchenggang Nuclear Power Plant No. 3 and 4 Units (防城港核電廠3、4號機組常規島設計分包與技術服務工程), Inner Mongolia Ximeng – Shengli 1,000 KV Ultra High-voltage Alternating Current Transformation and Transmission Project (內蒙古錫盟至勝利1,000千伏特高壓交流輸變電工程), and Zhundong – East China ±1,100 KV Ultra High-voltage Direct Current Transformation and Transmission Project (准東至華東±1,100千伏特高壓直流輸電工程), which enabled it to maintain a domestic market share of over 65.00%, despite a year-on-year decrease in the new contract value. In 2017, the clean energy investment in China maintained a steady growth. The Company actively expanded the preliminary design service business by seizing the opportunities in the hydropower and new energy markets, achieving a relatively rapid year-on-year increase in signed contract value upon the signing of major survey and design contracts for water projects under "13th Five-Year Plan" in the Qiubei County, Wenshan Prefecture and Midu County, Dali Prefecture in Yunnan Province (雲南省文山州丘北縣及大理州彌渡縣等"十三五"涉水項目), the 300 MW Offshore Wind Farm in Dalian town in Pingtan, Fujian (福建平潭大練300兆瓦海上風電場) and the 100 MW Trough Solar Thermal Power Plant in Hami, Xinjiang (新疆哈密100兆瓦槽式光熱電站).

The Company showed initiative in expanding the international survey, design and consultancy market so as to capture the opportunities in the power business market in countries covered by "One Belt and One Road". The Company recorded a 26.11% year-on-year increase in the new contract value. Among which, the new contract value for thermal power survey, design and consulting services increased by 40.33% year-on-year, accounting for 76.34% of the new contract value of international survey, design and consulting services, which was attributable to the successful signing of a series of representative survey and design contracts, such as Expansion of 1×1,000 MW Unit of Coal-fired Power Plant Phase III in Cilacap, Indonesia (印尼芝拉扎燃煤電站三期1×1,000兆瓦機組擴建工程), Pakistan Jamshoro 2×660 MW SC Project (巴基斯坦賈母肖羅2×660兆瓦超臨界工程), Vietnam Yongxing Phase III 3×660 MW Coal-Fired Power Plant Project (越南永興三期3×660兆瓦燃煤發電廠工程). The new contract value for hydropower survey, design and consulting services increased by 87.05% year-on-year, which was due to the successful signing of survey, design and technical services contracts for Indonesia TAMPUR1 hydropower Plant (印度尼西亞TAMPUR1水電站) and Laos Houay Lamphan Gnai Downstream Hydropower Station (老撾會蘭龐雅下游水電站).

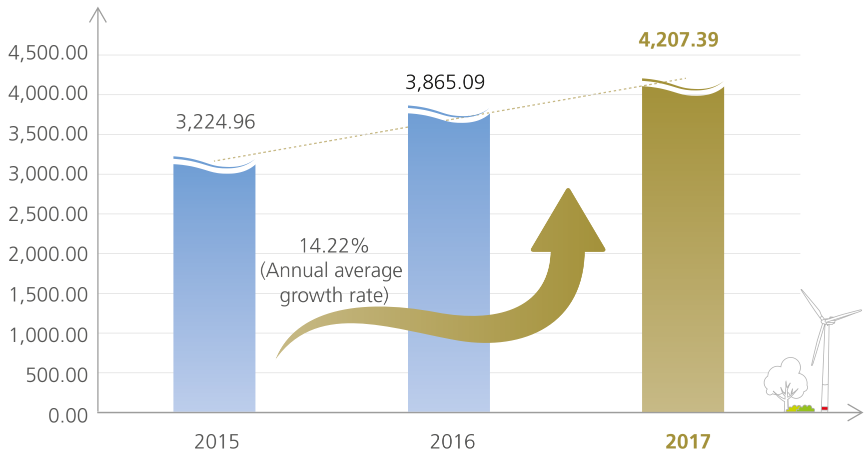
2.2 Construction and Contracting Business

The construction and contracting business of the Company primarily undertakes large-scale power generation projects and power grid projects in China and overseas, as well as numerous infrastructure projects. In 2017, the revenue before inter-segment elimination of construction and contracting business was RMB168.752 billion, representing a year-on-year growth of 4.78%.

In 2017, the Company paid close attention to the new domestic and international trends of power and energy development, reinforced the effort of expansion in the domestic and international markets, optimized the market operation strategies, and actively seized the increasing demand for electrical upgrade and transformation, new energy and non-power engineering market. In addition, the Company closely catered for and deeply incorporated into the construction of "One Belt and One Road", international capacity cooperation, and integration and interconnection of the surrounding infrastructure, and deepened and specialized in developing key country markets, so that the value of the newly signed contracts of construction and contracting business maintained stable growth. The new contract amount of construction and contracting business of the Company was RMB420.739 billion, representing a year-on-year growth of 8.86%. Of the construction and contracting business, the new contract amount of fossil-fuel power, new energy, power transmission and transformation and non-power construction businesses increased year-on-year; the new contract amount of hydropower and nuclear construction businesses decreased year-on-year; and the new contract amount of power project commission and project operation and maintenance businesses grew rapidly at a rate of 44.74% on a year-on-year basis, which extended the full life-cycle services of power engineering projects.

As of 31 December 2017, the outstanding contract amount of construction and contracting business was RMB1,029.347 billion, representing an increase of 18.52% as compared to that of the end of 2016.

New Contract Amount of Construction and Contracting Business (RMB 100 million)



(1) Fossil-fuel power construction

In 2017, the newly-signed contract amount of fossil-fuel power construction business of the Company was RMB118.914 billion, representing a year-on-year growth of 2.10%. As the series of policies for promoting the orderly development of coal and electricity are implemented, the domestic investment in thermal power construction was on a declining trend. However, recently, the growth of power demand of China picked up and the effect of thermal power as a complement of power was irreplaceable for a certain period. Domestic thermal power construction still maintained scalable. The Company took the initiative to adapt to the new situation of power development of China, taking advantages of advance planning, leading technology and whole industry chain, insisting on optimizing project contracting mode, to maximize the market share of domestic thermal power construction market. In order to strengthen and optimize the thermal power construction business, The Company entered into material contracts, including the Gansu Changle Thermal Power Peak Shifting 2 × 1,000 MW Project (甘肅常樂調峰火電2×1,000兆瓦工程) and the Inner Mongolia Jingneng Shuangxin 2 × 350 MW Low Calorific Value Coal Power Generation Project (內蒙古京能雙欣2×350兆瓦低熱值煤發電工程), minimizing the impact of the domestic thermal power control policies on the Company. Thus, although the new contract amount of domestic thermal power business dropped by 6.52% from the same period of last year, the market share of the Company in the domestic thermal power construction market maintained the leading position. The Company has been striving to effectively exert the superiority of the whole industry chain of thermal power construction in the international thermal power construction market, and focusing on the development of other foreign markets with rapid growth in power demand and promising prospects in thermal power development. The Company has successfully entered into many large-scale thermal power construction projects, including Pakistan KAPCO 1 × 660 MW USC Coal-fired Power Station (巴基斯坦KAPCO 1×660兆瓦超超臨界燃煤電站), the Nigeria Ethiope 500 MW Gas-fired Power Station (尼日利亞Ethiope 500兆瓦燃氣電站). As a result, the international thermal power construction business witnessed a rapid growth of 17.25% over the same period of the previous year, effectively covering the impact of the declining domestic thermal power business and ensuring the generally stabilized growth of thermal power business of the Company.

(2) Hydropower construction

In 2017, the amount of new contract amount of the hydropower construction business of the Company totaled RMB38.382 billion, representing a year-on-year decrease of 17.62%. Leveraging on robust core technologies and excellent brand advantages of hydropower construction in such areas as river diversion and interception, dam construction, underground engineering, manufacturing and installation of large-scale metal structures and large-scale units, as well as the remarkable track record in continuous undertaking of the Three Gorges, Xiluodu, Xiangjiaba in China and world-class hydropower projects, for instance, Argentina Jisai hydropower station, the Company has captured the opportunities of hydropower construction both at home and abroad, and continued to maintain the position as vanguard in domestic and foreign hydropower construction. Facing the fierce market competition, the Company spared no effort in seizing hydropower construction projects in China, with execution of several contracts relating to, including, Jiangsu Jurong Pumped Storage Facility (江蘇句容抽水蓄能電站工程), Guizhou Xingyi Nadu Reservoir Project (貴州興義納達水庫工程), Suwalong, Lava and Batang hydropower projects on the upstream of Jinsha River. The new contract amount in China generally maintained the same as the previous year. In 2017, the Company maintained its strong market competitiveness in large-scale and high-end projects of international hydropower construction. Contracts of the Pakistan Azad Pattan Project (巴基斯坦阿扎德帕坦水電站), the Civil Main Works of Malaysia Baleh Hydroelectric Project (馬來西亞巴勒水電站土建主體工程), the Civil Works of Embankment of Kenya Thwake Dam (肯尼亞斯瓦克大壩築堤土建工程) and other large-scale projects were successfully entered into. However, affected by the occasional slow-down of investment in hydropower projects in several key countries, the longer period at the early stage of hydropower project development, the new contract amount of international hydropower projects decreased year-on-year.

(3) Nuclear power construction

In 2017, the new contract amount of the nuclear power construction business of the Company was RMB3.342 billion, representing a year-on-year decrease of 14.04%. The Company achieved a breakthrough in construction and installation of nuclear island. It was the first time for the Company to successfully enter into the construction contract for Installation Works of Containment Vessel Shell of Phase II of Fangcheng Port (防城港二期核島安全殼安裝工程), and for the Main Steam/Main Feedwater Pipelines of the Nuclear Island (核島主蒸汽/主給水管道), which led to the further enhancement of the Company's contracting capability of wholly undertaking nuclear power projects. The Company has consolidated the conventional nuclear island construction market and involved fields of related services, for which contracts in relation to Conventional Island and BOP Construction and Installation Engineering of Units 3 and 4 of Guangxi Fangchenggang Nuclear Plant (廣西防城港核電廠3、4號機組常規島及BOP建安工程), the installation of Conventional Island of Units 5 and 6 of Jiangsu Tianwan Nuclear Power Plant (江蘇田灣核電站5、6號機組常規島安裝工程), and the Works for Phase I of Guangdong Taipingling Nuclear Power Plant (廣東太平嶺核電廠一期工程施工電源) and others were signed by it.

(4) New energy construction

In 2017, the new contract amount of the new energy construction business was RMB68.667 billion, representing a year-on-year increase of 20.28%. In response to the accelerated development of new energy in China, the Company continued to undertake new energy construction business such as solar power, wind power, biomass power, distributed energy in the general contracting manner. The contract amount of new energy market presented a rapid growth. The Company has signed contracts for numerous projects, namely Liaoning Lianjiaba Reservoir 80 MW Photovoltaic Power Project (遼寧廉家壩水庫80兆瓦光伏發電), Anhui Fengyang 119.7 MW Fishing Light Complementary Project (安徽鳳陽119.7兆瓦漁光互補發電), Inner Mongolia Kailu Rongda 50MW Fixed Rooftop Photovaltaic Power Project (內蒙古開魯縣榮達50兆瓦固定建築屋頂光伏發電), Alxa Left Banner Helan Mountain 200 MW Wind Power Project (阿拉善左旗賀蘭山200兆瓦風電工程), Jilin Hunchun Household Waste Incineration Power Project (吉林琿春市生活垃圾焚燒發電), Sichuan Chengdu Western High-tech District Distributed Energy Station (四川成都高新西區分佈式能源站). The Company vigorously expanded its overseas new energy construction business and took full advantage of the business service of the whole industry chain. The international newly signed contract amount increased significantly by 74.21%. The Company signed contracts for numerous general contracting of new energy projects, namely four waste incineration power plants including Seal Sands and Melton Hull 16 MW power plants in the United Kingdom, and the Ukraine ESF 500MW Photovoltaic Power Plant (烏克蘭ESF500兆瓦光伏電站), the Guinea 100 MW Photovoltaic Power Plant (幾內亞100兆瓦光伏電站), the Vietnam Ben Tre Wind Power Project (越南檳椥省風電項目), the UAE Fujairah Hybrid (Wind and Photovoltaic) Power Project (阿聯酋富查伊拉風光同場發電工程), etc.

(5) Power transmission and transformation construction

In 2017, the new contract amount of the power transmission and transformation business was RMB14.823 billion, representing a year-on-year increase of 14.74%. By virtue of advanced planning, continued operation of power transmission and transformation construction business, seizing the UHV construction market, devoting greater effort in mid- and low-voltage distribution network and micro-grid project development, the Company achieved notable results in market development, with the newly signed contracts increasing significantly year-on-year. For example, the Company has entered into contracts in relation to the ± 800kV DC transmission line between Northwest Yunnan and Guangdong (滇西北至廣東±800千伏直流輸電線路), the 1,000 kV UHV AC transmission line between Huainan and Shanghai (淮南至上海1,000千伏特高壓交流輸電線路), the 500 kV transmission line between Anhui Wannan Converter Station and Wuhu (安徽皖南換流站至蕪湖500千伏輸電線路), Guquan UHV DC converter station (古泉特高壓換流站), the 220 kV external power supply project of Dulun traction station along the Hulun Buir Electrical Railway (呼倫貝爾電氣化鐵路都倫牽引站外部220千伏供電) and the Tianjin SMIC 110 kV substation (天津市中芯國際110千伏變電站) and other projects. Focusing on traditional markets in the countries alongside "One Belt and One Road" and Africa, the Company seized the spot exchange projects and signed the construction contracts regarding the ± 660 kV DC transmission and conversion station project between Malatya to Lahore in Pakistan (巴基斯坦默蒂亞里至拉合爾±660千伏直流輸電及換流站) and the 500 kV transmission line project in Nantun, Laos (老撾南屯500千伏輸電線路), and the power interconnection project between Kenya and Tanzania (肯尼亞至坦桑尼亞電力互聯), etc.

(6) Non-power construction

In 2017, the new contract amount of the non-power construction business was RMB176.611 billion, representing a year-on-year increase of 18.09%. The Company continued to intensify its investment in non-power construction business and actively cultivated and enhanced its competitive edges in terms of personnel, technology, performance, qualification, financing, operating mode and management system, and initially formed a "mega building" landscape. In 2017, the new contract amount of the non-power construction business accounted for 39.96% of the total contract amount, becoming an important part of the Company's business, with its coverage expanding into market of municipal administration, road and railway transportation, airport, port, urban complex development, property construction, ecological construction, environmental protection and other areas. The Company has successfully entered into contracts with respect of the following infrastructure projects with great influence in the industry and of regional-driven force: the infrastructure construction project of ASEAN summit of ten member countries in Guizhou Panzhou Tuole Scenic Area (貴州盤州妥樂景區東盟十國峰會基礎設施建設), the civil engineering project of Jilin Yushu to Songyuan Highway (吉林榆樹至松原公路土建工程), the upgrading reconstruction project of Gansu Lanzhou Central Avenue (甘肅蘭州中央大道提升改造建設), the foundation treatment and earthwork project of Sichuan Chengdu Tianfu International Airport (四川成都天府國際機場地基處理及土石方工程), the warehouse and port project of Fujian Fuzhou Airport Economic Zone (福建福州臨空經濟區倉儲基地港口工程), the aggregate mining project at Laolongshan, Rendian Town of Henan Xinlongchang Technology Company (河南鑫龍昌科技公司任店鎮老龍山砂石骨料礦山開採), College of Zhongbei under Nanjing Normal University (Danyang) project (江蘇南京師範大學中北學院(丹陽)項目), the explosive construction project of Xiarihamu nickel and cobalt mining of Qinghai Yellow River Mining Company (青海黃河礦業公司夏日哈木鎳鈷礦爆破施工).

The Company has conducted innovation in its business model in a scientific, flexible and efficient manner, vigorously consolidated social capital and resources, strengthened high-end operation and optimized market layout, continued to strengthen the PPP business benefits, enabling it to become the leadership of PPP enterprises with organized operation, rapid growth and mutual benefit and win-win. In 2017, the Company deepened strategic cooperation with provincial governments of Sichuan, Guangxi, Anhui, Shaanxi and Hainan provinces, and local governments of a number of major cities, and expanded the contracting business in such fields as municipal administration, environmental protection, hydro environment governance, expressway and shantytowns reconstruction, to promote the implementation of projects. The Company has successfully entered into many contracts in relation to PPP projects, for instance, the underground space construction project of phase I in the central area of Jiangbei New Area, Nanjing, Jiangsu Province (江蘇南京市江北新區中心區地下空間一期建設); the hydropower, transportation and municipal infrastructure construction project in Wu'an, Hebei Province (河北武安市水利交通及市政基礎設施建設); the upgrade of ecological environment of Luoma Lake Tourism Resort in Suqian, Jiangsu Province (江蘇宿遷市駱馬湖旅遊度假區生態環境提升); the expressway project between Ji'nan and Tai'an (山東濟南至泰安高速公路), Shandong province; and the reconstruction of shantytowns in Dongchangfu District, Liaocheng City (聊城市東昌府區棚戶區改造). The new contract amount increased by 50.60% on a year-on-year basis, accounting for 34.83% of the total contract amount of domestic market, and became one of the main growth point of contracted development business of the Company in China. The Company continued to optimize the PPP project management mode, streamline the PPP project management process, laid a solid foundation for the introduction and implementation of projects smoothly. More projects have stepped into the stage of implementation and peak season of construction, making fairly more contribution to the Company's revenue and profit margin. In 2017, the relevant authorities of the PRC have promulgated relevant policies regarding promotion of standardized operation of PPP projects, improvement of quality and strengthening of risk control, which is conducive to the sustained and healthy development of PPP business. The Company possesses the solid strength of continuously developing the PPP business in respect of its professionalism, management system and financing matters. The Company has consistently adhered to the principle of being proactive and prudent, placed standardized operation and risk control at the forefront of business development, captured the important opportunities of PPP business with huge investment amount, and development direction highly compliance with the Company's core competencies, ensuring the Company's PPP business development in a high quality and efficiency manner.

The Company has been striving to explore the international non-power engineering business. Leveraging on the advantages in the optimized and broad layout in overseas markets, the Company could collect the best market information, so that achieving relatively rapid growth in contracting project regarding the infrastructure fields of municipal administration, property construction and transportation, recording new contract amount totaled RMB38.884 billion, representing a year-on-year increase of 56.17%. The Company has entered into many contracts in relation to large-scale non-power engineering projects, for instance, the Infrastructure Construction of Kuwait South Al Mutlaa City (科威特南穆塔拉城基礎設施建設), the Angolan serviceman housing project (安哥拉軍人安置房), the design, construction and contrackting project of Kasama School in Zambia FTJ Chilubi (贊比亞FTJ奇盧比Kasama校區設計和建設承包項目); the DASU-KKH-02 Road Diversion project in Pakistan (巴基斯坦DASU-KKH-02公路改道); the 馬皂瑞亞-麥提 highway reconstruction and upgrade in Ethiopia (埃塞俄比亞馬皂瑞亞-麥提公路改造升級); and reconstruction of telecommunication network in Heredia, Costa Rica (哥斯達黎加埃雷迪亞網信改造).

2.3 Equipment manufacturing business

The equipment manufacturing business of the Company is mainly to design, manufacture and sale of various segments of equipment, environmental protection equipment and other related equipment in the power industry and to provide integrated services. It is capable of providing complete sets of equipment and integrated services for large-scale power plants. Its main products include power station auxiliary equipment, power grid equipment, distributed energy equipment and energy saving equipment, metal structures, etc.. The revenue before inter-segment elimination of equipment manufacturing business of the Company was RMB10.247 billion, representing a year-on-year decrease of 2.14%. The new contract amount was RMB12.113 billion, representing a year-on-year decrease of 1.44%.

As of 31 December 2017, the outstanding contract value of the equipment manufacturing business was RMB10.521 billion, representing an increase of 5.40% as compared to that of the end of 2016.

In 2017, the Company focused on the development trend of the equipment manufacturing market in the domestic power, energy and environmental industries, clarified the primary direction of high-end equipment manufacturing, explored and operated the equipment manufacturing niche market prudently, broadened the product application areas and service scope, striving to provide leading domestic and international advanced key equipment products and integrated services. The Company has strengthened its brand image as the largest supplier of auxiliary equipment of power plants and power grid equipment in China. The Company maintained its superior competitiveness in quality products such as medium speed pulverizers, electric actuators, enclosed bus, drum filters, electrostatic precipitators and UHV reactors, and line hardware. The Company has accelerated the transformation and upgrade of equipment manufacturing business, identified new driving force of growth. The proportion of clean energy, smart grid, energy-saving and environmental products continued to increase, and the capabilities of integrated business has been enhancing. The Company has successively win the tenders for those products, including Xinjiang Lu'an Zhundong Power Plant (新疆潞安准東電廠), Hebei Xinji capacity expansion and energy-saving transformation of heat source project (河北辛集熱源增容節能改造項目), Jiangsu Tianwan Nuclear Power Station (江蘇田灣核電站), the isolated-phase bus and ancillary equipment of Guangxi Dateng Gorge Water Conservancy Project (廣西大藤峽水利樞紐工程離相封閉母線及附屬設備), the Dongfang and Xinsong converter stations of the ± 800kV DC transmission project from northwest Yunnan to Guangdong (滇西北至廣東±800千伏直流輸電工程東方及新松換流站). The Company has also expanded the spare parts market, and signed representative contracts such as spare parts for coal grinding equipment of Xiexin Binhai power station, and parts and accessories for drum filters of Fuqing nuclear power station. The Company has sped up scientific and technological innovation. New products, new technologies and new materials such as heliostats for tower solar thermal power station, standardized supports and hangers for AP series nuclear-class pipelines and valve electric devices for F-DZB petrochemical system, were developed and applied.

The Company actively explored the international equipment manufacturing market with an increase of 69.21% in the new contract amount. For key products and services such as power station auxiliary equipment, power grid equipment and distributed energy, the Company had successively won the bid for projects, namely, phase 1 of the Payra USC Coal-fired Power Plant in Bengal (孟加拉帕亞拉一期超超臨界發電廠), the Matiari converter of ± 660 kV DC transmission project in Murrah, Pakistan (巴基斯坦默拉±660千伏直流輸電項目默蒂亞里換流站); the pipeline of phase I of UAE Hassyan clean coal-fired power plant (阿聯酋哈翔清潔燃煤電廠一期管道); the materials and spare part project for four main pipes and industrialize pipeline distribution of 2 × 1,000 MW thermal power plant in Java, Indonesia (印尼爪哇2×1,000兆瓦火電廠四大管道管材管件及工廠化配管); the 500 kV transmission line between Ethiopia and Kenya (埃塞俄比亞至肯尼亞500千伏輸電線路), the output lines and power networking of Belarus nuclear power project (白俄羅斯核電輸出線路及電力聯網), and output lines of heavy oil power plant in Barinas, Venezuela (委內瑞拉巴里納斯重油電廠輸出線路). The Company has signed the Kazakhstan Supply Contract for Cement Production Equipment (Materials)(哈薩克斯坦水泥生產線設備(材料)供貨合同), achieving a breakthrough in non-power equipment manufacturing business of China in the countries alongside the "One Belt and One Road".

2.4 Civil Explosives and Cement Production Business

The revenue before inter-segment elimination of civil explosives and cement production business was RMB9.712 billion, representing a year-on-year increase of 16.61%. Among which, the revenue before inter-segment elimination of cement production business was RMB6.680 billion, representing a year-on-year growth of 20.36%; and the revenue before inter-segment elimination of civil explosives business was RMB3.032 billion, representing a year-on-year growth of 9.10%.

(1) Civil explosives business

In 2017, the Company has fully promoted the transformation and upgrading of the civil explosives business, expanded the market share, optimized the market structure, co-ordinated the development of traditional markets and emerging markets. The output of mixed explosives for the year increased by 50% over the same period of previous year, and the scale of integrated services maintaining at a market-leading level. The proportion of general contracting business of mining construction continued to increase, the aggregate business grew from scratch, objectives for emerging business development became more clearly, and new economic growth points were expedited to form. The Company has actively explored the overseas civil explosives market and focused on expanding markets in West Africa and South Asia. The project department in Karot, Pakistan, has successfully promoted the successive execution of new contracts regarding drilling explosives engineering construction, realizing the extension from a single hydropower project to the mining area. The Company has reinforced the innovation-driven model. The scientific and technological achievements such as the "research and application of key technologies for flexible blockage of stepped explosives (台階爆破柔性堵塞關鍵技術研究與應用)" and the "research and application of wireless video monitoring system blasting at explosive workplace (爆破作業現場無線視頻監控系統研究與應用)" have reached international advanced or domestically leading level and successfully won the right of 10 standards preparation in civil explosive industry and aggregate industry.

During the Reporting Period, the production capacity of industrial explosives for civil explosives business of the Company reached 283,500 tonnes; the actual production of 224,800 tonnes of industrial explosives and 22,313,900 industrial detonators. The comprehensive production capacity of the Company's civil explosives business ranked the top three domestically, and the industrial explosives production ranked third in the industry.

(2) Cement production business

In 2017, the Company has stabilized the core market and extended into related market for the cement production business. The development of key projects has achieved remarkable results. Multi-party strategic cooperation has steadily advanced. Cost control has been enhanced and "off-peak production" has been strictly implemented, and management and control and analysis have been reinforced during the course of production, all of which effectively improved the refined management level of production. The raw coal consumption for clinker production fell by 1.61 kg/tonne, and electricity consumption of clinker production decreased by 1.97 kWh/tonne. Electricity consumption for cement production decreased by 0.68 kWh/tonne compared to the same period last year. The industry chain was effectively extended to speed up the layout of production capacity of commodity concrete in the core regional market. The sales of commodity concrete increased by 26% year-on-year and the sales of aggregates amounted to 5.08 million tonnes for the year. For the cement business, the Company has accelerated the pace of "Going out". The project of Kazakhstan Heli Clinker Cement Production Line with Daily Output of 2,500 Tonnes (哈薩克斯坦克西里日產2,500噸熟料水泥生產線項目) has moved up smoothly. It is estimated that the project will be completed by the end of 2018; the research works of cement market in key regional countries in Central Asia and Southeast Asia has been further advanced.

During the Reporting Period, sales of goods of the Company amounted to 23,370,400 tonnes, including 20,475,300 tonnes of cement and 2,895,100 tonnes of clinker. The total production capacity of cement and clinker achieved 24,600,000 tonnes and 17,070,000 tonnes, respectively. The cement company under the Company ranked 13th among the Top 100 enterprises of cement clinker capacity of China in 2017 and was awarded as one of China's top 50 enterprises in the building materials industry.

2.5 Investment and Other Businesses

In 2017, the revenue before inter-segment elimination of investment and other businesses was RMB43.813 billion, representing a year-on-year increase of 16.84%. Among which, the revenue of environmental and hydropower business amounted to was RMB22.715 billion, representing a year-on-year increase of 56.87%; the operating revenue of real estate business was RMB6.311 billion, representing a year-on-year decrease of 36.46%; the revenue of power generation business was RMB1.267 billion, representing a year-on-year increase of 11.24%; the revenue of expressway business was RMB1.593 billion, representing a year-on-year increase of 21.33%; the revenue of other businesses was RMB11.927 billion, representing a year-on-year increase of 12.17%.

(1) Environmental and water supply business

The Company has increased the resources inclination for the environmental and water supply business. By virtue of merger, acquisition, reorganization, upstream and downstream extension, incubation and expansion, the Company conducted its investment deployment in sectors such as utilization of recycled resources, hydro environment governance, water supply, solid waste treatment, sewage and sludge treatment, and new style road materials, obtaining the comprehensive ability for environmental and water supply business throughout the whole industry chain from planning, design, scientific research to manufacturing, construction and operation.

As to the renewable resources business, by comprehensively and effectively integrating the industrial resources, the comprehensive strength of the Company leapt to the leading position in the industry. The Company actively made investment and acquisition of renewable resources business, sped up the construction of processing bases, renewable resource parks, to increase the proportion of self-owned processing business and improve its profitability. The Company has completed the site selection and formulation of investment proposals of 16 renewable resource parks (fine processing centers), gradually forming the recycling, processing and sales system of renewable resources. The Company has also seized the opportunity of integration of networks of urban sanitation system and renewable resources system, and cooperated and established an all-round disposal and utilization platform of solid waste with Beijing Environmental Sanitation Engineering Group Co., Ltd.. In addition, the Company laid out the fine processing business of non-ferrous metal, did research and manufacturing of high-accuracy precision copper alloy materials, high-tenacity aluminum alloys, the green and harmless collection and complicated recycling and utilization of secondary metals. The comprehensive production capacity of the Company ranked at the top five in the PRC. The Company has promoted the solid waste treatment business, and set up the Songzi and Yicheng demonstration projects regarding collaborative disposal of household solid and dangerous wastes by cement kiln (松滋、宜城水泥窯協同處置生活垃圾和危廢示範線項目), newly added processing capacity of wastes of 250,000 tonnes per year. The Laohekou demonstration project (老河口示範線項目) was awarded the Demonstration Project of Collaborative Disposal by Cement Kiln in China (全國水泥窯協同處置示範工程獎) by the China Building Materials Federation in 2017. As to the sewage and sludge treatment business, a professional and standardized development model and successful sample were established. The Company has undertaken many large-scale sewage and sludge treatment projects, including Dianchi Ecological Dredging Project (滇池生態清淤), Wuhan Qingshan Area Soil Remediation Project (武漢青山區土壤修復) and Tangshan Fengnan Sea Mud Solidification Project (唐山豐南海泥固化). The treatment results were well recognized by the landowners and local governments. The research and development and application capabilities of new road materials have been continuously enhanced. The "Key Technology and Research Project for Large-scaled Application of Steel Slag Asphalt Concrete in Highway Engineering (鋼渣瀝青混凝土在公路工程中的規模化應用關鍵技術研究項目)" was reviewed by the China Highway and Transportation Society, reaching the international advanced level.

As the hydro environment comprehensive service provider, the Company has further built its high-end brand and increasingly optimize the business chain thereof. The progress of the following project which were implemented by the Company, namely the reconstruction and expansion of the Wenling Muyu wastewater treatment plant and the PPP project of pipeline networks thereof (溫嶺市牧嶼污水處理廠改擴建及管網工程PPP項目), the PPP project for comprehensive treatment of the Hydro environment of Jingmen Zhupi River watersheds (荊門市竹皮河流域水環境綜合治理PPP項目), the Hydro environment treatment in Tongzhou · Beijing urban sub-centers (通州·北京城市副中心水環境治理), the comprehensive treatment of Fuyang water system (阜陽市水系綜合整治), and the comprehensive treatment of the Hydro environment of Yaweixi, Haikou city (海口市鴨尾溪水環境綜合治理), went smoothly. The merger and acquisition of Baoding Yaorun Technology Environmental Protection Company (保定市堯潤科技環保公司) laid a good foundation for capturing the environmental protection market in Xiong'an New District. Through strengthening the construction of the ecosystem, the Company has continuously expanded the market relevant to the comprehensive treatment of hydro environment, with its industry chain increasingly optimized.

The investment and operating capability of water supply of the Company continued to reinforce. The Company has acquired San Noronso Water System Co., Ltd. in Sao Paulo, Brazil (巴西聖保羅聖諾倫索供水系統公司), which was expected to commence its commercial operation in the second half of 2018. The project's water supply capacity was 410,000 tonnes per day, and its obvious consolidated benefits laid a solid foundation for the Company's entering into at a high level and fully expanding into the water supply market in South American. The Company has operated and managed 49 water supply plants, more than 1,000 km of pipelines network and 6 pump stations, with water treatment capacity of 2.72 million tonnes per day, located in Beijing, Tianjin, Shandong, Henan, Hebei, Hunan, Hubei, Sichuan, Zhejiang and other regions. The Company's business layout was rapidly expanding. The Company has set up various institutions, including the academician and expert workstation, the water supply research institutes, the technical research centers, as such, the technological research and development capabilities were enhanced. During the Reporting Period, the Company's water supply plants were smoothly operated and in good production and operation.

(2) Real estate business

In 2017, the Company has actively and soundly developed the real estate business, innovated the concept and model of real estate business development, optimized the layout of development strategies of real estate business, and created a high-value real estate brand. In addition to further deepen the development in first-tier cities, the Company has also placed great effort for covering the second-tier core cities. With the positioning on high-end markets, the Company has sorted out and clarified the series of products, which laid a good foundation for intensive, standardized implementation, development and operation. It took the lead in the development of the "5G technology" system, the leading system in China, improved the industrial green science and technology housing theory system, and set up an international expert committee led by academicians of the Chinese Academy of Sciences, which led to its brand positioning risen to a large extent.

During the Reporting Period, the area of the newly increased interest in land reserve was 177,600 square metres; capital contribution for the newly increased interest in land was RMB9.033 billion; the area (calculated from plot ratio) of corresponding interest in land reserve was 331,300 square metres; the gross area of newly commenced work of the Company was 1,641,300 square metres; gross area of completed projects was 690,600 square metres; area of works in progress of projects under construction was 3,254,100 square metres; the sales area was 688,900 square metres; the sales amount of contracts was RMB15.926 billion, and the area offered for sale by the Company was 189,900 square metres.

(3) Power generation business

In 2017, the Company increased its efforts in the development of power investment business, exerted the advantage of the whole industry chain of power construction, to enlarge and optimize the green and high-efficiency power generation businesses. Domestically, the Company focused on investment and development of new energy and clean energy projects; overseas, the Company made investment in and development of large-scale thermal power, hydropower and new energy projects. The Company pushed ahead the progress of approval and construction of new energy projects, and obtained the approvals in relation to the wind power projects, including Inner Mongolia XilinGol League Abaga 225 MW (內蒙古錫盟阿巴嘎旗225兆瓦) wind power project, Guangdong Xinfeng Yandun 50 MW (廣 東 新 豐 煙 墩50兆 瓦) wind power project, and Phase III of Guangdong Nanxiong Liniuping 50 MW (廣 東 南 雄 犁 牛 坪 三 期50兆 瓦) wind power project. The construction of the projects went smoothly. The Company conducted mergers and acquisitions of electricity business, and completed the acquisition of the Liaoning Dandong Lianjiaba 300MW photovoltaic project (遼 寧 丹 東 廉 家 壩300兆 瓦 光 伏), etc.; and the Guandong Shaoguan Nanxiong Industrial Park 20 MW (廣東韶關南雄工業園區20兆瓦) and the Liaoning Kangping Santaizi 120MW (遼寧康平三檯子120兆瓦) photovoltaic project invested and constructed by the Company went on-grid. The Vietnam Hai Duong thermal power project(越 南 海 陽 火 電 工 程) invested and constructed by the Company has been steadily implemented, and entered into the construction and installation phase of main body generally. The Pakistan SK hydropower project (巴基斯坦SK水電項目) commenced construction. To date, it is the largest hydropower project among overseas green field investments made by Chinese companies, and one of the key projects listed in first priority projects of the China Pakistan Economic Corridor.

During the Reporting Period, several subsidiaries of the Company obtained the qualification for sales of electricity, which broadened their business scope. The attributable installed capacity and controllable installed capacity of electricity under construction and operation by the Company reached 2,714 MW and 2,090 MW, respectively. The installed capacity of grid-connected power generation controlled by the Company amounted to 1,426 MW, and the power generation amounted to 3.593 billion kWh, represented a year-on-year increase of 13.12%.

(4) Expressway operation business

Leveraging on its extensive experience in expressway investment, construction and operation for a long time, the Company implemented the "integration of investment, construction and operation" mode. The development model of professionalism, standardization, centralism, and intelligentization became mature, and the scale and benefits of expressway operation continued to grow rapidly. The Company has reorganized and integrated the idle assets of its internal expressway business to enjoy their economies of scale and synergies, achieving centralized management and control and efficient operation, which in turn led to the significant improvement of its position and brand influence in the expressway industry. In 2017, the Company successfully obtained the investment and operation rights of following expressways: Shandong Ji'nan-Tai'an Section(山 東 濟 南 至 泰 安 段), National Expressway Deshang Line Juye – Shanxian Section (國家高速德上線巨野至單縣段), Zaozhuang – Heze Section of Rizhao (Lanshan) – Heze Highway (日照(嵐山)至菏澤公路棗莊至菏澤段) and Sichuan Bazhong – Wanyuan Section (四川巴中至萬源段). The progress of expressways invested under construction was in line with the expected.

During the Reporting Period, mileage of new highways operated and constructed by the Company totaled 1,422 km, and the traffic volume steadily increased compared to the same period of last year. Their operations are in good condition as a whole.

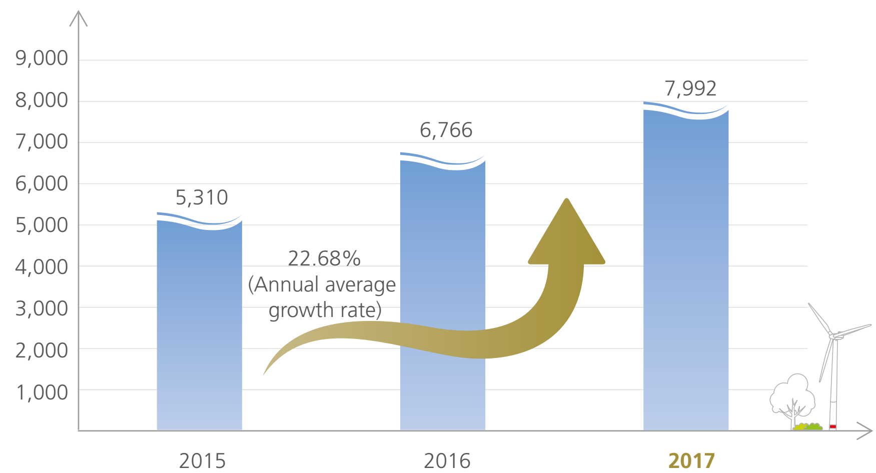
3 SCIENCE AND TECHNOLOGY INNOVATION

In 2017, by strengthening the development of technology innovation platforms, the Company has formed the technology research and development system with 2 national research institutions, 43 provincial research institutions, 3 academician and expert workstation, 8 postdoctoral research and development workstations as the main body, and the number of high-tech enterprises has reached 68, which in turn further improved the capability of technology innovation. On basis of construction projects, the Company did its best effort to carry out synergistic technology innovation, and organised and implemented a number of major research projects in various technology fields, such as efficiency enhancement and upgrade of subcritical generating unit, USC CFB (超超臨界循環流化床), district intelligent energy system, ±1,100kV ultra high-voltage direct current transformation and transmission (±1,100kV級特高壓直流輸變電), flexible alternating current transmission, high-voltage and large-capacity flexible alternating current transmission, GIL power transmission lines and intelligent power distribution and utilisation plan, providing technical support to the Company's quality improvement and efficiency enhancement as well as transformation and upgrade. The Company has led and participated in the key national research and development projects such as the "research of key technical standards of solar thermal power generation and thermal utilization", the "research of efficient and flexible secondary reheat generator and project demonstration" and the "basic theory and key technology research of indoor air quality control of buildings", highlighting the Company's strength in technology innovation.

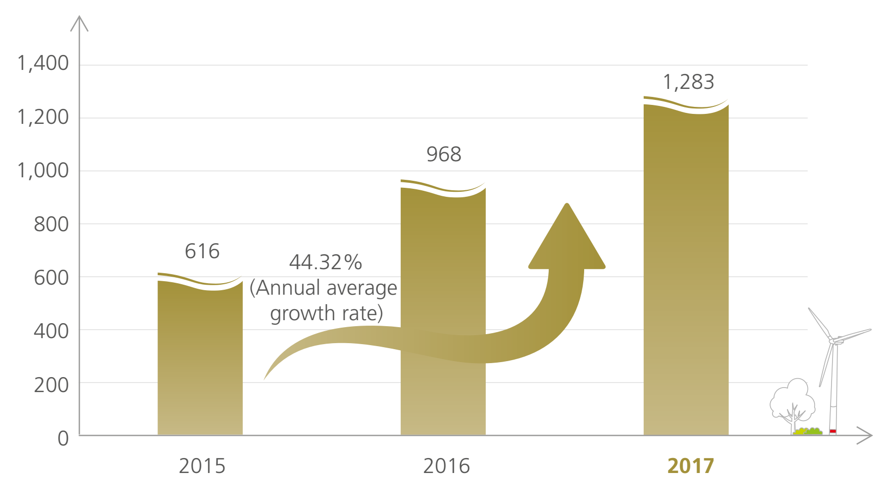
In 2017, the Company completed a number of key technology research, including the "Design of High RCC Arch Dam (高碾壓混凝土拱壩設計)", the "Nuclear Power Plant CAP1400 Forced Air Cooling Isolated-phase Bus (核電CAP1400強迫風冷離相封閉母線)", the "Modular Construction of Secondary System of Intelligent Substation (智能變電站二次系統模塊化建設)" and the "Planning Methodologies of Electric Vehicle Charging and Recharging Facilities (電動汽車充換電設施規劃方法)", achieving numerous scientific research results, stepping up the technology cutting-edge in the industry, as well as enhancing the Company's market competitiveness in these fields. Through the year, the Company has won 3 national science and technology awards, 175 science and technology awards in provincial and industrial level, representing a year-on-year increase of 21.9% for the awards obtained at provincial and industrial level or above. Among which, the "UHV ±800kV DC Transmission Project" (特高壓±800kV直流輸電工程) obtained the special prize of National Science and Technology Progress Award, the "Development, Research and Project Demonstration of 600MW Supercritical Circulating Fluidized Bed Boiler" (600MW超臨界循環流化床鍋爐技術開發、研製與工程示範) obtained the first prize of National Science and Technology Progress Award, and the "China Water-saving Social Construction Theory, Technology and Practice" (中國節水型社會建設理論、技術與實踐) obtained the second prize of National Science and Technology Progress Award.

In 2017, the Company has obtained 1,226 patent licenses, including 315 invention patents, and cumulatively owned 7,992 effective patents, including 1,283 invention patents. The Company has obtained 65 software copyrights, and prepared and published 1 international standard and 32 national and industry technology standards. For the latest three years, the number of effective patents owned by the Company increased significantly from 5,310 in 2015 to 7,992 in 2017, with an average growth rate of 22.7%. Of which, the effective invention patents owned increased from 616 in 2015 to 1,283 in 2017, with an average growth rate of 44.3%. The conversion and application of research results in the hydropower, fossil-fired power, nuclear power, power grids, new energy and non-power projects constructed by the Company, has created notable economic and social benefits.

Number of Effective Patents Owned



Number of Effective Invention Patents Owned



4 OUTLOOK

In 2018, Chinese economy will present its characteristics of declaration in growth and enhancement in quality in a more obvious way, and the supply-side structural reform will remain the main task during the "Thirteenth Five-Year Plan" or longer period of the PRC. According to the Work Report of the Chinese government, the growth rate of gross domestic product (GDP) of China in 2018 will be expected to be approximately 6.5%, slightly below than that of last year.

4.1 Outlook of Power Industry

During the first two years of the "Thirteenth Five-Year Plan", China's economic development entered into the new normal, presenting a rising trend at a stable pace. The smooth operation of the industry and further advancement of the supply-side reform, have led to a steady progress in national power consumption. In 2016 and 2017, the national power consumption increased by 5.0% and 6.6%, respectively, on a year-on-year basis. According to preliminary estimates, the total national power consumption in 2020 will be 7.2 trillion kWh, the cap of data published in the "Thirteenth Five-Year Plan" in respect of electricity. It is expected that the size of new large transmission access and coal-fired power space will be adjusted in the middle of the "Thirteenth Five-Year Plan" in respect of electricity, which will directly affect the thermal power construction market in the following years.

Driven by the demand for electricity, the power construction market will be better than originally expected, and the power supply structure will be further optimized to adapt to the general trend of green, low-carbon and transitional development. According to the national power planning and macro-control policies, it is expected that in 2018, China's new coal-fired power installed capacity will increase by approximately 28,000 MW in 2018, conventional hydropower construction by approximately 9,000 MW, and the new construction project of pumped-storage power station will maintain a size of approximately 6,000 MW. No new nuclear power project commences. The annual production capacity of wind power maintains at 25,000 MW, and the annual production capacity of photovoltaic power generation maintains at 20,000 MW. The solar thermal power construction market will step into a new stage of development with newly-commenced gas power capacity to be maintained at 4,000 MW and the investment in power grid construction of approximately RMB600 billion.

4.2 Domestic non-power market

According to the prediction of the Chinese Academy of Social Sciences, the total national investment in fixed assets will reach RMB69.2 trillion in 2018, representing a notional growth of 6.3% and an effective growth of 2.4%, of which investments in infrastructure and fixed assets will increase by approximately 14.1% year-on-year, continuing to be the main force of stabilized investment and steady growth.

(1) Hydropower project: The Central Government will place hydropower project at the forefront among the top nine infrastructure networks. In 2018, China's major investment objective in hydropower is to continue to accelerate the improvement of the hydropower infrastructure network, and the construction of weakened post-disaster hydropower construction, and to reinforce the marketization ownership and the ecological protection of water resources. In 2018, a number of major hydropower projects will be commenced. Efforts will be intensified at the early stage of projects such as the allocation of water resources in the Pearl River Delta, the second phase of the seashore watercourse project of the Huaihe River, with a focus on pushing ahead the governance of 115 major tributaries such as the Han River.

(2) Transport engineering: In 2018, highway investment growth will remain at the peak, and it is expected to increase by 15% year-on-year, reaching RMB2.3 trillion. 16,000 km of newly reconstructed national and provincial main highway, 5,000 km of newly-added expressway, 600 km of newly-added high class inland waterway and 5,000 newly-added administrative villages with road access will be completed. As to railway projects, it will be planned to complete investment of RMB732 billion, with the commissioning of new lines of 4,000 km; and as to civil freight project, investment in the key airport project will reach approximately RMB166 billion.

(3) Urban infrastructure: In 2018, China will comprehensively improve the quality of urban planning, construction and management, to promote the reform of the preparation and implementation system of urban master planning, and to push forward green development of cities. The State will also boost the sponge city construction in an all-round way, further intensify efforts to carry out remediation activities for the black odor water, push ahead the three-year actions regarding flood-preventing drainage and shoring up weak areas, as well as carry forward the construction of urban underground comprehensive underground pipe gallery tailored to local conditions and energetically enhance the construction of urban sewage and solid waste treatment facilities.

(4) Property construction: It is expected that the investment in real estate fixed assets will exceed RMB11.5 trillion in 2018, representing a notional growth of 5.1%. Additionally, the Ministry of Housing and Urban-Rural Development has introduced to solidly promote a new round of shanty town renovation works, expecting to complete renovation of various shanty towns of 5.8 million units in 2018.

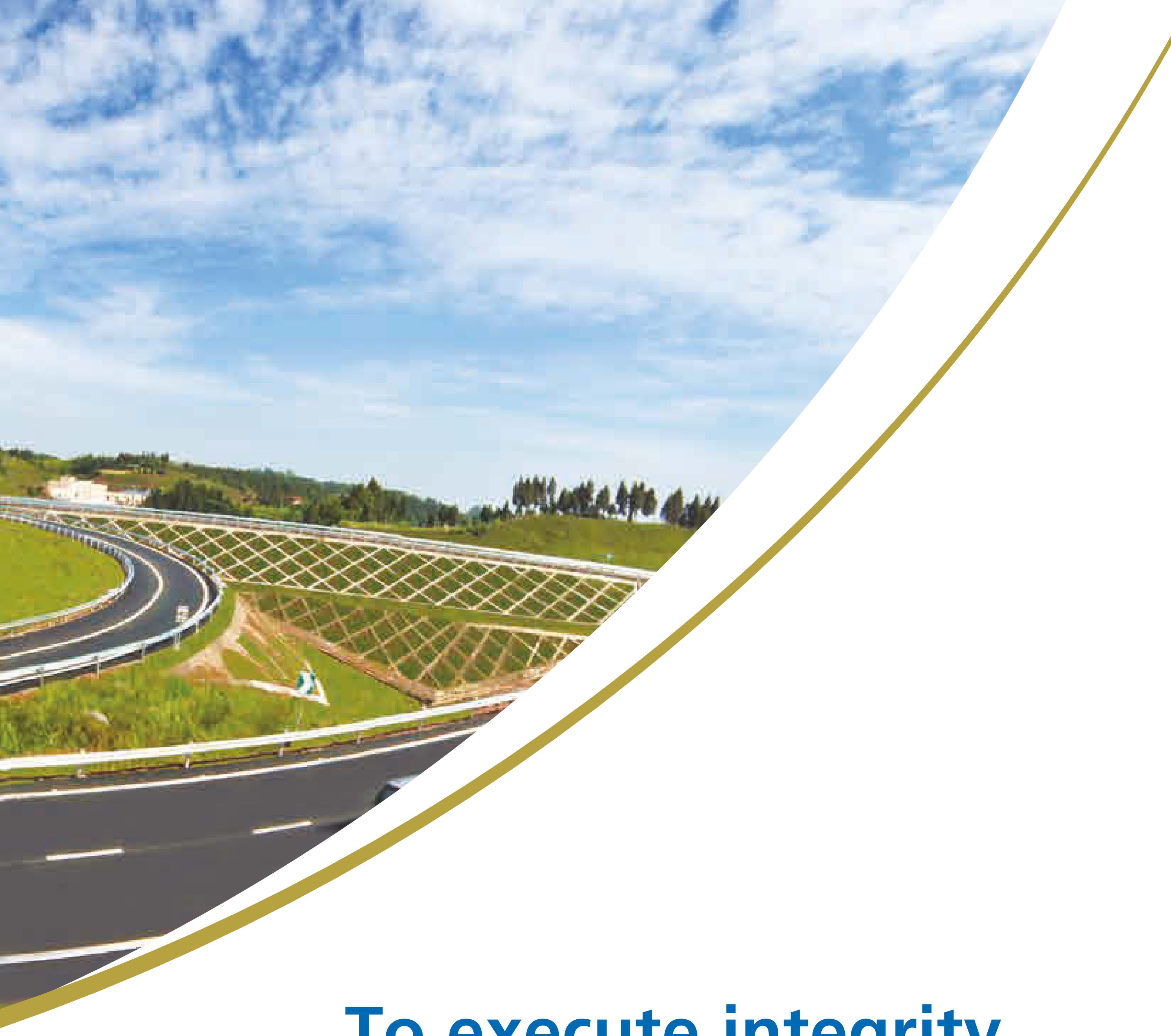
4.3 International Market

Looking forward to 2018, the world economy is expected to continue to improve, with major economies growing faster and the global market of infrastructure construction maintaining its growth. Following the establishment of the new pattern of China's all-round opening-up and the successive implementation of cooperation mechanisms such as the "One Belt and One Road" initiative and the 461 China-Africa Cooperation Framework, the regional economic integration and cooperation in power projects will be further promoted, developing the foundation platforms of energy interconnection and interworking. 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 implementation of "One Belt and One Road" will enter into the golden period of development. Adhering to the principle of co-consultation, co-construction and sharing, the "One Belt and One Road" initiative will further gain the response of the international community. Meanwhile, the State is vigorously promoting financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund to support the full implementation of "One Belt and One Road" initiative, and to deepen international production capacity cooperation, thereby achieving complementary advantages. Additionally, by accelerating the construction of overland economic corridors and maritime cooperation hubs and gradually expanding into the comprehensive development of logistics parks, industrial parks and special economic zones, the infrastructure construction market will have a good prospect.

(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 (IEA), 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) and average power consumption per capita (1,600 KWh/year) were below half of the world's average level. It is expected that the room for power source construction in the 64 countries targeted by the "One Belt and One Road" in 2020 will be approximately 420 million KW with a total investment in power construction of approximately USD1.2 trillion, or an annual average of approximately USD300 billion. 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

Ding Yanzhang
Vice Chairman and
General Manager

1 OVERVIEW

In 2017, the Company achieved the revenue of RMB234,370.1 million, representing a year-on-year increase of 5.49%. Among which, revenue from international business was RMB39,810.0 million, representing a year-on-year increase of 21.28%; revenue from domestic business was RMB194,560.1 million, representing a year-on-year increase of 2.75%; revenue from power business was RMB153,204.6 million, representing a year-on-year increase of 2.02%; revenue from non-power business was RMB81,165.5 million, representing a year-on-year increase of 12.73%. The total profit before tax was RMB11,955.3 million, representing a year-on-year increase of 23.93%; net profit attributable to the equity shareholders of the Company was RMB5,261.1 million, representing a year-on-year growth of 22.89%.

2 CONSOLIDATED OPERATING RESULTS

	For the year ended 31 December		
Items	**2017 (RMB in million)**	2016 (RMB in million)	Percentage of change (%)
Revenue	**234,370.1**	222,171.0	5.49
Cost of sales	**(206,741.4)**	(196,858.2)	5.02
Other income	**3,095.9**	1,574.2	96.66
Other net gains and losses	**(245.5)**	69.7	(452.22)
Selling expenses	**(2,085.9)**	(2,058.1)	1.35
Administrative expenses	**(11,091.9)**	(10,256.1)	8.15
Research and development expenses	**(3,495.4)**	(2,835.7)	23.26
Finance income	**715.2**	581.2	23.06
Finance costs	**(3,077.7)**	(2,671.2)	15.22
Share of profits/(losses) of joint ventures	**301.4**	(7.7)	–
Share of profits/(losses) of associates	**210.5**	(62.1)	–
Profit before tax	**11,955.3**	9,647.0	23.93
Income tax	**(2,891.1)**	(2,208.4)	30.91
Profit for the year	**9,064.2**	7,438.6	21.85

In 2017, the actual selling expenses of the Company amounted to RMB2,085.9 million, representing a year-on-year increase of 1.35%; the percentage of selling expenses to the revenue decreased from 0.93% in 2016 to 0.89% in 2017.

In 2017, the actual administrative expenses of the Company amounted to RMB11,091.9 million, representing a year-on-year increase of 8.15%, mainly due to the increase in personnel costs, depreciation and amortisation, and consulting expense for the current year. The percentage of administrative expenses to the revenue increased from 4.62% in 2016 to 4.73% in 2017.

In 2017, the actual finance costs of the Company amounted to RMB3,077.7 million, representing a year-on-year increase of 15.22%, mainly due to the increase in total debts of the Group, the percentage of finance costs to the revenue increased from 1.20% in 2016 to 1.31% in 2017.

3 OPERATING RESULTS BY SEGMENT

Industry segments	Industry segments of principal businesses (For the year ended 31 December)								
	2017			2016			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	**13,282.6**	**7,604.2**	**42.75**	12,972.6	7,614.6	41.30	2.39	(0.14)	1.45
Construction and contracting	**168,751.7**	**155,297.8**	**7.97**	161,058.2	150,017.7	6.85	4.78	3.52	1.12
Equipment manufacturing	**10,247.4**	**8,841.8**	**13.72**	10,471.1	8,719.8	16.73	(2.14)	1.40	(3.01)
Civil explosives and cement production	**9,711.5**	**6,934.0**	**28.60**	8,328.5	6,122.6	26.49	16.61	13.25	2.11
Investment and other businesses	**43,813.3**	**39,279.0**	**10.35**	37,498.1	32,300.4	13.86	16.84	21.61	(3.51)
Inter-segment elimination (1)	**(11,436.4)**	**(11,216.5)**	**–**	(8,157.5)	(7,918.1)	–	–	–	–
Unallocated items (2)	**–**	**1.1**	**–**	–	1.2	–	–	–	–
Total	**234,370.1**	**206,741.4**	**11.79**	222,171.0	196,858.2	11.39	5.49	5.02	0.40

Note:

(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, which could not be attributed to any business segment.

The total revenue of the Company increased by 5.49% from RMB222,171.0 million in 2016 to RMB234,370.1 million in 2017. The increase was mainly attributable to the increase in foreign business of construction and contracting segment and the rapid growth of cement production segment and the environmental business of investment segment.

The cost of sales of the Company increased by 5.02% from RMB196,858.2 million in 2016 to RMB206,741.4 million in 2017, slightly lower than the increase in revenue for the same period.

The gross profit of the Company was RMB25,312.8 million and RMB27,628.7 million in 2016 and 2017, respectively, and the gross profit margin slightly increased from 11.39% to 11.79% 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.

Revenue before inter-segment elimination of survey, design and consulting services business of the Company increased by 2.39% from RMB12,972.6 million in 2016 to RMB13,282.6 million in 2017. Of which, revenue from international business was RMB1,038.5 million, revenue from domestic business was RMB12,244.1 million, and revenue from power business was RMB12,789.5 million and revenue from non-power business was RMB493.1 million.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company remained relatively stable at RMB7,614.6 million and RMB7,604.2 million in 2016 and 2017, respectively.

Gross profit before inter-segment elimination of survey, design and consulting services business segment of the Company remained relatively stable at RMB5,358.0 million and RMB5,678.4 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination slightly increased from 41.30% to 42.75% in the same period.

3.2 Construction and contracting business

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

Revenue before inter-segment elimination of construction and contracting business of the Company increased by 4.78% from RMB161,058.2 million in 2016 to RMB168,751.7 million in 2017. Of which, revenue from international business was RMB40,234.9 million, revenue from domestic business was RMB128,516.8 million, revenue from power business was RMB136,367.1 million, and revenue from non-power business was RMB32,384.6 million. This increase was mainly attributable to (i) an increase in business volume of overseas power business, particularly the increase in revenue from overseas hydropower projects, new energy projects and transmission and transformation projects; and (ii) an increase in revenue from non-power business brought by the increase in PPP projects.

Cost of sales before inter-segment elimination of construction and contracting business segment of the Company increased by 3.52% from RMB150,017.7 million in 2016 to RMB155,297.8 million in 2017, slightly lower than that of the corresponding period last year.

Gross profit before inter-segment elimination of construction and contracting business segment of the Company were RMB11,040.5 million and RMB13,453.9 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination were 6.85% and 7.97% in the same period. The increase of gross profit margin was mainly due to the higher proportion of revenue from overseas projects with higher profit margin.

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.

Revenue before inter-segment elimination of equipment manufacturing business of the Company decreased by 2.14% from RMB10,471.1 million in 2016 to RMB10,247.4 million in 2017. This decrease was mainly due to the decease of orders affected by the market competition and limitation on the scale of traditional fossil-fuel construction projects.

Cost of sales before inter-segment elimination of equipment manufacturing business of the Company increased by 1.40% from RMB8,719.8 million in 2016 to RMB8,841.8 million in 2017, mainly due to the rising prices of raw materials.

Gross profit before inter-segment elimination of equipment manufacturing business of the Company were RMB1,751.3 million and RMB1,405.6 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination were 16.73% and 13.72% in the same period. This decrease was mainly due to the increase in costs.

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.

Revenue before inter-segment elimination of civil explosives and cement production business of the Company increased by 16.61% from RMB8,328.5 million in 2016 to RMB9,711.5 million in 2017. This increase was mainly due to the increase in volume and prices of cement arising from demand for infrastructure construction and supply-side reform.

Cost of sales before inter-segment elimination of civil explosives and cement production business of the Company increased by 13.25% from RMB6,122.6 million in 2016 to RMB6,934.0 million in 2017, lower than the increase in revenue during the same period.

Gross profit before inter-segment elimination of civil explosives and cement production business of the Company were RMB2,205.9 million and RMB2,777.5 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination slightly increased from 26.49% to 28.60% in the same period.

3.5 Investment and other businesses

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

Revenue before inter-segment elimination of investment and other businesses of the Company increased by 16.84% from RMB37,498.1 million in 2016 to RMB43,813.3 million in 2017. The increase was primarily attributable to significant increase in revenue of environmental protection business.

Cost of sales before inter-segment elimination of investment and other businesses of the Company increased by 21.61% from RMB32,300.4 million in 2016 to RMB39,279.0 million in 2017, generally in line with the increase in revenue during the same period.

Gross profit before inter-segment elimination of investment and other businesses of the Company was RMB5,197.7 million and RMB4,534.3 million in 2016 and 2017, respectively. Segment gross profit margin before inter-segment elimination slightly decreased from 13.86% in 2016 to 10.35% in 2017, mainly due to the higher proportion of environmental protection business.

4 CASH FLOW

	For the year ended 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
Net cash generated from operating activities	**5,632.5**	4,668.0
Net cash used in investing activities	**(13,252.7)**	(10,891.6)
Net cash generated from financing activities	**9,497.4**	5,531.5
Net increase/(decrease) in cash and cash equivalents	**1,877.2**	(692.1)
Cash and cash equivalents at the beginning of the year	**46,774.1**	47,237.0
Effects of exchange rates changes	**(951.5)**	229.2
Cash and cash equivalents at the end of the year	**47,699.8**	46,774.1

4.1 Cash flow generated from operating activities

The net cash generated from operating activities increased by RMB964.5 million or 20.66% from RMB4,668.0 million in 2016 to RMB5,632.5 million in 2017, primarily due to (i) the increase in cash inflow from the net profit of operating activities amounting to RMB16,860.5 million during the period; (ii) net cash inflow of RMB3,107.6 million due to the combined effects of the increase in amount receivables and the extension of settlement cycle to suppliers accordingly following the increase of business volume; (iii) net cash inflow of RMB6,916.5 million due to the combined effects of the lower land prepayment, deposit and other receivables compared to that at the beginning of the year; and (iv) net cash inflow of RMB8,117.4 million arising from receipt of advance payment for pre-construction works of PPP project. The increase was partially offset by the increase in properties under development for sale of RMB14,762.0 million resulting from business expansion and the increase in amounts due from customers for construction contracts of RMB10,668.9 million and income tax paid of RMB2,958.8 million.

4.2 Cash flow used in investing activities

The net cash used in investing activities increased from RMB10,891.6 million in 2016 to RMB13,252.7 million in 2017, representing an increase of RMB2,361.1 million or 21.68%. The increase was primarily due to (i) payment for the purchase of property, plant and equipment and intangible assets amounting to RMB11,106.6 million; (ii) payment of acquisition of available-for-sale financial asset amounting to RMB4,746.1 million. The cash outflow was partially offset by the cash generated from disposal of available-for-sale financial asset of RMB2,645.6 million and the decrease in three-month term deposit of RMB1,630.2 million.

4.3 Cash flow generated from financing activities

The net cash generated from financing activities increased by RMB3,965.9 million or 71.70% from RMB5,531.5 million in 2016 to RMB9,497.4 million in 2017, mainly due to (i) the funds raised from issuance of 2017 debt financing plan of RMB3,670.0 million during this year; and (ii) new bank borrowings and other borrowings of RMB18,424.8 million. The cash inflow was partially offset by repayment of bank borrowings and other borrowings of RMB10,489.2 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	
	2017	2016
	(RMB in million)	(RMB in million)
Property, plant and equipment	**4,007.6**	4,848.4
Prepaid lease payment	**231.7**	523.8
Intangible assets	**6,192.5**	2,081.4
Investment properties	**3.1**	0.3
Total	**10,434.9**	7,453.9

5 INDEBTEDNESS

As at 31 December 2017, the Company's total liabilities and total assets amounted to RMB264,031.4 million and RMB343,887.1 million, respectively, with a gearing ratio of 76.78%, representing an increase of 2.06 percentage points from 74.72% for last year. The Company's total indebtedness amounted to RMB96,892.4 million. The following table sets forth the details of bank borrowings, other borrowings, corporate bonds, finance lease payables and short-term financing notes as at the dates indicated:

	As at 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
Long-term		
Bank borrowings		
Unsecured	**14,853.8**	18,090.8
Secured	**16,268.7**	8,526.2
Other borrowings		
Secured	**1,427.2**	1,421.3
Corporate bonds(1)	**15,140.0**	16,229.3
Finance lease payables(2)	**–**	0.5
Sub-total	**47,689.7**	44,268.1
Short-term		
Bank borrowings		
Unsecured	**25,527.5**	15,928.8
Secured	**2,971.4**	1,833.2
Other borrowings		
Unsecured	**9,372.1**	5,293.9
Secured	**99.0**	44.1
Corporate bonds(1)	**11,231.8**	10,692.2
Finance lease payables(2)	**0.9**	300.0
Sub-total	**49,202.7**	34,092.2
Total	**96,892.4**	78,360.3

Notes:

(1) The corporate bonds of the Company are unsecured medium-term notes, corporate bonds and asset-backed security products.

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

As at 31 December 2017, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

	As at 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
USD	**5,037.1**	2,355.2
Japanese Yen	**119.1**	127.8
Total	**5,156.2**	2,483.0

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

	As at 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
Guaranteed by:		
Third parties	**119.1**	127.8

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

	As at 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
Repayable within 1 year	**49,202.7**	34,092.2
Repayable after 1 year but within 2 years	**10,233.6**	11,279.3
Repayable after 2 years but within 3 years	**6,049.3**	4,445.7
Repayable after 3 years but within 4 years	**11,567.4**	2,410.2
Repayable after 4 years but within 5 years	**3,372.6**	14,119.1
Repayable after 5 years	**16,466.8**	12,013.8
Total	**96,892.4**	78,360.3

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December	
	2017	2016
Bank borrowings	**1.05-8.70**	1.05-9.60
Other borrowings	**4.66-8.00**	4.20-8.00
Corporate bonds	**3.14-5.37**	3.14-5.37
Finance lease payables	**6.77-7.56**	5.15-8.00

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

	As at 31 December			
	2017		2016	
	(RMB in million)	**%**	(RMB in million)	%
Fixed rate bank and other borrowings	**30,879.1**	**1.05-8.00**	23,677.8	1.05-9.60
Floating rate bank and other borrowings	**39,640.6**	**1.20-8.70**	27,460.5	1.20-8.84
Total	**70,519.7**		51,138.3	

Bank borrowings of the Company were incurred primarily for the purposes of working capital and investment in fixed assets. Other borrowings mainly represented deposits of ENERGY CHINA GROUP and its subsidiaries (excluding the Company) with China Energy Engineering Group Finance Co., Ltd.

Indebtedness of the Company increased by RMB18,532.1 million from 31 December 2016 to 31 December 2017, mainly due to the capital expenditures and working capital requirements.

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 at 31 December 2017, the Company had RMB13.5 billion of authorized but unissued debt securities, namely the unsecured without guarantees corporate bonds and perpetual bonds.

As at 31 December 2017, the Company had RMB434.4 billion of unutilized and unrestricted bank facilities. As at 31 December 2017, 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 2017, 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	
	2017	2016
	(RMB in million)	(RMB in million)
Property, plant and equipment	**2,946.8**	975.1
Prepaid lease payments	**340.6**	347.0
Intangible assets	**7,484.8**	7,721.3
Trade receivables	**410.4**	459.8
Properties under development	**21,388.6**	9,418.9
Completed properties for sale	**32.3**	19.7
Bank deposits	**3,453.7**	2,698.6
Investment property	**–**	66.7
Total	**36,057.2**	21,707.1

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. 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 the management believes that the probability of loss is remote.

In accordance with relevant policies issued by State-owned Assets Supervision and Administration Commission of the State Council and Ministry of Finance of PRC, state-owned enterprises shall carve out and transfer their assets related to water supply, power supply, heat/gas supply and property management of employees' communities to the parties, which are designated by local governments ("Transfer", 三供一業). Certain memorandums of understanding ("MOUs") and framework contacts have been entered into by subsidiaries of the Group in line with relevant policies. The Directors are of the opinion that these MOUs and framework contacts are not legally binding and subject to further changes, before the overall arrangement for the Transfer are approved by board or shareholders' meeting of the Company, when appropriate.

The following contingent liabilities arise from guarantees given to banks and non-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. Details are set out in note 42 to the "Consolidated Financial Statements" of this annual report.

	As at 31 December	
	2017	2016
	(RMB in million)	(RMB in million)
Guarantees given to banks and non-financial institutions in respect of loan facilities granted to (1):		
Associates	**3,405.1**	3,701.5
Investee recognized as available-for-sale financial asset	**33.6**	75.0
Joint ventures	**938.8**	1,068.2
	4,377.5	4,844.7
Mortgage loan guarantees provided by the Company to banks in favor of its customers (2)	**833.1**	1,244.4
Total	**5,210.6**	6,089.1

(1) 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 2017 to the date of this report.

(2) 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 upon the buyer obtained the individual property ownership certificate. The fair values of these financial guarantee contracts of the Company are insignificant at initial recognition, and the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realizable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in these financial statements for these guarantees.

7 SUBSEQUENT EVENTS

On 9 March 2018, bondholders of perpetual corporate bonds (the "Bonds"), which was issued by CGGC in 2016 with face value of RMB10,000 million, voted in favour of the amendment of the terms, and the resolution has been duly passed. Pursuant to the amended terms, the Bonds, which is presented as financial liability in the consolidated financial statements of the Group for the year ended 31 December 2017, fall into the definition of equity instrument under IFRSs.

8 RISK

8.1 Business Risk

8.1.1 Competition risk

Affected by the macroeconomic control policies and the slowdown in economic growth, the domestic power market recorded a slower growth and the competition was continuing fierce. At the same time, entering into the new business market was affected by the qualification and experience. The competition in the non-power market is still fierce and complicated. The Company will continue to improve the control of its internal market coordination, strengthen the integration of resources, further promote the innovation of business models and improve the management and control at the level of headquarters and high-end operating capability. The Company will actively make investments and mergers and acquisitions for obtaining new qualifications and accumulating project experience, and initiatively participate in public relations activities externally, so as to enhance brand influence and create favorable conditions for market development. The Company will also deepen the communication with key customers to understand their needs and dynamics.

8.1.2 International operation risk

The international political situation is still complicated. The international infrastructure market places higher requirements on the investment capability and the traditional competitive advantages are gradually weakened. It is still subject to the risks of laws and regulations, political security, taxation and exchange rates in the countries where its operation located. International operation and management faces great challenges, for instance, the increase in operating costs will make it difficult to achieve operating efficiency of projects, and the threatening against life and properties of staffs will intensify the difficulty in project implementation. The Company will consistently improve its international operation and management system, optimize its business layout in the international market, establish a long-term mechanism for prevention and control of international business risks and give full play to the business advantages of the whole industry chain. Also, the Company will solidify measures of market development, international business management and project performance management, ensuring that international risks are controllable and under controlled, and achieving sustainable development of international business.

8.1.3 Legal dispute risk

The cases of legal disputes recorded growth and certain cases are relatively complicated. In the event of inappropriate response, they will directly affect the collection and usage of the project funds and have negative impact on the reputation, market development and the production and operation of the Company to a certain extent. The Company will strengthen the management of legal dispute cases, conduct consultations and coordination on major and difficult cases and enhance the effectiveness of dealing with major cases. The Company will also further carry out legal research on issues such as PPP business, investment and financing business, the "One Belt and One Road" initiative, to effectively control potential legal risks. Further, the Company will consolidate legal audit works, prioritise legal risk prevention, so as to effectively serve the Company's production and management.

8.1.4 Health, safety and environmental risk

Construction and contracting involves high level of risks. Affected by the nature of the industry and the environment of construction sites, certain risks of health, safety and environment always exist. In the event of inadequate implementation of managerial responsibilities, irregular selection of contacting (subcontracting) teams and resources allocation not in place, they will result in health, safety and environmental issues, which would in turn impair the Company's profile and incur economic loss. The Company will firmly establish the "Red Line Consciousness" of production safety, finalise the responsibility of health, safety and environmental protection of principals, strictly carry out "safety plus" management of contacting (subcontracting), increase investment in construction resources, intensify investigation and management of hidden risks and risk management, as well as deepen education and training and basic works, with an aim to prevent accidents.

8.1.5 Construction project management risk

Provided that there exists inadequate and meticulous planning for individual projects at the early stage, management of implementation not in place, irregular management of subcontracting of projects, insufficient resources allocation, inadequate analysis regarding risk identification of project of new business model and inappropriate response measures, which may result in greater performance risk and progress delay of projects, qualities not meeting the requirements, increase in operating costs and other issues. The Company will 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, expand quality social resources reserves, and standardise subcontracting management, aiming to uplift project performance and profitability.

8.1.6 Cash flow risk

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

8.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China and most of the transactions are settled by 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 denominated 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, SHARE OPTION SCHEME AND TRAINING PROGRAM

At the end of 2017, the Company has 130,295 employees in total and possesses a large number of quality talents of various sorts, including 34,826 managers, 41,019 professional technicians, and 34,355 technical operating personnel. The Company has 10,502 talents with various national registered qualifications. Also, the Company has a team 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 21 national technical experts.

The Company did not implement any share option scheme during the Reporting Period.

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 471,600 employees in 2017 and actually trained 496,400 employees, including on-the-job training for 352,500 employees, continuing education training for 36,500 employees, and other trainings for 107,400 employees.

For the latest three years, by virtue of system and mechanism innovation and continuously cultivating and introducing various classes of talents, the personnel structure was optimised on an ongoing basis while the total number of staff employed reduced but remaining stable. The number of staff with a bachelor's degree or above increased by 10.5%. The number of staff with intermediate title or above increased by 11.68%. For details of employees, please refer to the section headed the "Environmental, Social and Governance Report" of this report.

10 PLAN FOR SIGNIFICANT INVESTMENT OR PURCHASE OF CAPITAL ASSET OF THE COMPANY IN THE FUTURE

In 2018, the Company will scroll revision work for its investment business plan (2018-2020), to further clarify the direction of investment and development and specific business plans for the next three years, to constantly solidify its competitive segments in the industry and to exert the role of business investments. Also, with the primary objective of investment-driven business and subject to the laws and regulations, the Company will further innovate business models and vigorously develop domestic and foreign project contracting markets by means of BOT, BOOT and PPP, driving the principal engineering business, and by leveraging the advantages of the Group, to promote the development of commissioning, operation, maintenance of systems and equipment business and the transformation and upgrade of enterprises. (1) Domestically, firstly, the Company will focus on investment in construction of clean energy such as solar power, wind power, geothermal power and natural gas, and seek for and carry out power sale business, to make a reasonable regional layout, the coordination of composition of various energies, better benefits from projects and a sustainable development segment of power energy sector. Secondly, the Company will implement investment and mergers and acquisitions in relation to water supply and environmental protection fields, enhance professional research and innovation capability of environmental protection and water supply, so as to improve its core competitiveness, set up an environment-friendly brand water supply, and realise centralized and scaled development of emerging industries. (2) Abroad, firstly, the Company will continue to keep up with the national strategy, make investments in overseas hydrothermal, clean energy and power grids and other industries along the "One Belt and One Road" and in countries with good investment conditions. Secondly, the Company will invest in civil explosives, cement and water supply projects in the form of new establishment and mergers and acquisitions based on international engineering business. (3) The Company will actively promote the mergers and acquisitions and reorganisation of design and construction entities in the hydropower, municipal administration, road and railway transportation industries, to further optimise the functions of principal business, extending the industrial chain and fostering the business transformation and development of the Company.

11 GEARING RATIO

As at 31 December 2017, the gearing ratio of the Company is 121.33%, representing an increase of 15.42 percentage points as compared to 105.91% recorded as at 31 December 2016, mainly due to the increase in total debts. 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 of subsidiaries by the Company in 2017 are set out in note 45 to the "Consolidated Financial Statements" of this annual report. No material disposal of subsidiaries occurred during the year.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The term of office of both of the first session of the Board of directors and the first session of the Supervisory Committee expired on 19 December 2017. The Company has held the 2017 first extraordinary general meeting, the first meeting of the second session of the Board, and the first meeting of the second session of the Supervisory Committee on 28 December 2017, at which relevant re-election resolutions were passed.

According to the resolutions passed at the 2017 first extraordinary general meeting and the first meeting of the second session of the Board, the second session of the Board will comprise of 10 members as following:

Chairman and Executive Director:	Wang Jianping
Vice Chairman and Executive Director:	Ding Yanzhang
Executive Director:	Zhang Xianchong
Non-executive Director:	Ma Chuanjing, Liu Xueshi and Si Xinbo
Independent Non-executive Director:	Ding Yuanchen, Wang Bin, Zheng Qiyu and Cheung Yuk Ming

According to the resolutions passed at the 2017 first extraordinary general meeting and the first meeting of the second session of the Supervisory Committee and the democracy election result, the second session of the Supervisory Committee will comprise of 5 members as following:

Chairman of the Supervisory Committee:	Wang Zengyong
Employee Representative Supervisors:	Lian Yongjiu and Kan Zhen
Non-employee Representative Supervisors:	Fu Dexiang and Wei Zhongxin

The first meeting of the second session of the Board proposed to: appoint Ding Yanzhang as the general manager; Zhang Xianchong, Nie Kai, Wu Chunli, Yu Gang, Zhou Hougui, Lan Chunjie and Wu Yun as the deputy general managers; Chen Guanzhong as the the chief accountant of the Company, and Duan Qiurong as the the secretary to the Board of the Company.

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	57	Chairman of the Board and Executive Director
	Ding Yanzhang	53	Vice Chairman of the Board, Executive Director and General Manager
	Zhang Xianchong	58	Executive Director and Deputy General Manager
	Ma Chuanjing	60	Non-executive Director
	Liu Xueshi(1)	52	Non-executive Director
	Si Xinbo(1)	50	Non-executive Director
	Ding Yuanchen	68	Independent Non-executive Director
	Wang Bin	63	Independent Non-executive Director
	Zheng Qiyu	63	Independent Non-executive Director
	Cheung Yuk Ming	64	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	58	Employee Representative Supervisor and the Head of Auditing Department
	Kan Zhen	54	Employee Representative Supervisor and the Head of the Party-Masses Work Department
	Fu Dexiang	67	Non-employee Representative Supervisor
	Wei Zhongxin	64	Non-employee Representative Supervisor
Senior Management	Ding Yanzhang	53	Vice Chairman of the Board, Executive Director and General Manager
	Zhang Xianchong	58	Executive Director and Deputy General Manager
	Zhao Jie(2)	61	Deputy General Manager
	Nie Kai	59	Deputy General Manager
	Wu Chunli	54	Deputy General Manager
	Yu Gang	56	Deputy General Manager
	Zhou Hougui	55	Deputy General Manager
	Lan Chunjie	59	Deputy General Manager
	Chen Guanzhong	48	Chief Accountant
	Wu Yun(3)	53	Deputy General Manager
	Duan Qiurong	56	Secretary to the Board and the Joint Company Secretary

Notes:

(1) The appointments of Mr. Liu Xueshi and Mr. Si Xinbo as Non-executive Directors of the Company was considered and approved at the 2017 first extraordinary general meeting held on 28 December 2017.

(2) 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.

(3) The appointment of Mr. Wu Yun as the deputy general manager of the Company was considered and approved at the first meeting of the second session of the Board held on 28 December 2017.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1 BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jianping (汪建平)

aged 57, 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 of the Company, while at the same time he is also the chairman of China Energy Engineering Group Co., Ltd.. Mr. Wang started his career in 1982, and 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 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 53, 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 of the Company, while at the same time is also the director and the general manager of China Energy Engineering Group Co., Ltd.. Mr. Ding started his career in 1984, and 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 China Gezhouba Group Stock Company Limited and the general manager of China Gezhouba Group Company Limited.

Mr. Zhang Xianchong (張羨崇) aged 58, 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 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 China Energy Engineering Group Co., Ltd..

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Ma Chuanjing (馬傳景)

aged 60, 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 of the Company and is also an external director of Sinochem Group (中國中化集團公司) and Xinxing Cathay International Group Co., Ltd. (新興際華集團有限公司). Mr. Ma served 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) and an external director of Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司).

Mr. Liu Xueshi (劉學詩)

aged 52, has obtained a bachelor's degree in economics, majoring in industrial economy. He joined the Group in 2017. He is currently a non-executive Director, member of the Remuneration and Assessment Committee of the Board of the Company and the chief accountant of the China Reform Holdings Corporation Ltd (中國國新控股有限責任公司). Mr. Liu served as the director of the No.1 Assessment Division of the Department, the director of the System Division of the Department, the deputy director-general of the Department of Corporation of the Ministry of Finance (財務部企業司), the deputy head of the Service Administration Bureau (the Administration Bureau of the Former and Retired Staff) under the State-owned Assets Supervision and Administration Commission of the State Council.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Si Xinbo (司欣波) aged 50, is a senior accountant and obtained master's degree in business administration. He joined the Group in 2017, and is currently an non-executive Director and the member of the Strategy Committee of the Board, He currently serves as a deputy general manager of Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Mr. Si served as director of the General Department of Training Development (Education & Training Bureau) of China Development Bank (國家開發銀行), director of the No. 4 and No. 3 Audit Divisions of the Audit Appraisal Bureau and director of the Department of Audit Affairs Management of China Development Bank (國家開發銀行), and vice president of Qinghai Branch of China Development Bank.

Independent Non-executive Directors

Mr. Ding Yuanchen (丁原臣) aged 68, is a senior engineer and obtained an academic diploma of undergraduate education majoring in economics and management. He joined the Group in 2014, 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 served 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), the independent director of China Gezhouba Group Stock Company Limited and an external director of 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. Wang Bin
(王斌)

aged 63, 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. He is also an external director of China Forestry Group Corporation (中國林業集團公司). Mr. Wang worked as the 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).

Mr. Zheng Qiyu
(鄭起宇)

aged 63, 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 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 64, is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Arbitrators, Construction Management Association of America, 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 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), Birmingham International Holdings Limited (伯明翰環球控股有限公司) (Stock Code: 2309.HK), 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), 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).

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 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 China Energy Engineering Group Co., Ltd..

Mr. Lian Yongjiu (連永久) aged 58, 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 served as the assistant to director and deputy director 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 China Energy Engineering Group Co., Ltd..

Mr. Kan Zhen (闞震) aged 54, 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 served as 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; the head of the labor union department of China Energy Engineering Group Co., Ltd.; and the general manager of the asset management center of Energy China Group.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Fu Dexiang (傅德祥)

aged 67, 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 and manager of the Service 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 64, 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 53, 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 China Energy Engineering Group Co., Ltd.. Mr. Ding started his career in 1984, and 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 China Gezhouba Group Stock Company Limited and the general manager of China Gezhouba Group Company Limited.

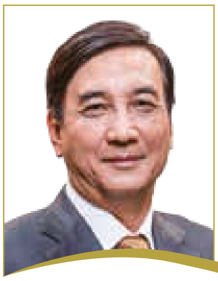
PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Xianchong (張羨崇) aged 58, 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 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 China Energy Engineering Group Co., Ltd..

Mr. Nie Kai (聶凱) aged 59, 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 China Gezhouba Group Company Limited and the chairman of the board of directors of China Gezhouba Group Stock Company Limited. Mr. Nie started his career in 1982, and 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 China Energy Engineering Group Co., Ltd..

Mr. Wu Chunli (吳春利) aged 54, 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 China Power Engineering Consulting Group Co., Ltd. Mr. Wu started his career in 1985, and 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).

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



Mr. Yu Gang (于剛)

aged 56, 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 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 China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司), the vice president of Electric Power Planning & Engineering Institute (電力規劃設計總院) and the deputy general manager of China Energy Engineering Group Co., Ltd..

Mr. Zhou Hougui (周厚貴)

aged 55, 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 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 China Energy Engineering Group Co., Ltd., and the president of the Engineering Institute of ENERGY CHINA GROUP.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lan Chunjie (蘭春傑)

aged 59, 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 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 China Energy Engineering Group Co., Ltd..

Mr. Chen Guanzhong (陳關中)

aged 48, 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 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 China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司), and the deputy chief accountant and chief accountant of China Energy Engineering Group Co., Ltd..

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Yun

aged 53, is a professor-level senior engineer and obtained a bachelor's degree in engineering, majoring in electric power system and automation. He joined the Group in 1986, and is currently the deputy general manager of the Company. Mr. Wu started his career in 1986, and served as the head and deputy chief engineer of the planning and research division, director and general manager assistant of the planning and research department and director of the planning and research center of China Power Engineering Consulting Group Co., Ltd (中國電力工程顧問(集團)有限公司) and the chief engineer of China Power Engineering Consulting Group Corporation (中國電力工程顧問集團公司), the chief engineer and chief information officer of both China Energy Engineering Group Co., Ltd. and China Energy Engineering Corporation Limited.

Mr. Duan Qiurong (段秋榮)

aged 56, 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 China Gezhouba Group Stock Company Limited respectively. Mr. Duan started his career in 1982, and 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 China Energy Engineering Group Co., Ltd..

REPORT OF THE BOARD

1 PRINCIPAL ACTIVITIES

The Company is a comprehensive service provider engaged in construction project planning and consultancy, survey and design, construction and contracting, equipment manufacturing and investment operations, and is one of the largest integrated solution providers in the industry both at home and abroad.

2 BUSINESS REVIEW

In 2017, the Company has overcome the difficulties arisen from complex economic environment, market condition and overburden reform and development tasks. Through our unified and great effort, positive results have been received in various aspects of production and operation, with principal business keeping sustained and healthy development. In 2017, centering on the production and operation, the Company proactively transformed the operating concepts, innovated operational model, uplifted operational quality and strictly controlled operational risks. As a result, key operating indicators achieved stable growth in general, business transformation won great success, and best performance was recorded in the history, thus the market competitiveness, capabilities of risk-resistance and sustainable development of the Company was notably strengthened.

Details of the business development, future development and outlook of the Company in 2017 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, the pledge of assets, contingent liabilities and subsequent event for the year of 2017 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 2017 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 2017 are set out in the "Report of the Board" and the "Report of the Supervisory Committee" of this annual report.

3 FINANCIAL PERFORMANCE

Profit of the Company for the year ended 31 December 2017 and financial position of the Company as of the date 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

The Board recommended the payment of a final dividend of RMB0.0306 per share (inclusive of tax) for the year to shareholders listed in the register of members of the Company on Wednesday, 11 July 2018. Payment will be made on 27 August 2018 subject to the approval by the shareholders at the annual general meeting to be held on 28 June 2018.

5 PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company are set out in note 12 to the "Consolidated Financial Statements" of this annual report.

6 SHARE CAPITAL

As at 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, accounted for 30.85% of the total share capital. Details of the share capital of the Company as of 31 December 2017 are set out in note 37(c) to the "Consolidated Financial Statements" of this annual report.

7 RESERVE

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

8 DISTRIBUTABLE RESERVE

Distributable reserve of the Company as at 31 December 2017 is set out in not 37(a) to the "Consolidated Financial Statements" of this annual report.

9 USE OF PROCEEDS FROM THE LISTING

The Company raised total net proceeds of RMB10,890.22 million from the initial public offering on 10 December 2015 and exercise of over-allotment option on 8 January 2016. As considered and approval at the fourteenth meeting of the first session of the Board of Directors of the Company, RMB4,595.17 million of the raised funds in 2017 would be utilized according to the prospectus, and actually RMB1,428.79 million has been utilized according to the breakdown of the approved planning as of 31 December 2017, among which:

(i) RMB185 million being used as actual payment for the domestic and overseas power infrastructure engineering and construction projects.

(ii) RMB750 million being used as actual payment for purchasing equipment for core business.

(iii) RMB328.76 million being used for actual payment for purchasing necessary fixed assets for expansion and upgrading.

(iv) RMB28.71 million being used for actual payment for the key project for improving the scientific and research and management level of the Company.

(v) RMB62 million being used for actual payment for repaying of bank loans.

(vi) RMB74.32 million being used for actual payment of general working capital.

On 8 November 2017, the Resolution on Adjustment to the Categories of the Use of Proceeds of the Company was considered and approved at the nineteenth meeting of the first session of the Board of Directors and was announced by the Company. The Company made adjustment to the categories of remaining proceeds by adjusting the remaining proceeds and interest used for power and infrastructure construction and contracting projects abroad into for power and infrastructure construction and contracting projects in mainland China, and transferred the proceeds placed abroad with the specific Hong Kong account into mainland China. The adjusted amounts included US$298.21 million and HK$298.11 million.

RMB: million

Nature of amounts	Amount
Foreign and domestic power and infrastructure engineering construction	185.00
Equipment purchasing for core business	750.00
Investment in fixed assets to be required for expansion and upgrading of production capacities	328.76
Key project for improving the scientific and research and management level	28.71
Repayment of bank loans	62.00
Operating capital funded for general corporate purpose	74.32
Total	1,428.79

10 MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the sales revenue from the five largest customers of the Company accounted for approximately 1.8%, 1.4%, 1.2%, 1.2% and 1.0% of the total revenue of the Company respectively, totally representing 6.6% of the total revenue of the Company.

For the year ended 31 December 2017, the purchase amount from the five largest suppliers of the Company accounted for approximately 0.54%, 0.50%, 0.27%, 0.23% and 0.23% of the aggregate amount of goods procurement and subcontracting purchase and other costs of the Company respectively, totally representing 1.77% of the total cost of the Company.

None of the shareholders (which, to the best knowledge of the Company, 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 2017 are set out in notes 16, 17 and 18 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 (First session)	Date of appointment (Second session)
Wang Jianping	Chairman of the Board and Executive Director	19 December 2014	28 December 2017
Ding Yanzhang	Vice Chairman of the Board and Executive Director	19 December 2014	28 December 2017
Zhang Xianchong	Executive Director	19 December 2014	28 December 2017
Ma Chuanjing	Non-executive Director	19 December 2014	28 December 2017
Liu Xueshi(1)	Non-Executive Director	N/A	28 December 2017
Si Xinbo(1)	Non-Executive Director	N/A	28 December 2017
Ding Yuanchen	Independent Non-executive Director	19 December 2014	28 December 2017
Wang Bin	Independent Non-executive Director	19 December 2014	28 December 2017
Zheng Qiyu	Independent Non-executive Director	19 December 2014	28 December 2017
Cheung Yuk Ming	Independent Non-executive Director	28 May 2015	28 December 2017

Note:

(1) The appointments of Mr. Liu Xueshi and Mr. Si Xinbo as Non-executive Directors of the Company were considered and approved at the first extraordinary general meeting of 2017 held on 28 December 2017.

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

Name	Position	Date of appointment (First session)	Date of appointment (Second session)
Wang Zengyong	Chairman of the Supervisory Committee	30 December 2016	28 December 2017
Lian Yongjiu	Employee Representative Supervisor	19 December 2014	28 November 2017
Kan Zhen	Employee Representative Supervisor	4 May 2016	28 November 2017
Fu Dexiang	Non-employee Representative Supervisor	28 May 2015	28 December 2017
Wei Zhongxin	Non-employee Representative Supervisor	28 May 2015	28 December 2017

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

Name	Position	Date of appointment (First session)	Date of appointment (Second session)
Ding Yanzhang	Vice Chairman of the Board, Executive Director and General Manager	19 December 2014	28 December 2017
Zhang Xianchong	Executive Director and Deputy General Manager	19 December 2014	28 December 2017
Zhao Jie(1)	Deputy General Manager	19 December 2014	N/A
Nie Kai	Deputy General Manager	19 December 2014	28 December 2017
Wu Chunli	Deputy General Manager	29 December 2015	28 December 2017
Yu Gang	Deputy General Manager	19 December 2014	28 December 2017
Zhou Hougui	Deputy General Manager	19 December 2014	28 December 2017
Lan Chunjie	Deputy General Manager	19 December 2014	28 December 2017
Chen Guanzhong	Chief Accountant	19 December 2014	28 December 2017
Wu Yun(2)	Deputy General Manager	N/A	28 December 2017
Duan Qiurong	Secretary to the Board and the Joint Company Secretary	31 March 2015	28 December 2017

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.

(2) The appointment of Mr. Wu Yun as the deputy general manager of the Company was considered and approved at the first meeting of the second session of the Board held on 28 December 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	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)
Director					
Wang Jianping	193,999.00	31,950.00	53,251.20	455,118.00	734,318.20
Ding Yanzhang	193,999.00	31,950.00	53,251.20	455,118.00	734,318.20
Zhang Xianchong	174,565.00	31,950.00	53,251.20	409,595.00	669,361.20
Ma Chuanjing	–	–	–	–	–
Ding Yuanchen	60,000.00	–	–	–	60,000.00
Wang Bin	60,000.00	–	–	–	60,000.00
Zheng Qiyu	60,000.00	–	–	–	60,000.00
Cheung Yuk Ming	113,004.00	–	–	–	113,004.00
Supervisor					
Wang Zengyong	372,113.38	31,950.00	53,251.20	443,298.98	900,613.56
Lian Yongjiu	354,449.87	31,950.00	53,251.20	410,839.32	850,490.39
Kan Zhen	344,818.56	31,950.00	53,251.20	369,806.48	799,826.24
Fu Dexiang	54,000.00	–	–	–	54,000.00
Wei Zhongxin	54,000.00	–	–	–	54,000.00
Senior Management					
Ding Yanzhang	193,999.00	31,950.00	53,251.20	455,118.00	734,318.20
Zhang Xianchong	174,565.00	31,950.00	53,251.20	409,595.00	669,361.20
Zhao Jie(1)	43,639.50	7,653.00	12,754.80	278,669.50	342,716.80
Nie Kai	174,565.00	31,950.00	53,251.20	409,595.00	669,361.20
Wu Chunli	174,565.00	31,950.00	53,251.20	397,095.00	656,861.20
Yu Gang	172,666.00	31,950.00	53,251.20	409,713.40	667,580.60
Zhou Hougui	172,666.00	31,950.00	53,251.20	397,213.40	655,080.60
Lan Chunjie	172,666.00	31,950.00	53,251.20	409,713.40	667,580.60
Chen Guanzhong	172,666.00	31,950.00	53,251.20	409,713.40	667,580.60
Duan Qiurong	359,820.60	31,950.00	53,251.20	422,118.84	867,140.64

Notes:

(1) The resignation of 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.

(2) The appointment of Mr. Si Xinbo and Mr. Liu Xueshi as the Directors of the Company were effective from 28 December 2017, and the appointment of Mr. Wu Yun as the Deputy General Manager was effective from 28 December 2017. They haven't received any remuneration as the Directors and/or senior management during the Reporting Period.

15 DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2017, 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 or debentures of the Company or any other body corporate.

16 DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Directors and supervisors has entered into a service contract with the Company for a term of three years. Save as disclosed above, none of the Directors and supervisors of the Company has a service contract with the Company or its subsidiaries which is not determinable 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 2017, 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 2017 to 22 November 2018 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.

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 2017, after the reasonable enquiry by the Directors of the Company, the persons below (other than the Directors, supervisors and chief executives of the Company) have interests or short 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	18,107,684,022 (L)	60.32	87.23	–
		Interest of controlled corporation	98,542,651(L)	0.33	0.47	–
China Reform Holdings Corporation Ltd.* (中國國新控股有限責任公司)[4]	Domestic Shares	Beneficial owner	2,029,378,794(L)	6.76	9.78	–
	H Shares	Interest of controlled corporation	633,704,000(L)	2.11	–	6.84
China Huaxing Group Company (中國華星集團公司)[4]	H Shares	Interest of controlled corporation	633,704,000(L)	2.11	–	6.84
China Huaxing (Hong Kong) International Co., Ltd (中國華星(香港)國際有限公司)[4]	H Shares	Beneficial owner	633,704,000(L)	2.11	–	6.84
Buttonwood Investment Holding Company Ltd.[5]	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)[5]	H Shares	Beneficial owner	1,462,338,000(L)	4.87	–	15.79
Central Huijin Investment Ltd.[6]	H Shares	Interest of controlled corporation	961,300,000 (L)	3.20	–	10.38
China Construction Bank Corporation[6]	H Shares	Investment manager	961,300,000 (L)	3.20	–	10.38
State Grid Corporation of China[7]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Co., Ltd.[7]	H Shares	Interest of controlled corporation	974,892,000(L)	3.25	–	10.53
State Grid International Development Limited[7]	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

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 2017.

(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 ENERGY CHINA GROUP that as of 31 December 2017, it held 154,518,000 H shares, representing approximately 1.67% 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 China Huaxing (Hong Kong) International Co., Ltd (中國華星(香港)國際有限公司). China Huaxing (Hong Kong) International Co., Ltd (中國華星(香港)國際有限公司) is wholly-owned by China Huaxing Group Company (中國華星集團公司); while the latter is wholly-owned by China Reform Holdings Corporation Ltd.* (中國國新控股有限責任公司). Therefore, China Huaxing Group Company (中國華星集團公司) and China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) are deemed to be interested in shares held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司).

(5) These shares are directly held 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, Buttonwood Investment Holding Company Ltd. is deemed to be interested in shares held by Silk Road Fund Co., Ltd (絲路基金有限責任公司).

(6) 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.

(7) 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	Company	ENERGY CHINA GROUP
Wang Jianping	Executive Director and Chairman of the Board	Chairman of the Board
Ding Yanzhang	Executive Director, Vice Chairman of the Board and General Manager	Director and General Manager

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) 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) is limited for the following reasons:

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, engineering 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.

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.

In 2017, 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 engineering and contracting segment of the Company as of the same period. China Energy Engineering Group Shanxi Power No. 2 Construction Company (中國能源建設集團山西省電力建設二公司) has undertook liquidation and exit and except individual outstanding signed contracts, all other businesses have been terminated and staff diversion and allocation was basically completed.

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 competition between the Company and the above-mentioned two companies.

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.

23 CONNECTED TRANSACTIONS

During the Reporting Period, since ENERGY CHINA GROUP is the controlling shareholder of the Company, and EPPE Company is the wholly-owned subsidiary of ENERGY CHINA GROUP, thus a connected person of our Company as defined under Chapter 14A of the Listing Rules; Finance Company is a subsidiary of the Company. Therefore, the Financial Services Framework Agreement, the Project Contracting and Subcontracting Framework Agreement, the Technical Services Framework Agreement and the Property Lease Framework Agreement and the transactions contemplated thereunder constitute the continuing connected transactions under the Listing Rules 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 28 February 2017, 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 and comprehensive credit financial services to ENERGY CHINA GROUP and its associates. The maximum average daily deposit balance of ENERGY CHINA GROUP and its associates 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 associates was no more than RMB10 million. The agreement was announced following the consideration and approval at the Company's thirteenth meeting of the first session of the Board convened on 28 February 2017.

On 30 August 2017, the Company adjusted the said Financial Services Framework Agreement. Among which, the maximum average daily deposit balance of ENERGY CHINA GROUP and its associates with Finance Company was no more than RMB8.0 billion (inclusive); the maximum credit facility granted by Finance Company to ENERGY CHINA GROUP and its associates was no more than RMB1.6 billion (inclusive); and the maximum charge for the miscellaneous financial services provided by Finance Company to ENERGY CHINA GROUP and its associates was no more than RMB30 million. The adjustment agreement was announced following the consideration and approval at the Company's eighteenth meeting of the first session of the Board convened on 30 August 2017.

Name of connected party	Nature of transactions	Actual maximum daily aggregated balance of facilities for the year ended 31 December 2017 RMB million	Maximum daily balance of facilities set out in the announcement of the Company dated 30 August 2017 RMB million
ENERGY CHINA GROUP	Provision of credit lending services to ENERGY CHINA GROUP	190.000	1,600.000

Name of connected party	Nature of transactions	Actual daily balance of deposits for the year ended 31 December 2017 RMB million	Maximum daily balance of deposits set out in the announcement of the Company dated 30 August 2017 RMB million
ENERGY CHINA GROUP	Provision of deposit services to ENERGY CHINA GROUP	2,803.537	8,000.000

Name of connected party	Nature of transactions	Actual fees arising from other financial services for the year ended 31 December 2017 RMB million	Maximum fees arising from other financial services set out in the announcement of the Company dated 30 August 2017 RMB million
ENERGY CHINA GROUP	Fees arising from provision of other financial services to ENERGY CHINA GROUP	0.01	30.000

23.2 Project Contracting and Subcontracting Framework Agreement

On 28 February 2017, the Company entered into the Project Contracting and Subcontracting Framework Agreement with ENERGY CHINA GROUP. During the Reporting Period, the Company or its subsidiaries or ENERGY CHINA GROUP or its associates (excluding the Company and its affiliates shown in the consolidated statements of the Company) agreed to provide project contracting and subcontracting services including survey and design, construction and installation, project supervision and consultancy, etc., to each other, ENERGY CHINA GROUP or its associates provided the above services to the Company or its subsidiaries with an aggregate maximum transaction amount of RMB0.8 billion; the Company or its subsidiaries provided the above-mentioned services to ENERGY CHINA GROUP or its associates with an aggregate maximum transaction amount of RMB0.1 billion. The agreement was announced following the consideration and approval at the Company's thirteenth meeting of the first session of the Board convened on 28 February 2017.

On 8 June 2017, the Company adjusted the said Project Contracting and Subcontracting Framework Agreement. For the project contracting and subcontracting services provided by the Company or its subsidiaries to ENERGY CHINA GROUP or its associates, the aggregate transaction amount was adjusted from RMB0.1 billion to RMB0.6 billion. The adjusted agreement was announced following the consideration and approval at the Company's sixteenth meeting of the first session of the Board convened on 8 June 2017.

Name of connected party	Nature of transactions	Total amount for the year ended 31 December 2017 RMB million	Annual cap amount set out in the announcement of the Company dated 8 June 2017 RMB million
ENERGY CHINA GROUP	Operating services provided by ENERGY CHINA GROUP to the Group	79.653	800.000
ENERGY CHINA GROUP	Operating services provided by the Group to ENERGY CHINA GROUP	30.325	600.000

23.3 Technical Services Framework Agreement

On 28 February 2017, the Company entered into the Technical Services Framework Agreement with EPPE Company. During the Reporting Period, EPPE Company and its subsidiaries has provided technical services including power plan and integrated informatisation to the Company and its subsidiaries, with total maximum transaction amount of RMB90 million. The agreement was announced following the consideration and approval at the Company's thirteenth meeting of the first session of the Board convened on 28 February 2017.

Name of connected party	Nature of transactions	Total amount for the year ended 31 December 2017 RMB million	Annual cap amount set out in the announcement of the Company dated 28 February 2017 RMB million
EPPE Company	Provision of technical services by EPPE Company to the Group	47.516	90.000

23.4 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 Company 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. 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	Annual transaction amount for the year ended 31 December 2017 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 services by ENERGY CHINA GROUP to the Group	158.551	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 services 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 services by ENERGY CHINA GROUP to the Group	108.415	111.568

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 44 to the "Consolidated Financial Statements" of this annual report, in which certain transactions in the aforementioned related party transactions also constitute Connected Transactions as prescribed in Chapter 14A under the Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, and the above Connected Transaction has complied the provisions in Chapter 14A under the Listing Rules.

Save as the disclosed in the section titled "Connected Transactions" of this Annual Report, neither of the Company or any of subsidiaries of the Company has entered into any material contract with controlling shareholders or any of its subsidiaries (excluding the Group), nor the Group has any material contract in relation to provision of services with controlling shareholders or any of its subsidiaries (excluding the Group).

On 29 January 2018, the Company renewed the Financial Services Framework Agreement, the Daily Production and Operation Framework Agreement (representing the Project Contracting and Subcontracting Framework Agreement and Technical Services Framework Agreement of 2017) and the Property Lease Framework Agreement and published an announcement thereof.

23.6 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 caps of which are fair and reasonable and in the interest of the Company and shareholders as a whole.

23.7 Independent Auditor's Confirmation

Pursuant to Chapter 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board engaged auditors 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 auditors have issued their unqualified letters a containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group. Copies of the auditors' letters have been provided by the Company to The Stock Exchange of Hong Kong Limited.

24 PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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 AND SHARE OPTION SCHEME

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 or share option scheme.

27 BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company are set out in note 32 to the "Consolidated Financial Statements" of this annual report.

28 REMUNERATION AND EQUITY-INCENTIVE POLICY

The Company fully constructed a scientific, reasonable, open and fair, standardized and orderly remuneration management system. With emphasis on incentives and constraints, and adhering to the efficiency-oriented principle, the Company continued to achieve economic growth while achieving staffs' income growth. The Company established and improved the 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, and promotes more reasonable distribution of income.

Pursuant to the requirement of the relevant policy of the SASAC, the Company determined 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, 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 maximize the proactiveness of the senior management and key employees and to support the realization of the Company's strategies 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 and approval 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 and approval 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 the 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. Since 16 persons voluntarily abandoned their subscriptions and 7 persons no longer meet the qualifications for grant, 519 persons were actually granted, and the actual number of shares granted was 275.272 million, which accounted for 0.917% of the total issued share capital of the Company as at the date of the annual report, as detailed in the table below. The scheme participants paid the subscription amounts based on the granted amount multiplied by the grant price (HK$0.66 per share).

By staff category	Number of grants (person)	Number of shares granted (0'000 shares)	Proportion of the number granted to the total issued shares of the Company
Secretary to the Board	1	80	0.003%
Middle-level staff and core staff	518	27,447.2	0.914%
Total	519	27,527.2	0.917%

Except as approved by the special resolution at the general meeting, the total number of restricted shares granted to or to be granted to any one of the scheme participants shall not exceed 1% of the total issued share capital of the Company when the incentive plan is approved by the extraordinary general meeting.

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 engineer, 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

Unless proposed by the Board and approved by the shareholders for early termination, the Restricted Share Incentive Scheme is effective for a period of ten years from 21 November 2016 (the date of adoption) and there is still an eight-year term as at the date of this report.

As of 31 December 2017, according to the Restricted Share Incentive Scheme, no restricted shares have been granted, lapsed or cancelled.

29 STAFF RETIREMENT BENEFITS

Details of the staff retirement benefits of the Company are set out in note 34 to the "Consolidated Financial Statements" of this annual report.

30 DONATIONS

The Company made donations in a total amount of RMB14,826,400 in 2017. The donations were made mainly through People's Government 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

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 was engaged as the international auditor of the Company for the years of 2015 and 2016. As resolved at the general meeting of the Company held on 8 June 2017, KPMG was agreed to be appointed as the international auditor of the Company for the year 2017, to provide relevant overseas audit and review services under the IFRSs, and BDO China Shu Lun Pan Certified Public Accountants LLP was appointed as the domestic auditor for the year 2017.

The resolutions regarding appointment of auditors of the Company for the financial report of 2018 will be proposed at the forthcoming annual general meeting for approval.

33 COMPLIANCE WITH RELEVANT LAWS

After listing on the Main Board of the Stock Exchange, the Company is subject to the Company Law, the Listing Rules, the SFO and other related laws and regulations at home and abroad. The Company complies with the following key regulatory requirements:

The SASAC, the Supervisory Board for Key Large State-Owned Enterprises and other Chinese government departments (including but not limited to Ministry of Finance, State Administration of Taxation, National Audit Office of the People's Republic of China, State Administration for Industry and Commerce of the People's Republic of China, People's Bank of China, State Administration of Foreign Exchange, Ministry of Human Resources and Social Security of the People's Republic of China and subsidiary organs thereof) have made inquiries and on-site inspection or off-site survey to the Company's compliance with Chinese laws and regulations in terms of state-owned assets management, financial condition and business operation, solvency status, tax payment, foreign exchange management, labour and social welfare, etc.

Compliance with the Listing Rules and the SFO, including but not limited to fulfilling the followings: safe-keeping the register of interests in shares and short positions and the register of interests of Directors, supervisors and chief executives and short positions, disclosure of inside information etc. The Company has implemented internal control to ensure its compliance with such laws and regulations. To the best of our knowledge, there are not any legal or regulatory procedures or issues that may, in the opinion of the Directors, have material adverse effects on the corporate business, financial condition, business performance or prospects as of the end of Reporting Period.

34 COMPANY'S ENVIRONMENTAL POLICY AND PERFORMANCE

The Company has formulated the Regulations on Management of Environmental Protection and Energy Conservation and Emission Reduction, the Assessment Management Practices of Environmental Protection and Energy Conservation and Emission Reduction, the Management Measures for Environmental Incident Reporting and Investigation and other systems, issued the Contigency Plans for Environmental Contigencies, enacted the Guidance on Strengthening the Special Fund Management for Energy Conservation and Emission Reduction, prepared the Guidelines for Laws, Regulations and Policy Systems Related to Environmental Protection and Energy Conservation and Emission Reduction, and printed the Guidelines for Creating the Green Construction Demonstration Projects, putting forward the regulations and policies to be strictly observed and actively utilized in the primary business in terms of law compliance, improvement & promotion and innovation efficiency, and making requests for differentiated management. By signing the Special Target Responsibility Document of Energy Conservation and Emission Reduction layer upon layer, the Company has implemented responsibilities to all entities and work posts, made comprehensive check and evaluation to the annual responsibility targets as well as energy conservation and emission reduction, and incorporated the fulfillment of energy conservation and emission reduction into the business performance evaluation of responsible persons, and linked with their performances, for the effective implementation of responsibilities in energy conservation and emission reduction. 2017 witnessed neither a single environment event nor energy conservation and emission reduction non-compliance. Particulars please refer to the section headed the "Environmental, Social and Governance Report".

35 COMPLIANCE WITH OFAC UNDERTAKINGS

During the Report Period, the Company has requested its subsidiaries to conduct overseas business in accordance with the Detailed Rules on the Work of the Overseas Risk Management Committee of China Energy Engineering Corporation Limited, and convened four meetings of the Overseas Risk Management Committee. The Company is of the opinion that the Company has kept the relevant OFAC undertakings in the Report Period and will continue doing so in the future daily operation.

36 PUBLIC FLOAT

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.

37 REVIEW OF ANNUAL REPORT

The Audit Committee has reviewed the Company's annual results of 2017, and the financial statements for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards.

38 INFORMATION ON TAX REDUCTION AND EXEMPTION FOR HOLDERS OF H SHARES

38.1 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徵管問題的通知》(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 directly 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.

38.2 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 unified rate of 10%. Such withholding tax may be reduced pursuant to 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.

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

REPORT OF THE SUPERVISORY COMMITTEE

1 BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

1.1 Basic information

As of 31 December 2017, 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.

1.2 Changes in supervisors

On 28 December 2017, Mr. Wang Zengyong, Mr. Fu Dexiang and Mr. Wei Zhongxin were re-elected as supervisors of the second session of the Supervisory Committee at the extraordinary general meeting.

Mr. Lian Yongjiu and Mr. Kan Zhen were re-elected as the employee representative supervisors of the second session of the Supervisory Committee through a democratic election.

On 28 December 2017, Mr. Wang Zengyong were re-elected as the chairman of the second session 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 2017, the Supervisory Committee convened nine meetings, the details are as follows:

- The eleventh meeting of the first session of the Supervisory Committee was held on 28 February 2017. All members of the Supervisory Committee attended the meeting, of which Mr. Wei Zhongxin authorized Mr. Fu Dexiang to attend the meeting on his behalf. Mr. Wang Zengyong, the chairman of the Supervisory Committee, served as the convener. Three resolutions were considered and approved at the meeting by voting, comprising the Resolution on the Report of the Supervisory Committee of 2017 (《關於公司2017年監事會工作計劃的議案》).

- The twelfth meeting of the first session of the Supervisory Committee was held on 29 March 2017. All members of the Supervisory Committee attended the meeting, with Mr. Wang Zengyong, the Chairman of the Supervisory Committee, served as the convener. Six resolutions were considered and approved at the meeting by voting, comprising the Resolution on the 2016 Annual Report and Annual Results Announcement (《關於公司2016年度報告及業績公告的議案》).

- The thirteenth meeting of the first session of the Supervisory Committee was held by way of communication on 7 April 2017. Members of the Supervisory Committee, namely Mr. Wang Zengyong, Mr. Lian Yongjiu, Mr. Kan Zhen, Mr. Fu Dexiang and Mr. Wei Zhongxin considered and approved the Resolution on the Appointment of the External Auditor of the Company for the Year 2017 (《關於聘請公司2017年度審計機構的議案》) at the meeting by voting.

- The fourteenth meeting of the first session of the Supervisory Committee was held on 8 June 2017. All members of the Supervisory Committee attended the meeting, of which Mr. Lian Yongjiu authorized Mr. Wang Zengyong to attend the meeting on his behalf. Mr. Wang Zengyong, the chairman of the Supervisory Committee, served as the convener. The Resolution on the Adjustments to the Caps for Continuing Connected Transactions between the Company and ENERGY CHINA GROUP in 2017 (《關於調整公司與中國能建集團2017年持續性關連交易上限的議案》) was considered and approved at the meeting by voting.

- The fifteenth meeting of the first session of the Supervisory Committee was held on 6 July 2017. All members of the Supervisory Committee attended the meeting, with Mr. Wang Zengyong, the Chairman of the Supervisory Committee, being the convener. Two resolutions including the Resolution on the Environmental, Social and Governance Report of the Company of 2016 (《關於公司2016年環境、社會及管治報告的議案》) were considered and approved at the meeting by voting.

- The sixteenth meeting of the first session of the Supervisory Committee was held on 30 August 2017. All members of the Supervisory Committee attended the meeting, with Mr. Wang Zengyong, the Chairman of the Supervisory Committee, being the convener. Three resolutions including the Resolution on the 2017 Interim Report and Results Announcement of the Company (《關於公司2017年中期報告及業績公告的議案》) were considered and approved at the meeting by voting.

- The seventeenth meeting of the first session of the Supervisory Committee was held on 8 November 2017. All members of the Supervisory Committee attended the meeting, of which Mr. Kan Zhen entrusted Mr. Lian Yongjiu to attend the meeting on his behalf. Mr. Wang Zengyong, the Chairman of the Supervisory Committee, served as the convener. Two resolutions including the Resolution on Adjustments to the Category of Use of Proceeds of the Company (《關於調整公司募集資金使用類別的議案》) were considered and approved at the meeting by voting.

- The eighteenth meeting of the first session of the Supervisory Committee was held on 5 December 2017. Members of the Supervisory Committee, namely Mr. Wang Zengyong, Mr. Fu Dexiang, Mr. Wei Zhongxin, Mr. Lian Yongjiu and Mr. Kan Zhen participated in the meeting, with Mr. Wang Zengyong, the Chairman of the Supervisory Committee, being the convener. The Resolution on Determination of the Candidates for the Non-employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company (《關於確定公司第二屆監事會非職工代表監事候選人的議案》) was considered and approved at the meeting by voting.

- The first meeting of the second session of the Supervisory Committee was held on 28 December 2017. Members of the Supervisory Committee, namely Mr. Wang Zengyong, Mr. Fu Dexiang, Mr. Wei Zhongxin, Mr. Lian Yongjiu and Mr. Kan Zhen, 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 second session of the Supervisory Committee.

3 SUPERVISORY COMMITTEE'S PRESENCE ON OTHER MEETINGS

On 8 June 2017 and 28 December 2017, the Supervisory Committee attended the annual general meeting for the year 2016 and the 2017 first extraordinary general meeting of the Company.

In 2017, the Supervisory Committee attended 9 Board meetings and listened to 47 resolutions which were considered by the Board.

4 BASIC EVALUATION OF THE SUPERVISORY COMMITTEE ON PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT

During the Reporting Period, by the supervision on the 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, the Listing Rules and the Articles of Association and 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 KPMG, 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 and listened to the report about information disclosure. The Supervisory Committee believed that the information disclosure procedures were in compliance with the Administrative Provisions on Information Disclosure of China Energy Engineering Corporation Limited (《中國能源建設股份有限公司信息披露事務管理規定》) 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 2018, 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

The Company is firmly committed to the overall standards of corporate governance and has adopted all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 is operated independently and effectively with its 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.

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 as soon as possible 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.

As a channel to promote effective communication, the Company publishes its announcements, financial data and other relevant data on the website. For enquiry, shareholders may directly send a letter to the Company's principal place of business in Hong Kong. The Company will handle all enquiries with an appropriate method in a prompt manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. The Chairman of the Board as well as the chairmen of all committees are normally present at the annual general meetings and other general meetings of the Company to answer questions raised.

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 2016	8 June 2017	On-site	9	23,372,673,595	77.86%
The first extraordinary general meeting of 2017	28 December 2017	On-site	7	22,953,279,896	76.46%

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	Liu Xueshi(1)	Non-executive Director
6	Si Xinbo(1)	Non-executive Director
7	Ding Yuanchen	Independent Non-executive Director
8	Wang Bin	Independent Non-executive Director
9	Zheng Qiyu	Independent Non-executive Director
10	Cheung Yuk Ming	Independent Non-executive Director

Note:

(1) As considered and approved at the 2017 first extraordinary general meeting of the Company held on 28 December 2017, Mr. Liu Xueshi and Mr. Si Xinbo were appointed as non-executive Directors of the Company.

All the Directors of the Company 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. The term of office of 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 2017, the Company held nine Board meetings in total. A total of 47 resolutions were considered and passed at the meetings, including the 2017 Production and Operation Plan and the Work Report of the Board of Directors.

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

	Attendance of Board meeting				Attendance of General Meeting		
Directors	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]	9	8	1	100%	2	2	100%
Ding Yanzhang	9	9	0	100%	2	2	100%
Zhang Xianchong[2]	9	7	2	100%	2	1	50%
Ma Chuanjing	9	9	0	100%	2	2	100%
Ding Yuanchen	9	9	0	100%	2	2	100%
Wang Bin	9	9	0	100%	2	2	100%
Zheng Qiyu[3]	9	8	1	100%	2	2	100%
Cheung Yuk Ming[4]	9	7	2	100%	2	1	50%
Liu Xueshi[5]	1	1	0	100%	0	0	N/A
Si Xinbo[6]	1	1	0	100%	0	0	N/A

Notes:

(1) Mr. Wang Jianping was unable to attend the eighteenth meeting of the first session of the Board of the Company held on 30 August 2017 due to other work engagements, and designated Mr. Ding Yanzhang as proxy to attend and preside over the meeting.

(2) Mr. Zhang Xianchong was unable to attend the fourteenth meeting of the first session of the Board of the Company held on 29 March 2017 due to other work engagements and designated Mr. Wang Jianping as proxy to attend the meeting; he was unable to attend the sixteenth meeting of the first session of the Board of the Company held on 8 June 2017 due to other work engagements and designated Mr. Ma Chuanjing as proxy to attend the meeting; he was unable to attend the 2016 annual general meeting of the Company held on 8 June 2017 due to other work engagements.

(3) Mr. Zheng Qiyu was unable to attend the thirteenth meeting of the first session of the Board of the Company held on 28 February 2017 due to other work engagements, and designated Mr. Wang Bin as proxy to attend the meeting.

(4) Mr. Cheung Yuk Ming was unable to attend the sixteenth meeting of the first session of the Board held on 8 June 2017 due to other work engagements, and designated Mr. Ding Yuanchen as proxy to attend the meeting; he was unable to attend the seventeenth meeting of the first session of the Board held on 6 July 2017 due to other work engagements, and designated Mr. Ding Yuanchen as proxy to attend the meeting; he was unable to attend the 2016 annual general meeting held on 8 June 2017 due to other work engagements.

(5) As considered and approved at the 2017 first extraordinary general meeting of the Company held on 28 December 2017, Mr. Liu Xueshi was appointed as a non-executive Director of the Company.

(6) As considered and approved at the 2017 first extraordinary general meeting of the Company held on 28 December 2017, Mr. Si Xinbo was appointed as a non-executive Director of the Company.

The Company adopts the practice of holding regular board meetings and extraordinary meetings, 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 special committees of the Board, reasonable notice is generally given. The agenda and accompanying meeting papers of ad-hoc meetings of the Board and meetings of the special committees of the Board are dispatched to the Directors or members of the relevant special committees of the Board 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.

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 Corporation Limited (《中國能源建設股份有限公司董事會議事規則》), By-laws for General Manager of China Energy Engineering Corporation Limited (《中國能源建設股份有限公司總經理工作細則》) and relevant laws and regulations.

5.3.1 The Board

The major duties of the Board are as follows:

- to convene the shareholder meetings and report its work to the general meetings;
- to implement resolutions of the general meeting;
- to decide on the business plans and investment plans of the Company;
- to formulate the plans for annual financial budgets and final accounts of the Company;
- to formulate the plans for profit distribution and making up losses of the Company;
- to formulate proposals for the increase or reduction of registered capital and the issue of shares, debentures or other securities and the listing project of the Company;
- to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;
- to decide on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantee, debt financing, entrusted wealth management and connected transactions, except those which shall be approved by the general meeting of the Company as prescribed by laws, regulations, departmental regulations or the Articles of Association;
- to decide on the establishment of the internal management organization of the Company;
- to appoint or remove the general manager and secretary of the Board to directors of the Company; to appoint or remove the senior management, such as the vice general manager, of the Company pursuant to the nominations of the general manager and decide on their remuneration as well as reward and punishment;
- to formulate the basic management system of the Company;
- to prepare plans for amending the Articles of Association;

- to manage information disclosure matters of the Company;
- to propose to the general meetings as to the appointment or change of the accounting firm for the auditing of the Company;
- to receive the work reports of the general manager of the Company and to review the work of the general manager;
- to decide the establishment of special committees and their compositions;
- to exercise other functions and powers conferred by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, at general meetings and the Articles of Association.

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 its 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 two 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 regularly listening to the work report of the general manager and the implementation of resolutions of the Board, and focusing timely on major issues.

5.3.2 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;
- Exercising other functions and powers conferred by the Articles of Association or the Board.

At the request of the Board, the general manager timely provide important information relating to the Company's production and operation, entering into and performance of material contracts, capital and asset operation, profit or loss, etc. 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 of the Company have received trainings regarding the "Risk Management and Systematic Governance of the Group" and "Responsibilities of the Directors and Roles and Functions of Committees of the Board of Directors".

Directors	Number of trainings on risk management and systemic governance of the Group (times)	Number of trainings on responsibilities of the Directors and Roles and Functions of Committees of the Board of Directors (times)
Wang Jianping	0	1
Ding Yanzhang	0	1
Zhang Xianchong	0	1
Ma Chuanjing	1	1
Ding Yuanchen	1	1
Wang Bin	0	1
Zheng Qiyu	1	1
Cheung Yuk Ming	0	1

Note: Two Directors, namely Liu Xueshi and Si Xinbo, appointed on 28 December 2017, did not attend any trainings during the Reporting Period.

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, and the general election was completed at the first meeting of the second session of the Board on 28 December 2017.

5.5.1 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, members of the strategy committee include Mr. Wang Jianping (executive Director), Mr. Ding Yanzhang (executive Director), Mr. Ma Chuanjing (non-executive Director) and Mr. Si Xinbo (non-executive Director). Mr. Wang Jianping is the chairman of the strategy committee. During the Reporting Period, the strategy committee convened 3 meetings to consider and approve the resolutions relating to the 2017-2019 Rolling Development Plan of the Company (《關於公司2017-2019年滾動發展規劃的議案》) and others. The following table shows the attendance of each committee member at the strategic committee:

Committee member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Wang Jianping	3	2	1
Ding Yanzhang	3	3	0
Ma Chuanjing	3	3	0
Si Xinbo(1)	0	0	0

Note:

(1) As considered and approved at the first meeting of the second session of the Board of the Company convened on 28 December 2017, Mr. Si Xinbo was appointed as a member of the Strategic Committee of the second session of the Board of the Company. No strategic committee meeting was held from the date of his appointment to 31 December 2017.

5.5.2 Nomination Committee

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, members of the nomination committee include Mr. Wang Jianping (executive Director), Mr. Wang Bin (independent non-executive Director) and Mr. Cheung Yuk Ming (independent non-executive Director) and Mr. Wang Jianping is the chairman of the Nomination Committee. During the Reporting Period, the Nomination Committee convened 2 meetings, at which the Proposal on Ms. Zhao Jie no longer as the Deputy General Manager of China Energy Engineering Corporation Limited and the Proposal on Determination of Candidates for the Directors of the Second Session of the Board of China Energy Engineering Corporation Limited were considered, respectively. The following table shows the attendance of each committee member at the Nomination Committee:

Committee member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Wang Jianping	2	2	0
Wang Bin	2	2	0
Cheung Yuk Ming	2	2	0

5.5.3 Remuneration and Assessment Committee

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 the 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 the SASAC. The remuneration of an executive Director who was supervised by the SASAC and served as a Director of the Company was closely linked 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, members of the remuneration and assessment committee include Mr. Zheng Qiyu (independent non-executive Director), Mr. Wang Bin (independent non-executive Director), Mr. Cheung Yuk Ming (independent non-executive Director) and Mr. Liu Xueshi (non-executive Director). Mr. Zheng Qiyu is the chairman of the remuneration and assessment committee. During the Reporting Period, the remuneration and assessment committee convened 3 meetings to consider the Resolution in relation to the Standard on Remuneration Payment of the Directors for the Year 2015 (《關於公司董事2015年度薪酬兑現標準的議案》), the Resolution in relation to the Standard on Remuneration Payment of the Senior Management for the Year 2015 (《關於公司高級管理人員2015年度薪酬兑現標準的議案》), the Resolution in relation to the Directors' Remuneration of 2017 (《關於公司董事2017年度薪酬的議案》), the Resolution in relation to the Emoluments of the Senior Management of the Company for the Year 2017 (《關於公司高級管理人員2017年度薪酬的議案》), the Resolution in relation to the Interim Measures for Performance Assessment and Emoluments Distribution of the Senior Management of the Company (《關於公司高級管理人員業績考核與薪酬分配管理暫行辦法的議案》), the Resolution in relation to the Standard on Remuneration Payment of the Directors for the Year 2016 (《關於公司董事2016年度薪酬兑現標準的議案》), the Resolution in relation to the Standard on Remuneration Payment of the Senior Management for the Year 2016 (《關於公司高級管理人員2016年度薪酬兑現標準的議案》) and other proposals. 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
Zheng Qiyu	3	2	1
Wang Bin	3	3	0
Cheung Yuk Ming	3	3	0
Liu Xueshi(1)	0	0	0

Note:

(1) As considered and approved at the first meeting of the second session of the Board of the Company convened on 28 December 2017, Mr. Liu Xueshi was appointed as a member of the remuneration and assessment committee of the second session of the Board of the Company. No remuneration and assessment committee meeting was held from the date of his appointment to 31 December 2017.

5.5.3 Audit Committee

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 of the Company, and reviewing significant financial reporting opinions contained therein;
- Examining the Company's financial controls, internal control and risk management systems;
- Being responsible for the communication between internal audit departments and external auditors in order to ensure coordination between the internal and external auditors;
- 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.

As at the end of the Reporting Period, the members of the audit committee include 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 2017, the audit committee convened 6 meetings and conducted a separate interview with the external auditor of the Company to consider and approve the Resolution in relation to the 2016 Annual Report and Annual Results Announcement of the Company (《關於公司2016年度報告及業績公告的議案》), the Resolution in relation to the Final Financial Report of 2016 of the Company (《關於公司2016年財務決算報告的議案》), the Resolution in relation to the 2017 Interim Report and Interim Results Announcement of the Company (《關於公司2017年中期報告及業績公告的議案》), the Resolution in relation to the Engagement of the Auditor of the Company for the Year 2017 (《關於聘請公司2017年度審計機構的議案》), and the Resolution in relation to the Arrangement of Annual Report Audit and the Progress of work of 2017 (《關於2017年年報審計工作安排及工作進度計劃的議案》). 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	6	6	0
Ma Chuanjing	6	6	0
Cheung Yuk Ming	6	5	1

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 review annually the Board's composition under diversified perspectives, and monitor the implementation of the Board 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 include the following:

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

- reviewing and monitoring the training and continuous professional development of the Directors and senior management;

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

- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the Directors; and

- 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 2017, 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 2017, the Supervisory Committee convened 9 meetings to consider and approve 20 resolutions, including resolutions on the annual report, connected transactions and fund raising 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	9	9	0
Lian Yongjiu	9	8	1
Kan Zhen	9	8	1
Fu Dexiang	9	9	0
Wei Zhongxin	9	8	1

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

7 JOINT COMPANY SECRETARIES

According to the requirements of the Listing Rules, the Company employed Mr. Duan Qiurong and Ms. Mok Ming Wai, a director of TMF Hong Kong Limited and head of listing services division, as the joint company secretaries of the Company.

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 amended the internal control management system and improved the internal control and risk management system. The Board is responsible for the internal control and risk management 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 and set the mutually independent system construction management and appraisal departments. The Company organizes the departments at head office and subsidiaries to conduct risk identification and analysis for business activities in accordance with the Risk Assessment Management Measures 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. The risk management and control measures are implemented in daily work to prevent risk events. In 2017, the Company did not have any material risk event. Each year, an internal control and risk management assessment is organized for the affiliated units. The assessment plan for the year 2017 encompasses the business segments ranging from planning and consultancy, survey and design, engineering project contracting, equipment manufacturing and investment and operation of power and energy of the headquarters of the Company and affiliated units. In addition, the Company identifies and urges the rectification of internal monitoring deficiency and controls 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 of 2017 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.

For the internal control and risk management system of the Company, the Board has conducted effective management of the risks involved in the accomplishment of business objectives and provided reasonable assurance thereof. The internal control system aims at management instead of elimination of the risks of failing to accomplish business objectives, and the Board can only provide reasonable but not absolute assurance for the significant misrepresentation or loss.

9 AUDITORS' REMUNERATION

The Company has appointed KPMG and BDO China Shu Lun Pan Certified Public Accountants LLP as the international and the domestic auditors, respectively, of the Company.

RMB0'000

	KPMG (VAT inclusive)	BDO China Shu Lun Pan Certified Public Accountants LLP (VAT inclusive)
Interim review	358	–
Annual report	700	748
Annual report of Gezhouba Group	–	265
Internal control audit of Gezhouba Group	–	70
Other specific audit of Gezhouba Group	–	49
Total	1,058	1,132

The Board proposed to appoint KPMG and BDO China Shu Lun Pan Certified Public Accountants LLP as the international and the domestic auditors, respectively, of the Company for 2018, subject to approval by shareholders at the forthcoming annual general meeting.

10 INFORMATION DISCLOSURE

The chairman of the Board of the Company is the first responsible person for the disclosure and management of the Company's information, and the secretary to the Board is responsible for the detailed coordination. During the Reporting Period, the Company has fulfilled the information disclosure obligations in a continuous and standard way and 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, and further intensified the Company's promotion in the capital market to constantly enhance the image as a listed company. The Company places great emphasis on the management of inside information, strictly controls the scope of insiders and the confidentiality management of inside information vehicles. The Company earnestly commences the registration of insiders with inside information and strengthened 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 of the Company 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.

The Company is not exposed to material uncertainties or circumstances which may result in substantial doubt over the continuing operation capacity of the Company.

12 THE ARTICLES OF ASSOCIATION AND ITS AMENDMENTS

The Articles of Association came into effect since listing on 10 December 2015. Due to failure of incorporating the terms which could only be confirmed after listing, including registered capital and shareholders, the revised Articles of Association was passed by voting and became effective at the 2015 annual general meeting held on 8 June 2016.

During the Reporting period, the Company amended the Articles of Association. The revised Articles of Association was passed by voting and became effective at the 2017 first extraordinary general meeting of the Company convened on 28 December 2017. For details, please refer to the Company's circular of the 2017 first extraordinary general meeting dated 10 November 2017 and the announcement on poll results dated 28 December 2017. 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. The Company proactively organizes the internal departments to conduct investor relations management in accordance with the Management Code and Measures on Investors Relations and the Measures on the Launch of Voluntary Information Disclosure of China Energy Engineering Corporation Limited with an aim to allow investors to further understand the information of the Company. In addition, 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 domestic 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 and the Company's website (www.ceec.net.cn). Investors could also contact the Company via telephone (+86 (10) 5909 8818) or email (zgnj3996@ceec.net.cn).

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company adheres to the concept of "innovation, contribution to the society, scientific development and harmonious community" towards social responsibility by clearly putting forward a sustainable development strategy. While the Company strives to maintain a high level of corporate governance, it is also committed to incorporating corporate social responsibility into daily operations with its strong operational capability, so as to achieve sustainable development in environmental, social and governance respects. In 2017, the Company has regulated its own conduct with high standards and endeavored to continuously promote its performance of environmental, social and governance and establish a responsible corporate brand image.

According to its Management Measures of Social Responsibilities, the Company established a 3-level organisational system on social responsibilities, which is led by the Social Responsibility Committee, improved social responsibility indicator system in accordance with compliance requirements and built a long-term mechanism of PDCA social responsibility management and practice which covers the planning, implementation, inspection and action of social responsibilities. In 2017, under the leadership of the Social Responsibility Committee, the Company discussed the performance of its operations and social responsibilities with contacts of social responsible departments to analyze the performance of the Company's substantive issues and assessed its relevant performance and implications. The Company rationalized and concluded its annual efforts on social responsibility management by including relevant environmental, social and governance issues in this report in accordance with the requirements set out in Appendix 27 to the Listing Rules (the Environmental, Social and Governance Reporting Guide).

The table below shows the environmental, social and governance issues which are considered to be material to the Company based on the assessment on the social responsibility organisational structure of the Company as well as the subject areas of the environmental, social and governance reporting guide involved therein. This report covers the period from 1 January 2017 to 31 December 2017 and includes the headquarter and subsidiaries of the Company.

Categories set out in the Environmental, Social and Governance Reporting Guide[1]	Major environmental, social and governance issues of the Company[2]
11.1 Environmental	
11.1.1 Emissions	Management system for energy saving and emission reduction, environmental protection business, application of environmental technology, performance of emissions management
11.1.2 Use of resources	Energy saving and emission reduction services, green office
11.1.3 The environmental and natural resources	Ecological environment and natural resources protection
11.2 Social	
11.2.1 Employment	Equal employment, regulate employment, employee remuneration and benefits
11.2.2 Health and safety	Promote production safety, occupational health and safety, overseas employee safety
11.2.3 Development and training	Value employee training, facilitate employee promotion, cohesion of employee care
11.2.4 Labor standards	Prohibition of child labor and forced labor
11.2.5 Supply chain management	Responsible procurement, promote supply chain accountability
11.2.6 Product responsibility	Product quality, industrial technologies, overseas operation, international cooperation and exchange, customer privacy
11.2.7 Anti-corruption	Anti-corruption management system, anti-corruption training and pay attention to corruption and bribery in overseas operation
11.2.8 Community Investment	Community charity and overseas community

Notes:

(1) The social responsibilities stated by the Company covers the environmental, social and governance issues as required by the Stock Exchange.

(2) As the core business of the Company covers survey, design, consultancy, construction and contracting, etc. During the Reporting Period, indicators on packaging materials, did not constitute major ESG related issues of the Company and not applicable to the Company and therefore have not been disclosed.

11.1 ENVIRONMENTAL

Environment is the external world on which our humanity depends, the foundation of economic development and the key to the sustainable development of enterprises. The Company adheres to the concept of green, recycle, low-carbon and attaches importance to the implementation of environmental protection commitments. In the course of its operations, the Company strictly abides by relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste and the law of the PRC on the Prevention and Control of Atmospheric Pollution, and follows local environmental regulations and industry rules and standards. Not only does it improve the management system for energy saving and emission reduction and environmental protection system, but also develops the environmental protection industry and actively promotes the application of new energy saving and environmental-friendly technologies, new materials, new processes and new products as well as organises research and development, to reduce emission and improve resources consumption efficiency, maximizing the Company's integrated value of economic performance and environmental performance and building an environmental-friendly corporate brand image. During the Reporting Period, the Company did neither have any non-compliance with relevant environmental laws and regulations, nor occurred any environmental responsibility incidents and environmental pollution accidents.

11.1.1 Emissions

11.1.1.1 Management system for energy saving and emission reduction

The Company integrates the concept of green environmental protection into corporate management and daily operations and builds a comprehensive management system for environmental protection and energy conservation and emission reduction by establishing an environmental protection and emission reduction leading team, formulating the management system on energy saving and emission reduction and appraisal mechanism, promoting the implementation of energy saving and emission reduction actions and actively participating in technology exchanges on environmental protection and energy conservation and emission reduction, to enhance environmental protection and energy saving and emission reduction promotion and education to, propaganda the concept of environmental protection and enhance employees' awareness of environmental protection.

Environmental protection and energy saving and emission reduction management system

Organisation guarantee	System management	Action implementation	Awareness raising
Established an environmental protection and emission reduction leading team comprising major corporate leaders and head of each department.	Formulated the Management Regulations on Environmental Protection and Emission Reduction of China Energy Engineering Corporation Limited, the Assessment Methods for Environmental Protection and Emission Reduction of China Energy Engineering Corporation Limited, the Management Measures for Environmental Incident Report, Investigation and Treatment of China Energy Engineering Corporation Limited and other regulations, to ensure the implementation of energy-saving and emission reduction of the Company.	Issued the Notice on Comprehensively Troubleshoot and Management Major Safety, Quality and Environmental Protection Hidden Troubles, conduct in-depth investigation and remediation on quality, safety and environmental protection hazards, effectively preventing quality and safety accidents and environmental incidents, and effectively controlling environmental risks.	Organized various types of energy-saving, emission reduction and low-carbon environmental activities, such as "6·5th World Environment Day", "National Energy Conservation Week" and "National Low Carbon Day", etc. to raise employees' awareness of low-carbon environmental protection while vigorously publicizing the mainstream values of ecological civilization, popularizing ecological civilization, green development concepts and knowledge, forming a sound atmosphere for all employees to participate in environmental protection.

The Company also actively shares its advanced experience in energy conservation and emission reduction management with its peers in combination with its own advantages. During the Reporting Period, the Company responded to the call of the SASAC of the State Council to participate in the preparation of the "Report on 2016 Energy Conservation and Emission Reduction Development of Central Enterprises". Meanwhile, the preparation of "Energy Conservation and Emission Reduction Cases of China Energy Engineering Corporation Limited" which involved 21 advanced cases on environmental protection, energy conservation and emission reduction was completed, covering four sectors, i.e. design and technology application, construction and contracting services, technological renovation and management, and environmental protection industry, of which 16 typical cases were recommended to the SASAC of the State Council for reference by the industry peers.

11.1.1.2 Developing the environmental protection business

Promoting the development of environmental protection industry is one of the important tasks for the Company to fulfill its environmental responsibility. In line with its own conditions, the Company revolves around the national requirements for accelerating industrial restructuring, relying on modern science and technology and innovative technologies to undertake green projects and promote the development of environmental protection industries.

The Company attaches great importance to promoting upgrading of traditional industries by transforming backward production capacity into advanced ones with reasonable layout and strong competitiveness, achieving the goals of resource conservation, energy conservation and emission reduction, efficiency improvement, optimization and industry upgrading. The Company actively promotes the renewable resources utilization deep-processing business and extends its industrial chain to improve the nationwide network layout and build a nationwide leading enterprise in terms of renewable resources utilization, promoting circular economy and green development. In particular, Gezhouba Songzi Cement Co., Ltd. and Gezhouba Dangyang Cement Co., Ltd. replaced outdated production capacity by establishing a new 4,500 t/d clinker new dry process cement production line and adjusting and optimizing cement production capacity, which effectively improved resource utilization efficiency and reduced production costs.

Meanwhile, the Company also actively promotes the development of technical services such as water treatment, waste solid treatment and disposal, resources utilization, decentralized energy facilities production and environmental ecological management. During the Reporting Period, the Company injected RMB590 million into energy-saving and environmental protection industries including integrated utilization of solid waste, recycling of resources and sewage treatment. The total design capacity of household garbage in cement kilns totaled 1,300 tonnes per day, reducing more than 260,000 tonnes of CO2 emission throughout the year, saving more than 80,000 tonnes of clay materials and nearly 100 acres of land, achieving significant environmental benefits. In addition, the Company actively participated in PPP projects such as sewage treatment in Wenling, comprehensively management of water environment in the Zhupi River Basin in Jingmen City, and water governance in Haikou, completed investment of RMB210 million, which achieved sound social environmental benefits.

Case 1: Capacity Displacement Projects of China Gezhouba Group Cement Co., Ltd.

China Gezhouba Group Cement Co., Ltd. actively implemented policies related to backward capacity elimination of the PRC and Hubei province and voluntarily applied to phase out 4.257 million tonnes of backward capacity and shut down three grinding companies. Meanwhile, subject to the approval of the government, the Company established three new environmental-friendly and energy-saving dry process cement clinker production lines in Zhongxiang, Dangyang and Songzi, Hubei province by way of reduction, replacement and off-site technical transformation, converting backward capacity into advanced and competitive capacity with a rational layout and achieving the goal of resources and energy saving, emission reduction, efficiency improving and industrial optimization and upgrading.

Case 2: The Demonstration Line Project of Cement Kiln Co-processing Household Garbage of Gezhouba Zhongcai Jiexin (Wuhan) Technology Co., Ltd.

The Laohekou demonstration line project of cement kiln co-processing 500 t/d household garbage invested by Gezhouba Zhongcai Jiexin (Wuhan) Technology Co., Ltd. adopts cement kiln co-processing urban and rural household garbage system integration technology with a designed daily capacity of 500 tonnes of household garbage. It can process 155,000 tonnes of household garbage in Laohekou and surrounding areas annually, saving about 40 acres of land, reducing 100,000 tonnes of CO2 emission and 31,000 tonnes of clay raw materials by replacing the original fuel. The Laohekou branch of Gezhouba Zhongcai Jiexin (Wuhan) Technology Co., Ltd. won the "Laohekou May 1st Labor Medal" in 2017.

11.1.1.3 *Environmental Technology Application*

The Company actively applied new technologies with proprietary intellectual property rights in the field of soil remediation and water management, promoted ecological resources and environmental protection and achieved remarkable environmental protection results.

During the Reporting Period, the Company applied ecological resource engineering soil remediation and solidification technologies with proprietary intellectual property rights to river and lake sediment solidification, tidal flat mud consolidation, road soft ground treatment, municipal sludge treatment and heavy metal-contaminated soil restoration; the self-developed integrated environmental restoration and treatment technologies, i.e. "Water Ecological Restoration + Dredging and Solidification of Rivers and Lakes + Comprehensive Utilization of Resources", have been successfully applied to a number of large-scale water body improvement projects. The Company participated in: (i) the Tangshan Fengnan sea mud solidification project and transformed an area of 5,753,000 square meters of polluted mudflats into harmless and reusable land; (ii) the Zhupi River water environment treatment project in Jingmen City to make a comprehensive management to the ecological environment of nearly 50 kilometers of Zhupi River Basin; and (iii) the Dianchi Lake ecological restoration project to clean up sediment sludge, which effectively relieved the historical water eutrophication issue of the Dianchi Lake for a long time and the quality of the water body was upgraded from inferior five categories to four categories.

11.1.1.4 *Emission Management and Performance*

The Company pays close attention to the management of each type of emissions in the operating process, from the engineering process of project design, implementation, delivery and follow-up service to innovative technologies, upgrading process, regulation process and emission control, to reduce greenhouse gases, pollutants and hazardous and non-hazardous solid waste. The Company will regulate the treatment of waste gases, sewage and hazardous and non-hazardous solid waste generated in the project through resources recycling or entrusted qualified professional agencies.

The Company's emissions mainly include greenhouse gases, sulfur dioxide, nitrogen oxides, chemical oxygen demand, ammonia nitrogen generated from coal, power, diesel, gasoline and natural gas consumed in the production and operation, and hazardous civil explosives wastes and construction and other non-hazardous wastes. The Company's emissions during the Reporting Period are summarized as follows:

Currency unit: RMB

Name of indicator	Unit of indicator	2017[1]
Total greenhouse gas emissions	tonnes /CO_2e	6,845,395.46
Direct greenhouse gas emissions	tonnes /CO_2e	3,946,292.2
Indirect greenhouse gas emissions	tonnes /CO_2e	2,899,103.26
Unit greenhouse gas emissions for operating revenue	tonnes /CO_2e/RMB0'000	0.3
Total sulfur dioxide emissions	tonnes	9,012
Total nitrogen oxides emissions	tonnes	17,867
Chemical Oxygen Demand (COD)	tonnes	7,203
Total ammonia nitrogen emissions	tonnes	1,084
Total hazardous wastes[2]	tonnes	3.57
Unit total hazardous wastes for operating revenue	tonnes / RMB0'000	0.00000015
Total non-hazardous wastes[3]	tonnes	1,852,275.81
Unit total non-hazardous wastes for operating revenue	tonnes / RMB0'000	0.078

Notes:

(1) As the Company is a comprehensive solutions provider for the power industry, wastes statistics covers its core business including survey, design and consultancy, construction and contracting, etc.

(2) Hazardous wastes include harmful civil explosives wastes.

(3) Non-hazardous wastes include construction waste and sludge generated by sewage treatment plant under the environmental protection plate of 1,767,552.31 tonnes and 84,723.5 tonnes respectively.

Case 1: Affiliations of China Energy Engineering Corporation Limited actively promote energy-saving and emission reduction

Gezhouba Zhongxiang Cement Company Limited, Gezhouba Dangyang Cement Company Limited and Gezhouba Laohekou Cement Company Limited, subsidiaries of China Energy Engineering Corporation Limited, actively promoted a number of energy-saving measures such as high-temperature fans transformation, air compressors reconstruction and household and municipal solid waste co-processing, which achieved good results in reducing coal-burning and power consumption. Gezhouba Zhongxiang Cement Company Limited, Gezhouba Dangyang Cement Company Limited and Gezhouba Laohekou Cement Company Limited can save about 2.6 million, 2.6 million and 2.0 million kilowatt hours of power each year respectively. Gezhouba Zhongxiang Cement Company Limited promoted the reconstruction of air compressor and reduces power consumption of air compressors of 460,000 kilowatt hours each year. The annual treatment of urban and rural household waste of Songzi and Xuncheng projects of its subsidiary, Jiexin Technology Company, reached 217,000 tonnes, reducing about 56 acres of land, 15,000 tonnes of coal-burning (3.5 tonnes of combustibles equivalent to 1 ton of coal), CO2 emission of above 234,000 tonnes and clay material of above 69,000 tonnes.

11.1.2 Use of resources

11.1.2.1 Energy saving and emission reduction services

The Company independently promotes research and development and application of advanced energy-saving technologies and equipment and actively conducts energy-saving and environmental protection and new energy research, energy-saving and emission reduction technologies and planning research, organises energy-saving and emission reduction project review, striving for providing environmental-friendly services to the industry and society, so as to improve the efficiency of resources utilization and realize the comprehensive sustainable development of enterprise, industries and society.

From its own business segment, the Company adopts modern technology to promote the use of clean and new energy in business services such as engineering exploration, design and consulting, construction and contracting and equipment manufacturing, and opens up new ways for comprehensive energy supply to achieve efficient use of resources and promote energy-saving and environmental protection throughout the industry chain. During the Reporting Period, the Company successfully signed the PPP project on key municipal roads, black sewer water remediation at urban areas and rain and sewage diversion of Wuxue city, the bundling PPP project on new round of domestic sewage treatment facilities of Kaiping city, Xiangyin County sewage treatment plant reconstruction project, new project of Tieling China Power Environmental Protection Power Generation, greening and environmental protection project of Hubei Xiangjing Expressway and other related projects, providing the industry and society with high-quality energy-saving and emission reduction construction and contracting services.

In overseas project operations, the Company upholds the concept of sustainable use of resources and strives to promote energy efficiency and clean utilization by introducing new energy and water conservation technologies, proclaiming energy conservation and consumption reduction and improving the efficiency of energy and water resources to achieve energy conservation and emission reduction.

The major resources usage of the Company during the Reporting Period is summarized as follows:

Currency unit: RMB

Name of indicator	Unit of indicator[1]	2017[2]
Power consumption	million kilowatt hours	422,733
Coal consumption	tonnes	22,600
Gasoline consumption	tonnes	57,843.235
Diesel consumption	tonnes	735,277.43
Natural gas consumption	tonnes	1,626.54
Unit power consumption for operating revenue	million kilowatt hours/ RMB100 million	226.7
Unit coal consumption for operating revenue	million tonnes/ RMB100 million	37.1
Unit gasoline consumption for operating revenue	tonnes/RMB100 million	467.5
Unit diesel consumption for operating revenue	tonnes/RMB100 million	9.4
Unit natural gas consumption for operating revenue	tonnes/RMB100 million	6.2
Total production water consumption	tonnes	252,004
Unit water consumption for operating revenue	tonnes/RMB0'000	0.0106

Notes:

(1) The statistical units for energy-saving operational indicators are expressed in original statistical units.

(2) As the Company is a comprehensive solutions provider for the power industry, the resources consumption statistics covers its core business including survey, design and consultancy, construction and contracting, etc.

Case 1: Assist "Fuping" to initiate comprehensive energy supply

Northwest Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group*, a subsidiary of the Company provides overall design services for comprehensive energy supply demonstration projects in Fuping High-tech Industrial Development Zone. The project is one of the nation's first batch of multi-energy complementary integration optimization demonstration projects, the overall design of which is based on the concept of high energy efficiency and low emission. The innovative model of "Internet+Energy" is adopted with Fuping Thermal Power Plant as the main energy power station and renewable energy such as photovoltaic, ground source heat pump and power storage as complementary. Meanwhile, water supply plant is built to uniformly allocate "power, steam, cooling, heat, water and hot water" to users through the smart energy Internet, thus forming a "source, network, charge and storage" complementary loop" at local area, which have realized effective complementary of multiple energy sources, improved the efficiency of energy supply, transmission and consumption and reduced the discharge of pollutants.

Case 2: The First Clean Coal-fired Power Station Project in the Middle East

On 24 January 2017, China Energy Construction Group Tianjin Power Construction Co., Ltd. officially contracted four units of 600,000 kilowatts clean coal power station projects in Haxiang, Dubai. Clean coal technology will be introduced during the project construction process to achieve clean coal-fired power generation. Completion of the project will significantly increase the proportion of effective utilization of alternative energy in the operating areas and it will be the largest and most advanced coal-fired power plant in the region.

11.1.2.2 *Green office*

The Company continue to uphold the concept of "low-carbon environmental protection and green operation", and promotes resources conservation and utilization, strengthens the utilization and management of water, power, office supplies and vehicles, advocates green office, energy-saving and consumption reduction, and urges employees to develop a civilized and healthy lifestyle of saving, green and low-carbon from minor behaviors, to save resources and protection the environment. During the Reporting Period, the Company did not suffer from inquiry, notification or punishment by any relevant regulatory regarding water sources issues.

11.1.3 Environmental and natural resources

11.1.3.1 *Ecological environment and natural resources protection*

Taking full consideration of impacts on the environment and natural resources during the operational process, the Company pays attention to the protection of natural environment and biodiversity of the area covered by the project and is committed to the coordinated development with the natural environment.

In accordance with the unified deployment of national ecological civilization construction, the Company responded to the call of the State-owned Assets Supervision and Administration Commission of the State Council and incorporated environmental and ecological protection indicators into the project operation management and identified and evaluated the impact factors in all aspects and ensured that the impact on the environment in which the operator operates is minimal. Meanwhile, the Company also promoted the mainstream values of ecological civilization to affiliated units, popularized ecological civilization, green development concepts and knowledge and formed a sound atmosphere for full participation and ecological protection.

Project determination	Implementation of projects	Project audit and evaluation
• ensures projects are in line with the requirements of social and environmental development by evaluation; • engages professional consulting agencies to ensure the compliance with requirements of local policies and development in relation to professionalism.	• monitors the implementation process of projects to avoid and control discordant incidents.	• its evaluation covers environmental and social impacts, and project teams are rewarded and held accountable in connection with the evaluation results of the projects.

11.2 SOCIETY

The Company adheres to the concept of "innovation, contribution to the society, scientific development and harmonious community" towards social responsibility and attaches importance to fulfilling its social responsibility. The Company organically integrates the needs of employees, suppliers, customers, communities and other stakeholders with its own operational development and is committed to achieving a harmonious and win-win outcome between the Company and its stakeholders through sound systems and responsible actions.

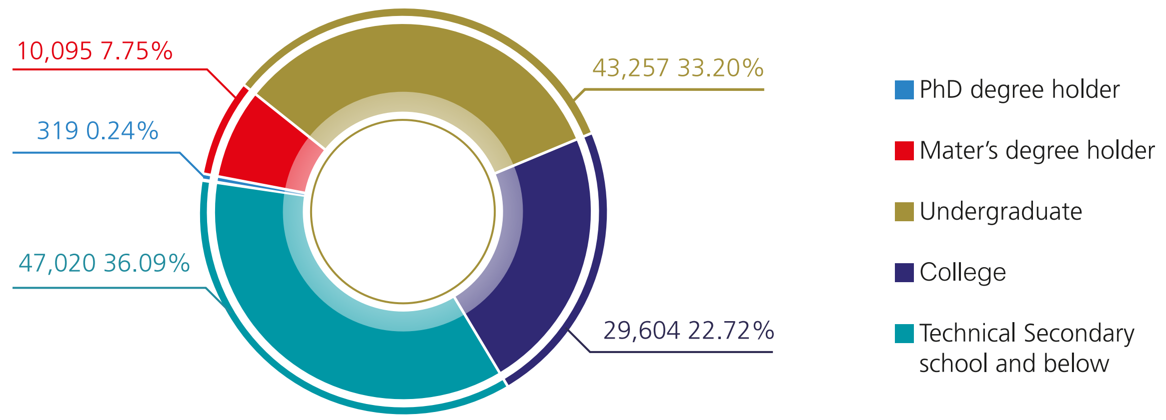
11.2.1 Employment

11.2.1.1 Equal Employment

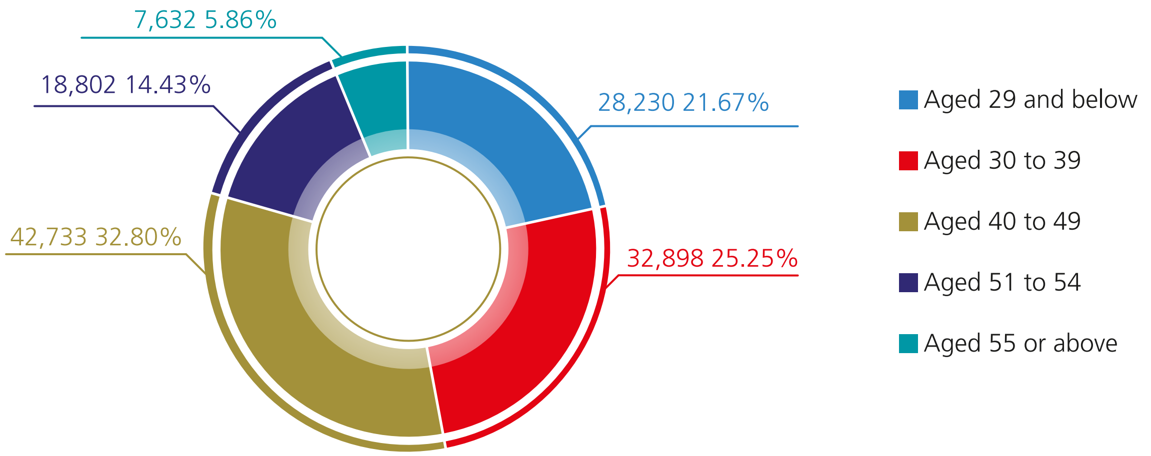
The Company upholds the people-oriented philosophy and the principle of equal employment without discrimination of candidates, regardless of nationalities, regions, ethnics, color, gender, education, age and religious belief, to build harmonious and equal labor relations with applicants. Employment discrimination is strictly prohibited. The Company respects and treats foreign employee equally and sincerely and their culture, custom and personality without discrimination or adopting separate standard (except for those must be distinguished due to language, culture and national condition). The Company allocates work and conducts assessment in accordance with uniform requirements and standards to ensure fairness and "equal pay for equal work".

The Company actively implements the strategy of "talents internationalization and localization" by establishing a standardized and fair international project recruitment process and remuneration system to expand the international market and recruit professional technicians and operators for overseas projects through diversified recruitment channels. The total number of employees, new employees, employees lost and the employee turnover rate of the Company for the Reporting Period are 130,295, 6,640, 6,263 and 4.8%, respectively.

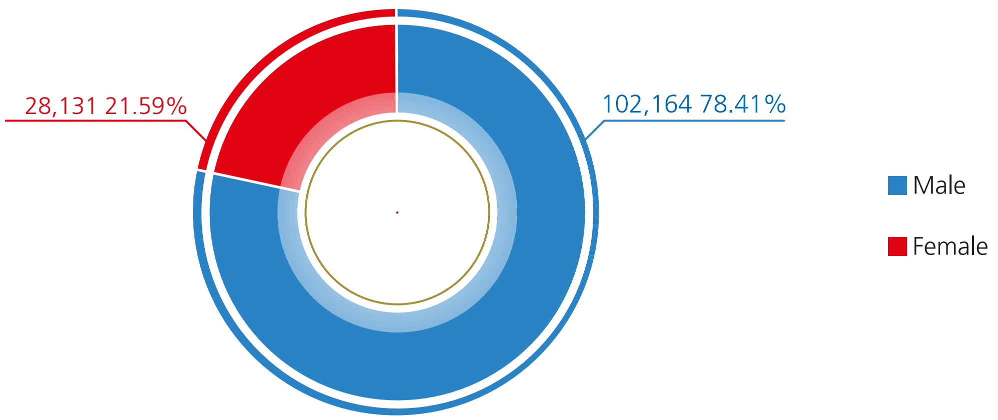
Number of employees by education level and percentage (Unit: number/percent)



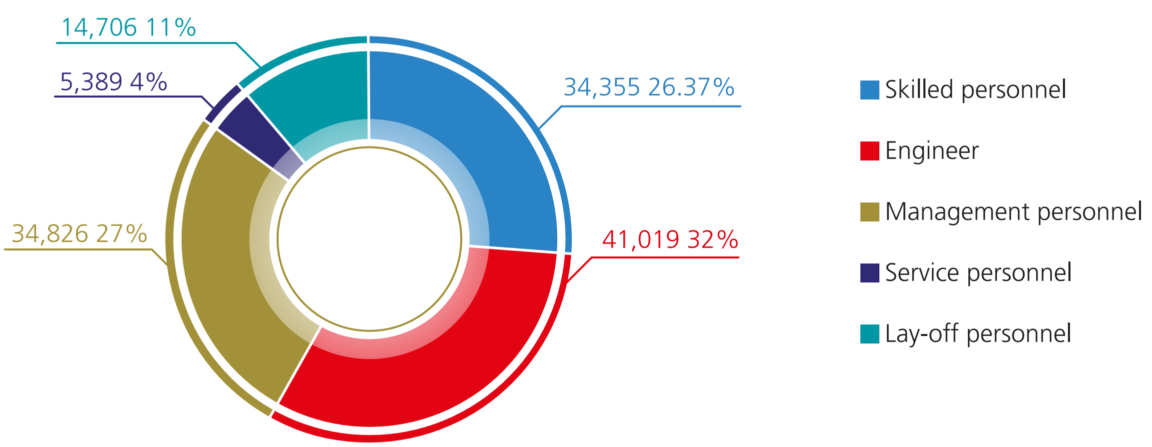
Number of employees by age and percentage (Unit: number/percent)



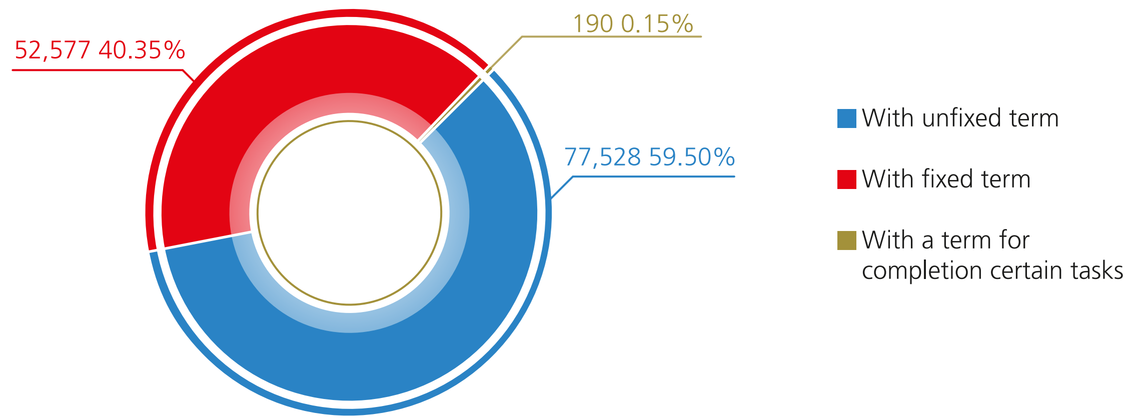
**Number of employees by gender and percentage
(Unit: number/percent)**



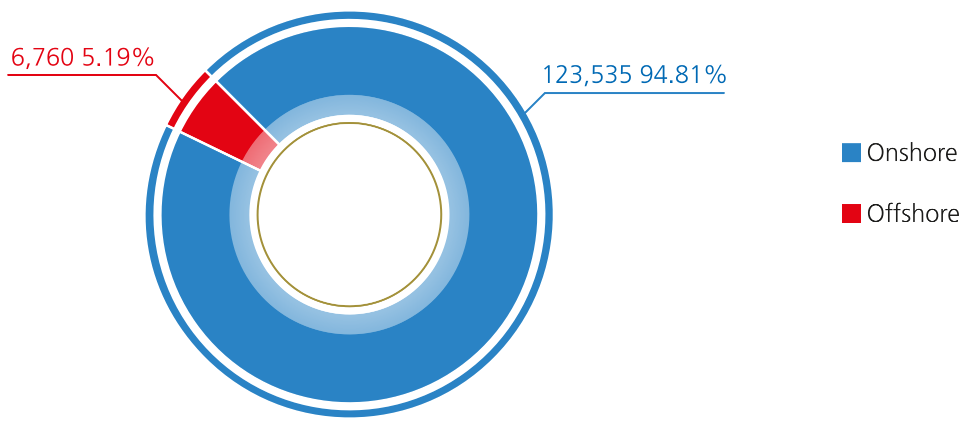
**Number of employees by positions and percentage
(Unit: number/percent)**



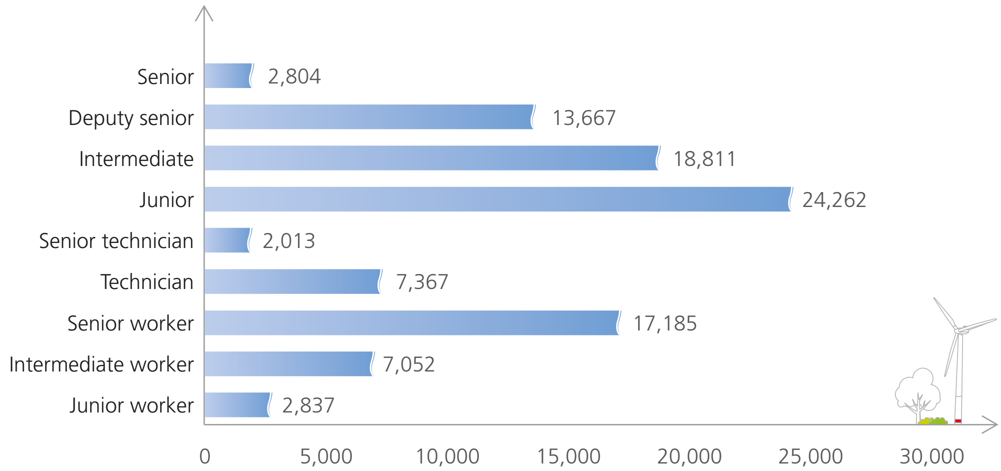
Number of employees by labor contract type and percentage (Unit: number/percent)



Number of employees by working geographical locations and percentage (Unit: number/percent)



Number of employees by function and skill level (Unit: number)



11.2.1.2 *Regulating Employment*

In accordance with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and other laws and regulations in place of operation, The Company strictly regulates employment by signing labor contract with employees and making contribution to social insurance and housing provident for them. Measures have been taken to avoid forced labor and leave management measures are implemented to protect employees' rights of public holidays and annual leave. During the Reporting Period, the labor contract signing rate, social insurance coverage rate and housing provident fund contribution rate of the Company were 100%, 100% and 100%, respectively.

11.2.1.3 *Employee Remuneration Benefits*

Based on the principle of competitiveness, fairness and motivation, the Company optimizes and improves the salary distribution system and labor system as well as remuneration performance management system by issuing the Guiding Opinions on Further Deepening Labor Employment and Income Distribution Reform, the Interim Measures for the Performance Appraisal and Remuneration Distribution Management of Senior Management of the Company and the Management Measures for Positions Dividend Incentives of Technology Enterprises under the Company. The Company also promotes the establishment of medium and long-term incentive, raises salary management standard and continuously improve conditions of the workplace and remuneration packages to inspire employees' work enthusiasm and enhance happiness index, facilitating the improvement of the corporate core competitiveness.

During the Reporting Period, the Company released the first employee development report, i.e. "The Choice in the Transition Period – Employee Development Report of Energy China 2011-2016" (the "Report"), which disclosed employment regulation, sound development of workforce, continuous improvement of remuneration system, steady growth in income, smooth convergence of social security relations and gradual improvement of supervisory system, demonstrating the fulfillment and the results of the Company's commitment to employees. This report was named "2017 Outstanding Social Responsibility Report • Special Award on Staff Responsibility Information Disclosure at the 10th Golden Bee International Forum of CSR Report of China." The research results of the report "Promoting the Integration of Corporate Culture with Employee Development Report" was rated the "First Prize for China Power Innovative Award" by China Electricity Council, and the research result "Employee Development Path Research and Practice in the Transitional Period of Restructuring" was rated the "First Prize for Central Government Research Project" by Research Institute for Party Building, Ideological and Political Work of State-Owned Enterprises.

11.2.2 Health and Safety

Topics: Rethinking the "11·24" incident coordination with related organisations for rectification

On 24 November 2016, there was a severe collapse of cooling tower construction platform during Phase III expansion project of Jiangxi Fengcheng Power Plant. The Company paid great attention to the incident and taken responsive measures at the first time and cooperated with relevant organisations to conduct investigation.

In 2017, the Company continued to pay attention to the "11·24" incident and carefully summarized and rethought on the root causes to arrange for rectification and safety production and achieve incident prevention and source control.

During the Reporting Period, the Company held a party committee (expanded) meeting to earnestly study the State Council's spirit on investigation report regarding the severe "11·24" collapse incident of cooling tower construction platform of Jiangxi Fengcheng Power Plant and made rectification and deployment as required. Meanwhile, the Company set up a dedicated work team to research and formulate the "Dedicated Rectification Plan for 11·24 Special Major Incident of Jiangxi Fengcheng Power Plant" to organise conscientiously, promote orderly and implement one-by-one the rectification measures in accordance with the overall deployment of "making full rectification on issues within the Company and its affiliates, conducting self-examination and self-reflection and implementing rectification and prevention measures", and ensure the dedicated rectification direction is not deviated and relevant measures are consistently implemented.

In addition, the Company further clarified the management duties of contractors and subcontractors to avoid production safety accident, and detailed their management content, including access, assessment, evaluation and supervision, and standardized professional contracting safety production agreements and labor contracting safety production agreements.

11.2.2.1 *Promote Production Safety*

Adhering to the principle of "safety first", the Company regards safety production as the "lifeline" for its sustainable and sound development. The Company further improved and formed a "six in one" safety production management systems in accordance with the Laws for Safe Production in the PRC and other laws and regulations and safety regulations of place of operation. By further improving the organisation structure, enhancing safety production management systems, strictly formulating and implementing safety production accountability and assessment mechanism, taking safety production risk control and hidden trouble control actions and strengthening safety and health education publicity, our employees' safety awareness has been raised, which ensured safety, healthy and sustainable operation of the Company and reduced operational security risks. During the Reporting Period, the Company invested approximately RMB2.4 billion in safety production and employed 3,800 full-time safety personnel. The number of employees participated in trainings was 390,000.

Based on the requirements of the "Opinions of the CPC Central Committee and the State Council on Promoting the Reform and Development of Safety Production", the Company further improved the safety production management systems and relevant standards from the five levels, i.e. organisation guarantee, system regulation, assessment supervision, security inspection, and education and promotion.

The Company's "six in one" safety production management systems include the following contents:

(i) Organisation guarantee: standardize the composition and responsibilities of the Company's safety production committee, clarify that the director of safety production committee shall be the legal representative of the Company and its affiliates, and the Company and its safety production class I and II units shall have independent safety management departments and safety directors, which provide organisation guarantee for the Company's safe production management.

(ii) System regulation: the Company revised seven safety production management systems such as Safety Production Management Regulation and Management Measures for Safe Production Responsibility, improved the safety production committee system, the quarterly safety production work reporting system, and established "safety production clear card" system and the system on leading cadres' pre-arbitrary safety talks, etc., to ensure that safety production management has evidence to follow and facilitate the Company's safety production management.

(iii) Assessment and supervision: the Company strengthens the link between the performance of safety production and the appointment of cadres, and the mechanism of linking fulfillment of "one job with two duties" of production safety with the performance of the department. The Company and its affiliates signed an annual safety production responsibility statement to strengthen the evaluation and appraisal mechanism of its safety production and urge affiliates to carry out safety production standardization assessment activities. Safety production interviews and accountability mechanisms was set up to strictly implement the "one-vote veto" mechanism for safety production and supervise the implementation of safety responsibilities. During the Reporting Period, annual performance assessment may be downgraded by the Company for units with major accidents or above and unit that suffered fatal accident has been included under the "one priority and two excellent" item.

(iv) Security inspection: the Company actively improves the safety inspection mechanism by combining leadership inspection with safety inspection, supervision with retrospection, and rectification notice with inspection report to promote safe production management. During the Reporting Period, the Company organised a spring security inspection, a major inspection of production safety, and a "safety plus" management inspection.

(v) Safety management of contracting and subcontracting projects: the Company has developed the "Contracting (Subcontracting) Safety Production Management Measures" based on the management concept of "safety plus", which regulates professional and labor subcontracting projects, to conduct "safety plus" management inspection activities and promote "safety plus" management philosophy and the safe implementation. The Company's affiliates implement the "safety plus" management requirements in the implementation of relevant projects and strengthen the safety supervision and execution of the projects by increasing safety production investment and establishing safety management responsibility lists.

(vi) Education and promotion: the Company has carried out a series of safety activities such as safety production lectures, publicity and consultation, safety risk announcements, hidden troubleshooting and safety accident warning education. During the Reporting Period, the Company planned and carried out various activities such as "Year of Construction Safety for Power Construction Projects" and "Safety Production Month", which created a sound atmosphere for the Company and raised employees' awareness of safe operation.

Case 1: Team inspection to security safety production

The establishment of dedicated posts is an important guarantee for the Company's safety production management. China Gezhouba Group Company Limited, the subsidiary of the Company, actively implements the requirements of the Company and strengthens the team building of safety production organisation. The 11 construction operators affiliated with the Company set up a security inspection team comprising 94 full-time inspection personnel to carry out safety inspections on a regular basis, adhere to the safety production red line, implement safety production responsibilities and ensure safety production operations.

Chairman Wang Jianping conducted safety inspection on Yangjiang nuclear power project

Case 2: Organise safety inspections to prevent potential safety hazards

In accordance with the national security management arrangements and requirements, our affiliates have successfully completed the spring security inspection, full coverage of safety inspections and other special operations. During the spring security inspection from March to April, all levels of affiliates under its supervision carried out more than 2,000 inspections, covering the Company's key monitoring projects. During the full-coverage inspection of safety production from July to August, affiliates at all levels examined a total of 2,940 projects (factories) including the Company's projects under construction (factories) at home and abroad. 6,999 self-examinations and supervisions were conducted at all levels. The major person-in-charge of each level led the safety production inspections. 12,127 management hazards (issues) and 17,383 on-spot hidden hazards (issues) were identified.

General manager Ding Yanzhang conducted major safety inspection on Jingneng Shiyan Project

Case 3: Organise Activities in the Month of Safety Production Promote Safety Production Concept

In 2017, by focusing on the theme of "fully implementing corporate safety production responsibility", all affiliates organised thematic activities in the month of production safety, including thematic presentation education, "6·16" national safety production advisory day, security risk announcement and hidden trouble shooting, safety culture construction and production safety accident warning education. According to incomplete statistics, in the month of safety production, the affiliates suspended over 17,100 banners, issued 243 TV news, 1,707 online news, opened over 1,395 publicity and consultation sites, distributed more than 140,000 propagandas, dispatched 2,449 safety supervision teams and identified 3,673 non-compliances and over 25,765 hidden dangers. The "Safety Production Month" campaign created a sound security atmosphere throughout the Company and raised employees' awareness of safety operations.

China Gezhouba Group No. 3 Engineering Co., Ltd.* organised the lecture on "Entrepreneurs talking about Safety Production Responsibility"

Chairman of China Gezhouba Group No. 5 Engineering Co., Ltd.* interviewed by Gezhouba TV station on how to implement safety production responsibility

11.2.2.2 *Occupational health and safety*

The Company has always paid attention to the occupational health of its employees and earnestly implemented national occupational health related laws and regulations. The Company and its subsidiaries further improved the occupational disease prevention and management system, continued to establish occupational health management files for employees, carried out routine monitoring and regular inspections of occupational disease hazards and organized regular employee medical examinations so as to ensure the occupational health of employees. During the Reporting Period, the occupational health examination rate of our employees reached 100%.

11.2.2.3 *Overseas employee safety*

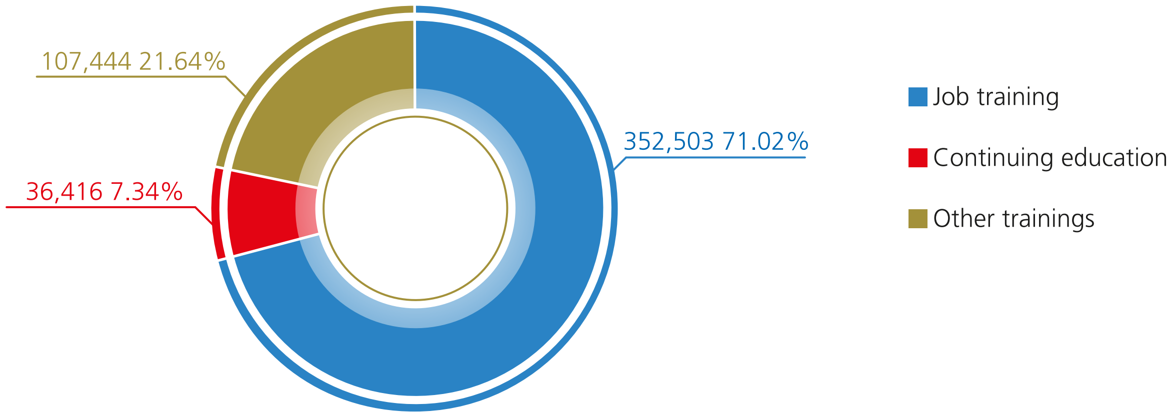
The Company took the initiative to comply with the safety laws and regulations where its operation locates, paid close attention to the occupational safety of its overseas employees, formulated the overseas employee safety protection system and emergency evacuation response plan, with an aim to ensure the safety of overseas employees. During the Reporting Period, in implementation of relevant requirements of the "Administrative Measures for the Safety of Overseas Institutions and Personnel of China Energy Engineering Corporation Limited", the Company supervised its affiliates, overseas institutions, and engineering project departments to formulate corresponding levels of emergency plans and on-site emergency response plans in accordance with the Contingency Plan for Overseas Emergencies of China Energy Engineering Corporation Limited, thus forming a complete system of special emergency plans for the Company's foreign-related emergencies. The system has played an important role in the protection of foreign employees, and has repeatedly avoided harm to employees caused by political, warfare, and local environmental factors.

11.2.3 Development and trainings

11.2.3.1 *Value employee training*

The Company has always paid attention to the growth and development of its employees and has issued a series of training management methods such as the Training System Establishment and Implementation Plan, Internal Trainer Management Method and Training Project Quality Management Method, which further improved the Company's training management system. The Company aims at serving enterprises and the common development of its employees, focusing on the cultivating of high-quality talents, and valuing employee capabilities building. It actively builds diversified and layered employee training according to the Company's development strategy and the different positions and different stages of development of employees. The Company uses internal and external training resources to actively organize 3-level education and trainings covering "company level", "headquarter level" and "subsidiary level". During the Reporting Period, the Company had invested a total of RMB142,860,000 in training, and 496,363 employees received training. The total training hours were 2,729,272 hours, and the average number of training hours per employee was 22.88 hours.

Number of employees by education level and percentage (Unit: number/percent)



Case 1: Conducting compliance management training

On 28 July 2017, the Company established compliance requirements for each business and conducted compliance management training. The training has achieved good results: it has improved employees' awareness of business compliance, enabled them to effectively grasp the ability to handle compliance businesses, which also improved the Company's compliance management level.

11.2.3.2 *Assist employees in promotion*

Based on the characteristics of the industry and the existing human resources structure, the Company has formulated the "Guidance on Construction of Career Development Channels for Employees" and the "Implementation Plan for Strengthening and Improving the Selection and Improvement of Outstanding Young Cadres" so as to improve the staff assessment mechanism, smooth the development of all types of talent development channels, thus forming a good atmosphere for each talent to do their best and showcase their talents. Besides, it promotes the healthy development of the staff team structure, and provides continuous support for the Company's development and intellectual protection. During the Reporting Period, the Company planned to complete a multi-level career development path covering management functions, project management, engineering technology, business management, and production technology. The leadership team was adjusted or supplemented, and a total of 143 leading cadres were assessed and re-designated throughout the year. Among them, 10 were promoted to the responsible positions of the Company, 21 were promoted to the leadership team, and 17 were withdrawn from the leadership position. The staff team shows a balanced development trend at all levels.

11.2.3.3 *Cohere care for employee*

The Company pays attention to humane care by enriching employees' spare time through the organization of various forms of staff sports and sports activities, thus enabling employees to display their talents and release their vitality in a pleasant working environment. The Company is also actively helping distressed employees get out of their predicament and move back into a happy life.

During the Reporting Period, the Company allocated special funds of RMB4.93 million to 21 affiliated units to provide assistance in helping employees with difficulties. The Company carried out visits to labor models and "Autumn Student Aid" education campaign for children of employees in poverty. It allocated funds of RMB800,000 to 21 affiliated units and all companies participated in the activities and raised condolences and poverty-alleviation funds through various channels. The Company visited model workers and help children of employees in poverty solve their education problems.

Case 1: Care for special and difficult employees' health and life

Yunnan Electric Power Design Institute Co., Ltd. of China Energy Engineering Group actively establishes a mutual medical assistance mechanism for employees and cares about as well as serves staff in illness. In 2017, it organized all employees to participate in the mutual medical assistance activities for employees in Yunnan Province and voluntarily paid mutual aid funds. In the same year, a total of 112 sick and inpatient staff applied for medical mutual aid funds totaling more than RMB80,000, which increased the level of medical insurance for employees.

In 2017, China Energy Engineering Group Guangdong Thermal Power Engineering Co., Ltd. paid secondary medical insurance for 4,565 employees in Guangdong Province, filed major illness insurance for 4,599 employees, files secondary medical insurance compensation for 13 employees, and filed company medical care funds for 13 employees. Funding. It visited 301 in-patient staff and contributed condolences money of RMB171,100.

Anhui No.1 Electric Power Construction Engineering Co., Ltd. of China Energy Engineering Group set up a dilemma fund for disaster relief, carried out special poverty relief and autumn student aid each year to promote the harmonious and healthy development of the enterprise. In 2017, it helped 221 cases of seriously ill and special hardship families and condolences to deceased employee families, totaling RMB582,000.

Out of concern for long-term travelling employees' family, Hunan Electric Power Design Institute Co., Ltd. of China Energy Engineering Group improved the voluntary service system, opened the 24-hour hotline "6110," set up WeChat groups and QQ groups, recruited 186 volunteers, and provided gridded, standardized, and normalized volunteer services.

In 2017, we resolved 11 key issues, visited 47 families, organized volunteering service for 52 times, and served 1,838 people.

Case 2: Paying attention to the education for children of employees in poverty

In July 2017, China Gezhouba Group Stock Company Limited launched the "Autumn Student Aid" campaign, a total of RMB193,000 was allocated to children of five types of workers, including poor labor model, migrant workers, workers in severe illness, and employees suffering accidental disasters, based on the criteria of RMB5,000 for admission to first Level of universities, RMB4,000 for admission to second Level of universities, RMB3,000 for admission to vocational school and RMB2,000 for admission to key High schools.

In August 2017, Guangdong Electric Power Engineering Co., Ltd. of China Energy Engineering Group invited employees' children to attend the symposiums for "Autumn Student Aid". Scholarships were awarded to 36 employees' children who were admitted to university in 2017 and to 53 children of employees in poverty in high school and college. The purpose was to help children with special hardships to realize their dreams in learning and to express our care for the impoverished employees.

Case 3: Organize brand-name employee sports activities

From 11 October to 19 October 2017, Jiangsu No.3 Electric Power Construction Engineering Co., Ltd. of China Energy Engineering Group carried grassroots cultural activities under the "Celebrate the Dream of the Nineteenth Communist Party to Build a Chinese Dream", delivering audiovisual and spiritual and cultural feasts to employees of nine projects such as Yancheng, Lianyungang, Haiyang, Linyi, Suqian and Jiangning. During the event, it also exhibited employees' photography under the theme of corporate culture concepts, safe and honest government, and "powerful electricity workers", which was entertaining, enlightening and interesting. Its "Grassroots cultural activities" campaign has been popular with front-line workers for more than 10 years.

In 2017, the mobile social APP Romantic Date for single employees of China Energy Engineering Group Tianjin Electric Power Construction Co., Ltd was officially launched. Currently, it has formed a service platform integrating websites, APPs, WeChat public platforms, WeChat groups, and QQ groups. It has 207 registered matchmakers, 1,382 registered single members, and has more than 270,000 page views, making positive contributions to building a harmonious enterprise and a harmonious society.

From July to August 2017, Workers Union of Shanxi Electric Power Construction Co., Ltd. of China Energy Engineering Group held "Summer Fun, Happy Growth" activities for children of employees, which included watching movies, visiting museums, table tennis training, reading, painting, singing and storytelling, learning skills lectures, picking, etc.

This activity helped the front-line workers relieve their worries about the summer care of their children and also helped them grow up healthily and happily.

On 27 October 2017, at the onset of the Double-ninth Festival, Anhui No.1 Electric Power Construction Engineering Co., Ltd. of China Energy Engineering Group held the 16th "Longevity Star" Awards Conference and Cultural Performance Show at Huai'nan Base, which raised the cultural taste of the community and increased the community's awareness of respecting and caring for the elderly.

11.2.3.4 *Care for Overseas Employees*

Overseas employees have contributed to the continued development of the Company. The Company always cares about the health and spiritual and cultural life of overseas employees. Through the local cultural festival activities and the organization of overseas employees' sympathy activities, the Company pays condolences to the overseas employees, enhances their sense of belonging and recognition, and fully demonstrates the Company's social responsibility for overseas employees, thus building a harmonious and friendly human environment.

Case 1: Paying Condolences to Overseas Employees

Indonesia's Takara coal-fired power station project department of China Energy Engineering Corporation Limited organizes local employees to conduct health examinations; pays condolences to local employees during the Eid al-Fitr festival and presents gifts with festive features; during the Indonesian Independence Day, it organizes National Day celebrations and organizes walking fitness activities. Through the above activities, it ensures the health of overseas employees, strengthens the exchange of employees at home and abroad, reduces cultural differences, and builds a harmonious working environment.

11.2.4 Labor standards

11.2.4.1 Prohibition of child labor and forced labor

The Company has long been in compliance with relevant laws and regulations such as the Labor Law of the People's Republic of China and Prohibition of Child Labour Provisions and the relevant international standards, rules, and regulations, international standards, and the location of the country in which they operate for the prevention of child labor or forced labor. It determines the employment patterns of different positions according to industry competition characteristics and corporate strategic development requirements and in line with the relevant legal provisions. It recruits graduates and introduces mature talents and adopts other ways to attract talents to ensure the effective implementation of labor standards. During the Reporting Period, the Company did not violate any international and state-level standards for child labor and forced labor, and the relevant guidelines, rules, and regulations.

11.2.5 Supply Chain Management

11.2.5.1 *Responsible purchasing*

The Company complies with the fair and equitable principle of purchasing responsibilities. The Company has formulated procurement management systems such as the "Provisional Measures for Centralized Purchasing Management", "Redline Prohibition for Procurement Management", and "Redline Prohibition for Contract (subcontract) Management". At the same time, the Company issues tender notices and publicizes tender information through e-procurement platform and the China Procurement and Tendering Network to standardize procurement procedures, accept social supervision, and ensure that the procurement process is compliant, transparent, fair and equitable.

11.2.5.2 *Promote supply chain accountability*

The Company follows the concept of sustainable development and urges suppliers to fulfill environmental and social responsibilities. In the management and evaluation of suppliers, the Company issued the "Notice on 2017 Supplier Assessment and Evaluation Work" and "Supplier Blacklist Management Measures" in accordance with the principle of "legal compliance, clear responsibilities, and standardized management" to standardize supplier selection, admission, examination as well as assessment, supervises suppliers' performance of environmental and social responsibilities, and blacklists non-compliant suppliers. During the Reporting Period, the Company had 65,461 suppliers, including suppliers, sub-contractors, and service providers, and the number of material suppliers evaluated in 2017 was 20,132, accounting for 47.78%, including 42,212 suppliers, 13,755 sub-contractors, and 9,494 service providers.

Case 1: Leading the "Internet + Supply Chain Purchase" Model Innovation

On 21 November 2017, as the leader in the innovation of the "Internet + Supply Chain Purchase" model, the Company was invited to attend the "5th China International Engineering Purchasing Alliance Summit" held in Shanghai and delivered a keynote speech, attracting many capable companies and suppliers to negotiate cooperation. The responsible person of China Energy Construction Group E-commerce Co., Ltd.(中國能源建設集團電子商務有限公司) delivered a keynote speech on the scene, which wrote a new chapter in China's "Internet × Supply Chain Purchase".

11.2.6 Product responsibility

11.2.6.1 *Product quality*

The Company promises to reward customers with quality products and services. In construction and contracting, the Company strictly complied with the relevant regulations and standards of Product Quality Law of the People's Republic of China and other countries and industries, continuously improves the quality management assessment system, and formulates annual quality work plans to carry out quality risk identification and evaluation. It implements supervision and inspection of key projects, investigates and rectifies hidden quality risks, effectively controls risks, practically prevents quality accidents, ensures product quality, and enhances the Company's reputation. During the Reporting Period, the Company did not have any quality accidents and events. The acceptance rate of project quality, the qualified rate of finished equipment products and industrial products, and of surveyed design finished products all reached 100%.

During the Reporting Period, the Company held a total of eight comprehensive Class A Engineering Design Qualifications, seven Special Qualifications for General Construction Contracting (five for water conservancy and hydropower, two for power engineering), and 114 first-class qualifications for all types of construction contracting, covering electricity, property construction, municipal engineering, highways, ports and navigation channels, electromechanical installations, tunnels, earthworks, steel structures, blasting and other fields. The Company obtained three special equipment manufacturing licenses (pressure vessels), one civil nuclear safety equipment manufacturing license, two nuclear power equipment qualified supplier qualifications, one cement product production license, and one civil explosives production permit. During the Reporting Period, the Company has won over 800 quality awards and honors; among which Xiaowan Hydropower Station of Lancang River in Yunnan participated by China Gezhouba Group Stock Company Limited, as well as Guodian Taizhou's expansion of "second reheating" demonstration project in Jiangsu designed by China Power Engineering Consulting Group East China Electric Power Design Institute Engineering Co., Ltd. and participated by China Energy Engineering Group Jiangsu No. 1 Electric Power Construction Engineering Co., Ltd. and China Energy Engineering Group Jiangsu No. 3 Electric Power Construction Engineering Co., Ltd. The new construction project of "Developing Large Units and Suppressing Small Ones" for Hebi Heqi Power Plant in Henan undertaken by China Energy Engineering Group Northeast No. 1 Electric Power Engineering Co., Ltd as well as the construction project (first phase) of CR Power's coal-fired power plant with 2×1000MW USC generating units in Cangnan, Zhejiang undertaken by Anhui No. 1 Electric Power Construction Engineering. won the Luban Awards. Also, another 21 construction projects won the National Quality Project Awards; 9 construction projects won the "China Installation Star"; and 12 projects won the National Outstanding Project Consulting Awards.

During the Reporting Period, the major engineering achievements of the Company include, but not limited to:

- The No. 10 unit of Phase 5 of the Inner Mongolia Datang International Tuoketuo Power Generation Company Limited which was constructed and designed by the Company successfully passed the 168-hour trial operation and became the largest thermal power plant in the world.

- The sixth-phase renovation and expansion project of the Tongling Power Plant of by the Company – million-kilowatt USC coal-fired generating unit No. 6 passed the 168-hour full-load trial operation, a series of million-unit projects using the EPC mode were first completed in the history of China's power construction.

11.2.6.2 Industrial technologies

The Company continues to promote technological innovation, relying on academician workstations and existing expert talents to establish a diversified technology resource sharing mechanism, build a high-end cooperation platform for innovation in production, research, and conduct multiple scientific and technological exchanges and trainings to accelerate technological innovation and the transformation of scientific and technological achievements, thereby improving product quality and promoting the sustainable development of the industry. During the Reporting Period, the Company has 29 experts who enjoy special allowances from the Chinese government, 8 national survey and design masters, 2 national nuclear industry engineering exploration and design masters, and 4 engineering experts of New Century Talents Project, and 3 middle-aged and young experts with outstanding contributions and 21 national technical experts. During the Reporting Period, the Company received a total of 3 state-level science and technology awards and 175 provincial and industry-level scientific and technological progress awards, an increase of 21.9% year-on-year.

During the Reporting Period, the overall situation of the Company's patents and R&D funds is as follows:

Name of indicator	Unit of indicator	2016	**2017**
Total number of patents	Unit	6,766	**7,992**
Number of new patents	Unit	1,456	**1,226**
Patent enforcement rate	%	92%	**91%**
Number of new software copyright	Unit	119	**65**
Technical R&D projects	Unit	960	**1,129**

The Company attaches great importance to the application of scientific and technological achievements. Through the exchange of technical achievements and the application of experience and training, it has created an atmosphere that emphasizes the transformation of results. The transformation of scientific and technological achievements has achieved remarkable economic and social benefits.

The Company further strengthened the protection of intellectual property laws and urged all its subsidiaries to strictly implement the Company's Guiding Opinions on Legal Protection of Intellectual Property. The Company's intellectual property dispute cases continue to be managed with reference to the Company's Administrative Measures on Legal Disputes.

During the Reporting Period, the Company's main scientific research results include, but not limited to:

Million KWh of secondary reheat technology	"Study on key technical standards for solar thermal power generation and heat utilization" was approved	High-end scientific research platform academician expert workstation
On 5 July 2017, the second-kilowatt re-heating research and development developed by China Power Engineering Consulting Group East China Electric Power Design Institute Engineering Co., Ltd. was approved. At the meeting for the second phase of State Power Taizhou Power Plant of the Chinese Society for Electrical Engineering, the "Technical Outcome of Key Technologies, Equipment Development and Engineering Applications" for the 1,000,000 kilowatt high-efficiency USC secondary reheating unit, the results were accepted by the Chinese Academy of Sciences, the Chinese Academy of Engineering, and universities, and were highly praised by academicians, design masters, and industry experts of electric power companies, electric power design institutes, and test institutes.	On 13 July 2017, the "Study on key technical standards for solar thermal power generation and heat utilization" filed by engineering research institute of China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), as the lead company in the name of China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司) was approved by the National Key Quality Research and Development Program (NQI) in 2017, which is a key project for the research and application of the common quality technology (NQI).	In June 2017, a high-end research platform academician expert workstation established by China Gezhouba Group Stock Company Limited was set up. Upon the establishment of this workstation, a series of scientific research projects and plans were launched. Its affiliated academician and experts of water companies participated in the "13th Five-Year Plan" water body pollution control and treatment science and technology major project "Key Technology of Baiyangdian and Daqinghe River Basin (Xiong'an New District) Water Ecological Environment Improvement and Water Safety Protection Research and Demonstration". The project has been successfully initiated.

11.2.6.3 *Overseas operation*

The Company actively responds to the national "Belt and Road" development strategy. It is guided by high-end consulting and planning, led by standards and technologies, focused on business model innovation, and actively participates in national planning along the "Belt and Road" initiative through the cooperation of major projects. Besides, it brings together effective experience in China to form a "China plan" and shares it with countries along the route. While promoting the economic development of countries along the "Belt and Road" initiative, it will also establish the brand and influence of Chinese companies' overseas responsibility. During the Reporting Period, the Company completed energy cooperation program with more than 10 countries along the "Belt and Road" initiative and contracted projects covered more than 60% of countries along the "Belt and Road" initiative.

During the Reporting Period, major overseas projects invested or contracted by the Company include but not limited to:

- The Pakistan Sukiknäeri (SK) hydropower station investment project, which is one of the three hydropower projects early harvested in the China-Pakistan Economic Corridor. It is currently the largest Chinese company investing in Pakistan.

- Pakistan Hubu 2×660MW coal-fired power station project, which is a key project of the China-Pakistan Economic Corridor.

- The Pakistani 1,180MW CCGT project, which is an outstanding representative of energy-saving, high-efficiency and emission reduction in the world's gas turbine power generation field.

- The 660-megawatt Muzaffargarh project in Pakistan, which was invested by KAPCO Energy, a holding company of Water and Electricity Department of Pakistan, and a key project in Punjab, Pakistan. It will use clean and efficient USC coal-fired power generation technology to achieve high-performance and low-emission, which will play an important role in saving resource consumption, protecting the environment and achieving sustainable development. The successful signing of the project marks another significant breakthrough for the Company in high-level thermal power industry along the "Belt and Road" initiative.

- Laos NaJian Hydropower Project, which is a priority development project for the 2020 power development project in Laos and will play a positive role in promoting local economic development and improving people's livelihood.

- The completion of the Liouesso hydropower station effectively solved the difficulties in power supply in the northern part of Congo (Brazzaville) and promoted the local economic development.

- Egypt's Benha-Kairoh-Alexandria Grand Ring Road Project is a national key project in Egypt. Upon completion, it will be of great significance for alleviating local traffic pressure and promoting economic and social development.

- The Kaka hydropower project is the largest hydroelectric power plant in Angola and Africa, which greatly promotes social and economic development in Angolan and the improvement of people's living standards.

11.2.6.4 *International cooperation and exchange*

The Company attaches importance to international cooperation and exchanges, actively joins international industry organizations, takes the initiative to undertake multilateral energy international cooperation platform construction, and promotes energy cooperation dialogue and exchange. During the Reporting Period, the Company organized and participated in many energy conferences with international influence, played the role of think tank, exchanged advanced technologies and experiences, established a multilateral cooperation mechanism for win-win cooperation, and enhanced the Company's brand image and international influence.

During the Reporting Period, the international cooperation and exchanges of the Company and its subsidiaries include, but not limited to:

- Organized 2017 Energy Charter Industry Advisory Committee Beijing Conference, China-Central and Eastern Europe Energy Expo & Forum Roundtable.

- Participated in the "Belt and Road" International Cooperation Summit Forum, the Macau Infrastructure Summit Forum, the BRICS National Industry and Commerce Forum, the Central and Eastern European Leaders Summit, the ASEAN Expo, and the APEC CEO Summit.

- Joined the IEA, the Energy Charter Industry Advisory Committee, the China-Central and Eastern European Energy Projects Dialogue and Cooperation Center, the UN ESCAP Energy Interoperability Expert Working Group, the APEC New Energy and Renewable Energy Experts Group, and the Construction Enterprise Association.

11.2.6.5 *Customer privacy*

The Company adheres to the customer-oriented concept, respects the privacy of customers, establishes and improves the institutionalized, standardized and normalized customer information management mechanism, clearly defines the functions, divides the work to improve customer information, strictly manages customer information access and use rights, and ensures customer information safety. Furthermore, it closes customer relations, improves customer satisfaction, and builds sustainable and win-win reciprocal relationships. The Company strictly abides by the laws and regulations of the place where it operates, respects the privacy of customers, and keeps customers secrets. During the Reporting Period, the Company was not aware of any complaints for violation of customer privacy.

11.2.7 Anti-corruption

11.2.7.1 Anti-corruption management system

The Company strictly abides by relevant laws and regulations such as the Provisional Regulations on the Prohibition of Commercial Bribery and other relevant laws and regulations of the PRC Criminal Law, PRC Anti-Corruption and Bribery Law, PRC Anti-Unfair Competition Law and State Administration for Industry and Commerce. The Company adheres to the principle of honesty, strictly abides by relevant laws and regulations, constantly improves the anti-corruption management system and the construction of an honest and clean government system; sets up management red lines and bans to restrict and regulate production and management practices; conscientiously implements the responsibility system for honesty and construction, and actively implements the main responsibility of honest construction and supervision; smoothies access to all types of reporting channels, forms a convenient and effective monitoring network, and severely punishes commercial bribery and commercial corruption cases. During the Reporting Period, the Company was not aware of any inquiries, notice or penalty in relation to the violation of anticorruption, anti-blackmail, anti-fraud and anti-money laundering laws and regulations of locations where it operates.

11.2.7.2 Anti-corruption training

The Company actively carried out anti-corruption supervision and deliberation education and training, conducted inspections and patrols in key areas to enhance anti-corruption supervision and auditing professional competence, and raised the awareness of anti-corruption among leaders and employees. During the Reporting Period, the Company carried out 16 training sessions on disciplinary inspections and supervision, involving 254 participants, and the total number of training hours was 1,090. The Company also carried out supervision and inspections in key areas such as "three major and one big" decisions, investment and acquisition, procurement bidding, and international operations, and rectified the problems found. The Disciplinary Committee of China Gezhouba Group Stock Company Limited was awarded the title of "National Advanced Collective of Inspection and Supervision System" jointly issued by the Central Commission for Discipline Inspection and the Ministry of Human Resources and Social Security.

11.2.7.3 Pay attention to corruption and bribery in overseas operation

Actively preventing and responding to the risks of commercial bribery and commercial corruption in international projects is an inherent need for the Company to achieve globalization. The Company adheres to the implementation of the international project to prevent commercial bribery and commercial corruption commitment system, signs the "Commitment to Business Integrity and Commitment" with the business units, and regularly organizes the inspection and review of the implementation of the commitment letter.

11.2.8 Community investment

11.2.8.1 *Community charity*

The Company upholds the concept of "share the same homeland and build a beautiful home together" as its starting point and end result, keeping in mind its mission and takes the initiative in practicing corporate citizenship. During the Reporting Period, the Company carried out a variety of community charity activities in targeted areas such as poverty alleviation, education donation and aid, earthquake relief, and other areas, thus winning social respect and recognition and promoting social harmony while operating and developing the Company.

The Company effectively fulfilled its political responsibilities and social responsibilities, implemented the targeted poverty alleviation plan for central enterprises, increased the assistance to Xilin County in Guangxi Province and Zhenba County in Shaanxi Province, and actively implemented the Company's "13th Five-Year Plan" for targeted poverty alleviation. It has also formulated the "Action Plan for Fixed-point Poverty Alleviation" to give play to the advantages of industry and technology, increase capital investment, support the construction of small-scale infrastructure in poverty-relief counties, develop village-level collective economy, and subsidize education for poor families. During the Reporting Period, the Company selected 4 cadres to work in fixed-point poverty alleviation counties and invested in the construction of an expressway in Xinlin County, Guangxi province.

During the Reporting Period, the major community charity activities of the Company and its subsidiaries include, but not limited to:

- Supported fixed poverty alleviation activities
- Conducted educational donation activities
- Organized earthquake relief donations

Case 1: Carried out poverty alleviation activities

China Energy Engineering Group Jiangsu Electric Power Design Institute Co., Ltd., China Energy Engineering Group Jiangsu No. 1 Electric Power Construction Engineering Co., Ltd. and China Energy Engineering Group Jiangsu No.3 Electric Power Construction Engineering Co., Ltd. actively participated in the Jiangsu Provincial Charity Accurate Poverty Alleviation Action. Each of the three companies donated RMB300,000, totaling RMB900,000 to contribute to poverty alleviation in poor areas of Jiangsu Province and to bring more social forces into action for poverty alleviation.

The Company has continuously increased its support and assistance to Xilin County of Guangxi Province and Zhenba County of Shaanxi Province and innovated the forms of assistance. It used the Company's e-commerce platform "China Energy Mall" to build "Assisted County's special agricultural product sales and marketing area" and mobilized all employees of the Company to purchase, which increases the income of poor people; gives full play to the advantages of state-owned enterprises' industries and technologies, and actively supports poor counties to promote "hematopoietic" industrial projects such as agricultural product logistics parks and wind power generation.

China Energy Engineering Group Jiangsu No. 1 Electric Power Construction Engineering Co., Ltd. donated RMB136,000 to Zhanggao Village, Tuyuan Towns, Suqian City, Suqian City, for the construction of a vegetable plantation base, improvement of rural publicity and cultural facilities, as well as assistance to impoverished college students and households with special hardship, which promoted the economic, cultural, and educational development of Zhanggao Village.

China Energy Engineering Group Hunan Thermal Power established the Poverty Alleviation Task Force in Zuojiang Village, Yaolu Town, Chaling County, Zhuzhou City, Hunan Province in June 2014,to help improve its infrastructure, develop the planting and aquaculture industries, and help sell "Colorful Zuojiang" products. Party committee members of the Company and the villagers established "one-on-one" accurate poverty alleviation "understanding cards."

With the concerted efforts of all parties, a total of 383 people in 104 poverty-stricken household were lifted out of poverty in 2017.

Case 2: Conducted educational donation activities

From 15 August to 20 September 2017, China Energy Engineering Group Shanxi Electric Power Design Institute Co., Ltd. carried out the theme charity event of "Awakening the Shanxi Branch with care and connected with Xinjiang". The Company's employees donated a large amount of children's books, stationery, sporting goods, and clothing to poor primary schools in Incheon, Sache County, Kashgar, Xinjiang. making positive contributions to strengthening national unity and enhancing national friendship

China Energy Engineering Group Guangdong Electric Power Design Institute Co., Ltd.* donated RMB460,000 to Youtang elementary school of Xihu Village, Hengpo County, Wuhua County, Meizhou City for the school upgrade project, which supported local science and education and creating a good campus environment for the healthy growth of students.

In the afternoon on 28 September 2017, China Energy Engineering Group Anhui Electric Power Design Institute Co., Ltd. launched a series of popular science activities "Lighting for the Light – 2017 on the Campus" at 68th Middle School in Hefei City, explaining to more than 100 teachers and students in the school robotics community about scientific knowledge and unmanned drones and application of the aircraft in power engineering design and demonstration flight demonstration. The activity has nurtured children's interest in science and technology, which was highly valued by schools and communities.

Case 3: Organized earthquake relief donations

A 7.0 magnitude earthquake occurred in Jiuzhaigou County, Aba Prefecture, Sichuan Province in 2017, which seriously affected the local economy and residents' lives. China Gezhouba Group Stock Company Limited, the subsidiary of the Company, upheld the spirit of mutual assistance with "one party has difficulties and all sides support". It donated RMB1 million to the earthquake-stricken area and donated RMB1 million to the mudslide-stricken area of Liangshan State in Sichuan Province. It supported people in the disaster-hit area in earthquake relief and reconstruction, so as to restore production and daily life as soon as possible through actual actions.

11.2.8.2 *Overseas community*

The Company is committed to establishing a harmonious and win-win relationship with the community environment and society in overseas operations. The Company understands and respects the local culture and customs in which it operates. It has long been concerned about the development of communities in overseas operations, and has expanded overseas communities' happiness by caring about local children's health, supporting school education, developing community sympathy, and organizing community services. At the same time, the Company also gives full play to its advantages in overseas operations and is committed to providing more jobs for the communities in which it operates and driving the economic development of the offshore communities.

During the Reporting Period, public welfare activities carried out by the Company in its major overseas operations include, but not limited to:

- Material donations to the orphanage in Nigerian capital Abuja
- Visits to local orphanage in Babibalu, Indonesia
- Visits to sick children in the community of Panama
- Supporting Education in Hubu, Pakistan
- Driving local employment in Hubu, Pakistan
- Conducting community sympathy in Hubu, Pakistan
- Community service in Marsal, Angola
- Construction of support culture room in Yongxin Township, Tuy Phong County, Binh Thuan Province, Vietnam

Case 1: Caring for the health of poor and sick children

On 13 March 2017, Lei Feng volunteers of the Northwest Africa Regional Headquarters of China Gezhouba Group International Engineering Co., Ltd.* (中國葛洲壩集團國際工程有限公司) visited the orphanage in Abuja, capital of Nigeria, and donated a lot of food and toys and other living materials. At the same time, they communicated with the children there face to face and between hearts, which allowed children to truly feel the warmth and love from society and help children grow up healthily and happily.

The Company's Babi Palu coal-fired power plant project department in Indonesia organized visits to children in local orphanages, providing gifts of living materials and cultural and sports supplies, and organized an festive gala; as well as organized Indonesian Arbor Day with the landlords and donated seedlings. China Energy sent care and help to poor children, bringing them with more protection and happiness.

On 13 March 2017, employees of the Company's Panamanian company accompanied the sick child Louis to play football, presented him with checkers and animal fighting chess, and taught him simple Chinese vocabulary. The actions of the employees of the Company instilled the children power to overcome the pain, and also encouraged more people to pay attention and help the sick children.

Case 2: Supporting local school education

On 23 May 2017, the Company's affiliated Pakistani Hubu Project Department went to two elementary schools near Isa town adjacent to the Hubu project to make education aid activities, which reflected the China Energy's contributions not only to the local energy construction but also to local education and other public welfare.

Case 3: Launching community services

On 9 March 2017, the Company's Marsal Water Plant Project Department in Angola sent several loading trucks and dump truck equipment, organized dozens of employees to carry out garbage disposal on surrounding residents' living streets, and dredged the surrounding drainage ditch to provide community residents with a clean and healthy living environment, which showed the friendly attitude of the Company towards community. A total of 15 tonnes of community waste was cleaned up in this event.

Case 4: Conducting sympathy activities

On 23 May 2017, on the occasion of the Muslim Ramadan tradition, the Company's Hubu Project Department brought a Pakistani traditional gift goat to the Mosque in the town of Hub and communicated with the local Muslims. Ayu thanked the project department for its charity.

The sympathy activity demonstrated the respect the project department personnel paid to local customs and harmonious life shared with the local community so to jointly maintain the China-Pakistan friendship.

On 22 July 2017, the Company's responsible person of the Hubu Project Department visited the National Hospital Riyadh State Hospital in Karachi and visited the Mohammed Zahir, a Pakistani citizen who was wounded in course of his gallant anti-crime act during the kidnapping of "5.24" Chinese citizens. The condolences conveyed the care and concerns of Chinese-funded enterprises and enhanced the friendship between the people of China and Pakistan.

Case 5: Promoting local employment

In the process of overseas project operations, China Energy Engineering Corporation Limited actively created more job opportunities for local people and was highly praised by the local residents and the government for contributing to the economic development of the operation domicile and the people's prosperity. During the Reporting Period, the Hubu project directly mobilized 1,104 local employees, of whom 236 were employed by nearby laborers, and about 3,000 people were indirectly employed.

Case 6: Enriching the local people's spiritual and cultural life

In January 2017, China Energy Guangdong Institute funded VND 200 million (about RMB62,500) in the construction of Yongxin Township cultural room in the Tuy Phong, Binh Thuan Province, Vietnam, and contributed a total of 1.56 billion VND (approximately RMB487,500) to the cultural room construction project jointly with the landlord of Yongxin Phase I Electric Power Co., Ltd. and various subcontractors During the Reporting Period, the cultural room project was completed, providing a venue for enriching the amateur cultural life of local residents.

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 172 to 307, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements 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 MATTERS (CONTINUED)

Construction contract accounting estimates	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(x).	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's business involves entering into infrastructure construction contracts with customers mainly in the power industry to provide construction services. Revenue from construction contracts accounted for 68% of the Group's revenue for the year ended 31 December 2017. The recognition of revenue and costs from construction contracts is based on the stage of completion method, which is assessed with reference to the percentage of the estimated total contract costs for the contracts that the group has incurred to date. Recognising revenue and costs from construction contracts requires management and the Group's internal engineers to make a number of judgemental assumptions in relation to estimating the total costs for individual construction contracts. These assumptions include estimating future labour costs and costs of materials required to complete the construction based on the customised specifications of individual construction contracts. When it is assessed that the budgeted costs exceed the total contract revenue for an individual construction contract or there are other circumstances indicating an expected loss on an individual construction contract and such loss is not recoverable from its customers, management makes a provision for the foreseeable loss. We identified accuracy of construction contract accounting estimates as a key audit matter because of the significant management judgement required in preparing and revising budgets and forecasting the outcome for individual construction contracts at the end of the reporting period, which may affect the calculations of percentage of completion for individual construction contracts and the corresponding revenue and profit or loss recognised for the year.	Our audit procedures to assess accuracy of construction contract accounting estimates included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern the budgeting process and contract revenue recognition; • selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected: – inspecting the contract and discussing with management to obtain an understanding of the specific terms and risks associated with the individual construction contracts; – assessing and challenging the budgeted costs, which included making enquiries of the Group's internal engineers and management about the bases and key assumptions adopted in arriving at the budgeted costs and benchmarking the key inputs in the budgets against similar projects undertaken by the Group; • comparing the percentages of completion as assessed by the Group's internal engineers under the stage of completion method with: – third party engineers' certifications of work completed, where available, and assessing the independence, objectivity and competence of such third party engineers; and – comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation, on a sample basis.

KEY AUDIT MATTERS (CONTINUED)

Construction contract accounting estimates

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(x).

The Key Audit Matter	How the matter was addressed in our audit
	• identifying and assessing possible onerous contracts by comparing the total budgeted costs, taking into consideration the actual costs incurred up to 31 December 2017, with the total contract revenue for individual construction contracts as agreed with customers; • assessing and challenging the underlying judgements of management's assessment of total estimated contact costs and estimated costs to complete the contact where it was still in progress at the reporting date, which included making enquiries of management about the bases and key assumptions and benchmarking the key inputs in the estimations against market information; • assessing the impact of possible management bias in budgeting costs by: – assessing the historical accuracy of estimates made by management when preparing budgets for construction contracts by comparing the budgeted costs estimated by management at 31 December 2016 with the actual costs incurred in respect of these individual construction contracts during the current year; and – enquiring of management about the reasons for any changes in budgeted costs for individual construction contracts which existed at 31 December 2017 and under or over-spending for contracts completed during the current year and considering the impact of such reasons on the budgeted costs for other ongoing contracts; and • Performing site visits to a sample of contracts in progress at 31 December 2017 and discussing with site project managers and the Group's internal engineers the state of completion, service provided and goods delivered.

KEY AUDIT MATTERS (CONTINUED)

Recoverability of trade receivables and other receivables and gross amount due from customers for construction contracts

Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies in note 2(p).

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of the Group's trade receivables and other receivables and gross amount due from customers for construction contracts as at 31 December 2017 totalled RMB101,225 million after deduction of an allowance for doubtful debts of RMB4,890 million. The Group's allowance for doubtful debts is based on management's estimate of the recoverability of individual trade receivables and other receivables and gross amount due from customers for construction contracts with reference to the ageing of overdue balances, repayment histories of individual debtors and existing customer-specific and market conditions, all of which involve a significant degree of judgement. We identified the recoverability of trade receivables and other receivables and gross amount due from customers for construction contracts as a key audit matter because of the inherent uncertainty in assessing if trade receivables and other receivables and gross amount due from customers for construction contracts will be recovered in full and because the assessment of the allowance for doubtful debts requires the exercise of significant management judgement.	Our audit procedures to assess the recoverability of trade receivables and other receivables and gross amount due from customers for construction contracts included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and the calculation of the allowance for doubtful debts; • assessing the classification of individual balances in the trade receivables and other receivables and gross amount due from customers for construction contracts ageing report by comparing the details in the ageing report with underlying invoices, on a sample basis; • obtaining an understanding of the basis of management's judgements about the recoverability of overdue trade receivables and other receivables and gross amount due from customers for construction contracts balances and evaluating the allowance for doubtful debts made by management for these individual balances with reference to the debtors' financial condition and historical and post year-end payment records. This included inspecting relevant correspondence with individual debtors;

KEY AUDIT MATTERS (CONTINUED)

Recoverability of trade receivables and other receivables and gross amount due from customers for construction contracts	
Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies in note 2(p).	
The Key Audit Matter	**How the matter was addressed in our audit**
	• assessing the historical accuracy of the estimates made by management for the allowance for doubtful debts by comparing the level of provision made by management at 31 December 2016 with the actual new provisions, write offs and recoveries in respect of trade receivables and other receivables and gross amount due from customers for construction contracts as at 31 December 2016 during the current year; and • comparing cash receipts from debtors and actual billing to customers subsequent to the financial year end relating to trade receivables and other receivables and gross amount due from customers for construction contracts balances at 31 December 2017 with bank statements and relevant underlying documentation, on a sample basis.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors 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.

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Chu Man Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**234,370,110**	222,171,025
Cost of sales		**(206,741,440)**	(196,858,214)
Gross profit		**27,628,670**	25,312,811
Other income	5	**3,095,879**	1,574,174
Other net gains and losses	6	**(245,458)**	69,733
Selling expenses		**(2,085,930)**	(2,058,148)
Administrative expenses		**(11,091,892)**	(10,256,072)
Research and development expenses		**(3,495,380)**	(2,835,672)
Finance income	7	**715,191**	581,211
Finance costs	7	**(3,077,702)**	(2,671,207)
Share of profits/(losses) of joint ventures	17	**301,386**	(7,703)
Share of profits/(losses) of associates	18	**210,498**	(62,054)
Profit before tax		**11,955,262**	9,647,073
Income tax	10	**(2,891,021)**	(2,208,492)
Profit for the year	8	**9,064,241**	7,438,581
Other comprehensive income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations	34	**894,178**	436,199
– Income tax relating to remeasurement of defined benefit obligations		**(14,625)**	(20,802)
		879,553	415,397
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**(193,944)**	(70,759)
– Net fair value loss on available-for-sale financial assets		**(330,806)**	(456,584)
– Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets	6	**(543,683)**	(659)
– Income tax relating to items that may be reclassified subsequently to profit or loss		**129,441**	270,623
		(938,992)	(257,379)
Other comprehensive income for the year, net of income tax		**(59,439)**	158,018
Total comprehensive income for the year		**9,004,802**	7,596,599

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		**5,261,145**	4,281,292
Holders of perpetual capital instruments		**292,447**	301,104
Non-controlling interests		**3,510,649**	2,856,185
		9,064,241	7,438,581
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**5,538,481**	4,489,263
Holders of perpetual capital instruments		**292,447**	301,104
Non-controlling interests		**3,173,874**	2,806,232
		9,004,802	7,596,599
Earnings per share			
– Basic and diluted (RMB)	11	**0.18**	0.14

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 37(b).

The report notes on pages 179 to 307 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**30,781,364**	29,532,087
Prepaid lease payments	13	**8,130,103**	8,213,342
Investment properties	14	**611,065**	644,009
Intangible assets	15	**23,606,431**	15,993,386
Investments in joint ventures	17	**3,387,187**	3,566,814
Investments in associates	18	**4,179,464**	3,339,963
Goodwill	19	**1,375,110**	1,287,918
Available-for-sale financial assets	20	**8,592,521**	6,642,004
Deferred tax assets	21(b)	**1,702,844**	1,413,215
Trade receivables	22	**16,573,131**	5,576,038
Prepayments, deposits and other receivables	23	**2,049,215**	1,881,948
Other loans	24	**–**	1,837,763
Finance lease receivables	24	**569,230**	–
		101,557,665	79,928,487
CURRENT ASSETS			
Inventories	25	**11,565,777**	9,494,128
Properties under development for sale	26	**40,718,775**	24,860,970
Completed properties for sale	26	**2,510,362**	1,447,443
Amounts due from customers for construction contracts	27	**34,473,565**	23,804,689
Trade and bills receivables	22	**55,479,403**	53,633,187
Prepayments, deposits and other receivables	23	**41,009,007**	45,956,578
Prepaid lease payments	13	**229,150**	213,687
Other loans	24	**4,267,544**	1,434,536
Financial assets at fair value through profit or loss	28	**52,167**	70,182
Finance lease receivables	24	**159,295**	–
Pledged deposits	29	**3,453,706**	2,698,576
Bank and cash balances	29	**48,410,641**	49,115,058
		242,329,392	212,729,034
CURRENT LIABILITIES			
Trade and bills payables	30	**90,139,818**	74,361,988
Amounts due to customers for construction contracts	27	**7,278,552**	5,734,119
Other payables and accruals	31	**55,576,402**	47,275,838
Income tax payable	21(a)	**1,441,301**	1,323,432
Bank and other borrowings	32	**37,969,971**	23,099,999
Defined benefit obligations	34	**596,887**	810,612
Corporate bonds	33	**11,231,753**	10,692,168
Finance lease payables	39(a)	**902**	299,979
Provisions	35	**101,503**	144,091
		204,337,089	163,742,226
NET CURRENT ASSETS		**37,992,303**	48,986,808
TOTAL ASSETS LESS CURRENT LIABILITIES		**139,549,968**	128,915,295

Consolidated Statement of Financial Position

As at 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	31	**1,099,926**	63,609
Bank and other borrowings	32	**32,549,797**	28,038,320
Finance lease payables	39(a)	**–**	490
Corporate bonds	33	**15,139,976**	16,229,316
Defined benefit obligations	34	**9,210,517**	9,075,014
Deferred tax liabilities	21(b)	**908,608**	964,669
Deferred revenue	36	**785,434**	554,878
		59,694,258	54,926,296
NET ASSETS		**79,855,710**	73,988,999
Capital and reserves			
Issued share capital	37(c)	**30,020,396**	30,020,396
Reserves		**18,933,039**	14,372,896
Equity attributable to equity shareholders of the Company		**48,953,435**	44,393,292
Perpetual capital instruments	38	**8,220,000**	10,100,000
Non-controlling interests		**22,682,275**	19,495,707
TOTAL EQUITY		**79,855,710**	73,988,999

Approved and authorised for issue by the Board of Directors on 29 March 2018.

Wang Jianping
Director

Ding Yanzhang
Director

The report notes on pages 179 to 307 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017 (Expressed in Renminbi)

	Attributable to equity shareholders of the Company													
	Issued share capital RMB'000	Shares held under restricted share incentive scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share based compensation reserve RMB'000	Special reserve RMB'000	Defined benefit obligation remeasurement reserve RMB'000	Investments revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Total equity attributable to equity shareholders of the Company RMB'000	Perpetual capital instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	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 38)	–	–	–	–	–	–	–	–	–	–	–	9,100,000	–	9,100,000
Cash capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	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	–	–	–	–	–	–	–	–	–	–	–	–	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 37)	–	–	–	–	–	–	–	–	–	(124,885)	(124,885)	–	–	(124,885)
Special dividends declared (note 37)	–	–	–	–	–	–	–	–	–	(2,523,073)	(2,523,073)	–	–	(2,523,073)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(810,456)	(810,456)
Effect of share based compensation (note 37)	–	–	–	–	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
At 1 January 2017	**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**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**791,411**	**(325,122)**	**(188,953)**	**5,261,145**	**5,538,481**	**292,447**	**3,173,874**	**9,004,802**
Purchase of own shares under restricting share incentive scheme (note 37)	**–**	**(282,524)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(282,524)**	**–**	**–**	**(282,524)**
Issue of perpetual capital instruments (note 38)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,670,000**	**–**	**3,670,000**
Transfer to debt instrument (note 32)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,550,000)**	**–**	**(5,550,000)**
Cash capital contributed by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,135,762**	**1,135,762**
Non-cash capital contributed by non-controlling interests	**–**	**–**	**868**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**868**	**–**	**125,147**	**126,015**
Acquisition of additional interests in subsidiaries	**–**	**–**	**24,274**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,274**	**–**	**(41,713)**	**(17,439)**
Acquisition of subsidiaries (note 45)	**–**	**–**	**88,948**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**88,948**	**–**	**334,587**	**423,535**
Transfer to reserves	**–**	**–**	**–**	**814,035**	**–**	**60,851**	**–**	**–**	**–**	**(874,886)**	**–**	**–**	**–**	**–**
Dividends declared to perpetual capital instruments holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(292,447)**	**–**	**(292,447)**
Dividends declared (note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(888,604)**	**(888,604)**	**–**	**–**	**(888,604)**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,534,727)**	**(1,534,727)**
Effect of share based compensation (note 37)	**–**	**–**	**–**	**–**	**39,983**	**–**	**–**	**–**	**–**	**–**	**39,983**	**–**	**–**	**39,983**
Others	**–**	**–**	**38,717**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**38,717**	**–**	**(6,362)**	**32,355**
At 31 December 2017	**30,020,396**	**(282,524)**	**8,190,872**	**1,506,512**	**44,559**	**488,959**	**1,220,494**	**(147,576)**	**(226,345)**	**8,138,088**	**48,953,435**	**8,220,000**	**22,682,275**	**79,855,710**

The report notes on pages 179 to 307 form part of these financial statements.

Consolidated Statement of Cash Flows

At 31 December 2017 (Expressed in Renminbi)

	Note	**2017 RMB'000**	2016 RMB'000
Operating activities			
Cash generated from operations	29(b)	**8,454,648**	6,998,272
Income tax paid		**(2,822,088)**	(2,330,214)
Net cash generated from operating activities		**5,632,560**	4,668,058
Investing activities			
Interest received		**617,347**	473,407
Purchase of property, plant and equipment		**(4,204,606)**	(4,833,241)
Addition to prepaid lease payments		**(226,691)**	(470,426)
Addition to investment properties	14	**(3,125)**	(255)
Addition to intangible assets		**(6,902,024)**	(2,081,393)
Addition to finance lease		**(728,525)**	–
Capital contributions to joint ventures		**(239,383)**	(721,011)
Capital contributions to associates		**(762,438)**	(1,787,559)
Net cash proceeds from/(paid for) investment		**343,324**	(389,030)
Purchase of available-for-sale financial assets		**(4,746,142)**	(821,326)
Proceeds from disposal of property, plant and equipment		**217,456**	186,517
Proceeds from disposal of prepaid lease payments		**107,040**	725,768
Proceeds from disposal of intangible assets		**8,459**	24,024
Proceeds from disposal of investment property	14	**15,100**	–
Proceeds from disposal of associates		**–**	115,823
Proceeds from disposal of available-for-sale financial assets		**2,645,566**	205,043
Net increase in pledged deposits	29(a)	**(755,130)**	(47,963)
Dividends received from associates	18	**70,372**	25,204
Dividends received from available-for-sale financial assets		**165,365**	177,487
Net withdrawal/(placement) of deposits with original maturity of over three months	29(a)	**1,630,169**	(1,327,146)
Acquisition of subsidiaries, net of cash acquired	45	**339,009**	218,338
Disposal of subsidiaries, net of cash disposed		**6,796**	(6,433)
New other loan and receivables		**(32,328)**	(16,270,155)
Collection of other loan and receivables		**22,050**	15,623,726
Repayments of cash advances by related parties		**2,244,861**	324,326
New cash advances made to related parties		**(3,254,055)**	(321,738)
Government grants received related to assets		**168,793**	86,430
Net cash used in investing activities		**(13,252,740)**	(10,891,583)

Consolidated Statement of Cash Flows

At 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Capital injections from non-controlling interests		**1,135,762**	1,006,855
Issue of perpetual capital instruments	38	**3,670,000**	9,100,000
Interests paid on perpetual capital instruments		**(292,447)**	(66,378)
Proceeds 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
H shares issuance proceeds paid to NSSF		**–**	(1,127,863)
Acquisition of additional interests in subsidiaries		**129,015**	(1,667,414)
Interests paid on bank and other borrowings		**(3,096,590)**	(3,295,895)
Interests paid on corporate bonds		**(1,548,739)**	(316,581)
Interests paid on short-term financing notes		**–**	(112,300)
New bank and other borrowings		**18,424,794**	27,394,631
Repayments of bank and other borrowings		**(10,489,187)**	(40,938,095)
New corporate bonds		**581,753**	20,800,000
Repayments of corporate bonds		**(550,000)**	(500,000)
Repayment of short-term financing notes		**–**	(3,500,000)
Proceeds from sales and leaseback transactions		**–**	32,338
Repayment of finance lease payables		**(332,081)**	(239,747)
Advances from related parties		**4,241,104**	1,991,628
Repayment to related parties		**–**	(172,474)
Dividends paid to equity shareholders of the Company	37(a)	**(888,604)**	(124,885)
Other distribution to equity shareholders of the Company	37(a)	**–**	(2,523,073)
Dividends paid to non-controlling interests		**(1,487,326)**	(820,200)
Net cash generated from financing activities		**9,497,454**	5,531,470
Net increase/(decrease) in cash and cash equivalents		**1,877,274**	(692,055)
Cash and cash equivalents at the beginning of the year		**46,774,085**	47,236,932
Effects of exchange rate changes		**(951,522)**	229,208
Cash and cash equivalents at the end of the year	29	**47,699,837**	46,774,085

The report notes on pages 179 to 307 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 China Energy Engineering Group Co., Ltd. ("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 ("RMB"), which is the functional currency of the Company and its PRC subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 (c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and its interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale or as trading securities (see note 2 (h)) are stated at their fair value.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's financial performance and financial position for the current or prior periods have been prepared or presented. However, additional disclosure has been included in note 29 (b)(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Functional and presentation currency

The financial statements are presented in Renminbi, rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2 (q) and 2 (s) depending on the nature of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2 (h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2 (f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2 (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, 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 that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2 (h)).

In the Company's statement of financial position, its investments in associates and joint venture are stated at cost less impairment losses (see note 2 (m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2 (m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2 (x)(v) and (vi).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities (continued)

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2 (m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2 (x)(v) and 2 (x)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2 (m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2 (l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2 (m)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight line method over the estimated useful lives ranging from 15 to 40 years. Rental income from investment properties is accounted for as described in note 2 (x)(iv).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Other property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2 (m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2 (z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2 (i)); and

– land held for own use under an operating lease, where the fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2 (j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2 (m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, associates and joint ventures (including those recognised using the equity method (see note 2 (f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2 (m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2 (m)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For available-for-sale securities, the cumulative loss that has been recognised directly in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investment property;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated first to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2 (m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

  The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2 (z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

  In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1 (x)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade debtors and bills receivable". Amounts received before the related work is performed are presented as "Advances received" under "Trade and other payables".

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2 (m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Perpetual securities

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.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2 (w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/ credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2 (w)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2 (w)(iii). Contingent liabilities acquired assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2 (w)(iii).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(iii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits and instalments received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(iii) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

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

(vi) The entity is controlled or jointly controlled by a person identified in note (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

(a) Significant judgements in applying accounting policy

(i) De facto control over subsidiary

China Gezhouba Group Company Limited (中國葛洲壩集團有限公司) ("CGGC Group"), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. There is a subsidiary of CGGC Group, China Gezhouba Group Stock Company Limited ("CGGC"), in which the Company indirectly 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:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of 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 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 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) 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.

(i) 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.

(ii) 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 ageing 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 2017, the aggregate carrying amount of trade and other receivables (net of allowance for doubtful debts), was approximately RMB88,922 million (31 December 2016: RMB73,532 million). Details of movements of allowance for trade receivables and other receivables are disclosed in notes 22 and 23 respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates (continued)

(iii) 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 2017, the carrying amounts of property, plant and equipment of the Group is RMB30,781 million (2016: RMB29,532 million). Details of property, plant and equipment are disclosed in note 12.

(iv) 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.

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 RMB340 million for the year ended 31 December 2017 (2016: RMB303 million) was relating to the amortisation of concession arrangements of toll roads, details of which are set out in note 15.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates (continued)

(iv) Amortisation and impairment assessment of service concession arrangements (continued)

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 2017. As such, no impairment loss on concession rights was charged to profit or loss during the year ended 31 December 2017 (2016: nil).

As at 31 December 2017, the carrying amount of the concession rights was RMB22,728 million (2016: RMB15,312 million). Details are set out in note 15.

(v) Recognition of deferred tax assets

As at 31 December 2017, deferred tax assets of RMB1,703 million (31 December 2016: RMB1,413 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 RMB7,333 million (31 December 2016: RMB6,935 million) and other deductible temporary differences of RMB2,400 million (31 December 2016: RMB2,422 million), due to the unpredictability of future profit streams, details of which are set out in note 21(b). 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.

(vi) 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 34. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. The Group's actuarial assumptions mainly comprised of but not limited to the following:

- Demographic assumptions:
  - Mortality;
  - rates of employee turnover, disability and early retirement; and
  - the take-up of any benefit payment options available under the plan.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

(b) Key assumptions and uncertainties about accounting estimates (continued)

(vi) Retirement and other supplemental benefit obligations (continued)

- Financial assumptions:
  - Future salary;
  - benefit levels (excluding any cost of the benefits to be met by employees or third parties); and
  - the discount rate.

Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations. To determine the present value of retirement and other supplemental benefit obligations, the Group obtains an actuarial valuation and as at 31 December 2017, the present value of the retirement and supplemental benefit obligations was RMB10,904 million.

4 REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	RMB'000	RMB'000
Revenue from:		
Survey, design and consulting services	**13,031,410**	12,031,568
Infrastructure construction contracts	**159,984,898**	155,114,125
Rendering of other services	**36,570,694**	26,920,532
Sale of properties	**6,310,751**	9,933,256
Sale of goods	**18,472,357**	18,171,544
Total	**234,370,110**	222,171,025

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 ("Construction and contracting");

- Design, manufacturing and sales of various types of equipment for various sectors of the power industry, including mainly auxiliary machinery equipment for power plants, power grid equipment, steel structure, energy-saving and environmental-friendly equipment and complete sets of equipment ("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").

4 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 2 above.

Segment revenue and results

For the year ended 31 December 2017

	Survey, design and consulting services	Construction and contracting	Equipment manufacturing	Civil explosives and cement production	Investment and other businesses	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue							
External segment revenue	13,031,410	159,984,898	8,760,835	9,711,522	42,881,445	–	234,370,110
Inter-segment revenue	251,193	8,766,801	1,486,582	–	931,869	(11,436,445)	–
Segment revenue	13,282,603	168,751,699	10,247,417	9,711,522	43,813,314	(11,436,445)	234,370,110
Segment results	2,769,556	6,432,133	23,245	1,547,863	2,857,569	(166,364)	13,464,002
Unallocated items:							
Cost of sales							(1,076)
Other income							963,556
Other net gains and losses							(245,458)
Selling expenses							(7,599)
Administrative expenses							(361,093)
Research and development expenses							(6,443)
Finance income							715,191
Finance costs							(3,077,702)
Share of profits of joint ventures							301,386
Share of profits of associates							210,498
Profit before tax							11,955,262

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2016

	Survey, design and consulting services	Construction and contracting	Equipment manufacturing	Civil explosives and cement production	Investment and other businesses	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 net 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the note 2. Segment profit represents the profit earned by each segment without allocation of certain cost of sales, other income, other net gains and losses, selling expenses, administrative expenses, research and development expenses, finance income, finance costs, share of profits/losses of joint ventures and associates. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

4 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:

	2017	2016
	RMB'000	RMB'000
Segment revenue		
Mainland China	**194,560,129**	189,345,923
Overseas:		
Pakistan	**8,856,767**	6,776,712
Vietnam	**4,424,902**	3,251,735
Indonesia	**3,670,129**	2,194,411
Angola	**3,405,500**	1,879,149
Others	**19,452,683**	18,723,095
Total	**234,370,110**	222,171,025

	2017	2016
	RMB'000	RMB'000
Non-current assets		
Mainland China	**69,146,540**	62,356,062
Overseas:		
Pakistan	**2,514,684**	221,018
Vietnam	**1,261,572**	895,516
Kazakhstan	**158,120**	–
Liberia	**141,014**	152,459
Kuwait	**118,016**	–
Angola	**76,615**	35,137
Qatar	**70,521**	78,142
Others	**452,857**	541,133
Total	**73,939,939**	64,279,467

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

4 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 2017 (2016: 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.

5 OTHER INCOME

	2017 **RMB'000**	2016 RMB'000
Government		
– grants grants related to income (note)	**2,725,556**	1,292,945
– grants related to assets (note 36)	**61,213**	24,686
Dividend income from available-for-sale financial assets	**165,365**	174,232
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	**191**	850
Compensation income on contract violation	**33,803**	15,249
Waived payables from suppliers and others	**109,751**	66,212
Total	**3,095,879**	1,574,174

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 subsidies as at 31 December 2017.

6 OTHER NET GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Net foreign exchange (loss)/gain	**(476,797)**	304,220
Gain/(loss) on disposals of:		
– Associates	**–**	44,248
– Financial assets at FVTPL	**211**	14,338
– Available-for-sale financial assets	**210,986**	2,778
– Property, plant and equipment	**60,897**	32,971
– Prepaid lease payments	**4,053**	351,739
– Subsidiaries	**3,238**	230,045
– Intangible assets	**(65)**	(306)
Impairment loss recognised in respect of:		
– Trade receivables (note 22)	**(492,234)**	(443,151)
– Other receivables (note 23)	**(9,291)**	(333,835)
– Available-for-sale financial assets	**(26,172)**	–
– Property, plant and equipment (note 12)	**(10,930)**	(314,088)
– Prepaid lease payments (note 13)	**(551)**	(5,491)
– Investment properties (note 14)	**–**	(867)
Fair value changes of financial assets at FVTPL	**(14,521)**	(15,217)
Excess of fair value of the previously-held interests in a joint venture	**–**	111,161
Cumulative gain on disposal of available-for-sale financial assets (note)	**543,683**	659
Others	**(37,965)**	90,529
Total	**(245,458)**	69,733

Note:

During the year ended 31 December 2017, the Group disposed of certain available-for-sale securities, and the cumulative gain recognised in other comprehensive income in relation to these securities disposed of was RMB544 million, which was then reclassified from other comprehensive income to profit or loss.

7 FINANCE INCOME AND FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest income on:		
Bank and cash balances and pledged deposits	**472,000**	310,420
Other loans	**191,759**	203,990
Defined benefit plan assets	**51,432**	66,801
Total finance income	**715,191**	581,211
Interest expenses on:		
Bank and other borrowings	**2,856,061**	3,202,360
Corporate bonds	**967,231**	529,930
Finance leases	**32,514**	22,586
Discounted bills	**101,979**	41,614
Short-term financing notes	**–**	96,319
Defined benefit obligations	**367,560**	286,262
	4,325,345	4,179,071
Less: Interest capitalised in		
– Construction in progress	**(151,839)**	(93,467)
– Properties under development for sale	**(1,095,804)**	(1,414,397)
Total finance costs	**3,077,702**	2,671,207

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. The borrowing costs have been capitalised at rates of 3.80% to 8.00% for the year ended 31 December 2017 (2016: 3.80% to 8.40%).

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8 PROFIT FOR THE YEAR

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

	2017 RMB'000	2016 RMB'000
Directors' and supervisors' emoluments (note 9)	**5,089**	6,274
Other staff costs:		
Salaries and other labor costs	**16,535,485**	16,311,143
Retirement benefits and pensions	**2,669,893**	2,498,931
Other social benefits	**4,224,397**	3,963,872
Effect of share based compensation	**39,983**	–
Total staff and labor costs	**23,474,847**	22,780,220
Less: Capitalised in construction in progress	**(45,342)**	(11,112)
Less: Capitalised in properties under development for sale	**(146,452)**	(23,740)
	23,283,053	22,745,368
Depreciation:		
– Property, plant and equipment (note 12)	**2,552,582**	2,601,818
– Investment properties (note 14)	**33,139**	32,913
Less: released from deferred revenue under sales and leaseback transactions (note 36)	**(7,354)**	(11,250)
	2,578,367	2,623,481
Less: Capitalised in construction in progress	**(44,706)**	(3,045)
Less: Capitalised in properties under development for sale	**(5,514)**	(6,434)
	2,528,147	2,614,002
Amortisation:		
– Intangible assets (included in cost of sales)	**371,723**	361,700
– Intangible assets (included in administrative expenses)	**123,337**	114,837
– Intangible assets (included in selling expenses)	**280**	487
Subtotal (note 15)	**495,340**	477,024
– Prepaid lease payments (note 13)	**195,929**	190,361
Less: Capitalised in construction in progress	**(44,706)**	(1,524)
	646,563	665,861
Auditor's remuneration	**20,107**	21,640
Recognition/(reversal) of allowance on:		
– Inventories	**117,893**	(71,923)
– Trade receivables (note 22)	**492,234**	443,151
– Other receivables (note 23)	**9,291**	333,835
Cost of inventories recognised as expense	**76,436,504**	60,335,081
Operating lease expenses	**432,050**	387,703
Gross rental income from investment properties	**(55,025)**	(54,332)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	**35,395**	37,871
	(19,630)	(16,461)

9 DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	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 2017					
Executive directors and chief executive:					
Mr. WANG Jianping	–	226	455	53	734
Mr. DING Yanzhang (chief executive)	–	226	455	53	734
Mr. ZHANG Xianchong	–	207	410	53	670
	–	659	1,320	159	2,138

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.

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Non-executive directors:					
Mr. MA Chuanjing	–	–	–	–	–
Mr. LIU Xueshi (Appointed in December 2017)	–	–	–	–	–
Mr. SI Xinbo (Appointed in December 2017)	–	–	–	–	–
Independent non-executive directors:					
Mr. DING Yuanchen	60	–	–	–	60
Mr. WANG Bin	60	–	–	–	60
Mr. ZHENG Qiyu	60	–	–	–	60
Mr. ZHANG Yuming	113	–	–	–	113
	293	–	–	–	293

The non-executive director's emoluments shown above was mainly for his services as Director. The independent non-executive directors' emoluments shown above were mainly for their services as Directors.

	Directors' fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors:					
Mr. WANG Zengyong	–	404	443	53	900
Mr. LIAN Yongjiu	–	386	411	53	850
Mr. KAN Zhen	–	377	370	53	800
Mr. WEI Zhongxin	–	54	–	–	54
Mr. FU Dexiang	–	54	–	–	54
	–	1,275	1,224	159	2,658
Total	293	1,934	2,544	318	5,089

9 DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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.

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
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. The independent non-executive directors' emoluments shown above were mainly for their services as Directors.

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
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

9 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 2017, the five highest paid employees were neither directors, supervisors nor chief executive of the Group (2016: Nil).

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

	2017 RMB'000	2016 RMB'000
Basic salaries and other allowances	3,705	3,857
Discretionary bonus	4,093	4,367
Retirement benefit scheme contributions	243	212
	8,041	8,436

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

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

	2017 RMB'000	2016 RMB'000
HKD1,500,001 to HKD2,000,000	3	3
HKD2,000,001 to HKD2,500,000	2	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.

10 INCOME TAX

	2017 RMB'000	2016 RMB'000
Current enterprise income tax	**2,769,307**	2,150,015
Deferred tax (note 21(b))	**(230,874)**	(150,131)
Land appreciation tax ("LAT")	**352,588**	208,608
	2,891,021	2,208,492

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

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

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:

	2017 RMB'000	2016 RMB'000
Profit before tax	**11,955,262**	9,647,073
National tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**2,988,816**	2,411,768
Effect of expenses that are not deductible for tax purposes	**130,349**	100,464
Tax effect of share of (profit)/loss of joint ventures	**(75,347)**	1,926
Tax effect of share of (profit)/loss of associates	**(52,625)**	7,808
Effect of tax-free income	**(58,479)**	(63,324)
Effect of unrecognised deductible losses and unrecognised deductible temporary differences	**609,902**	681,045
Effect of using previously unrecognised deductible losses and previously unrecognised deductible temporary differences	**(270,775)**	(239,025)
Tax concession	**(650,905)**	(848,425)
LAT	**352,588**	208,608
Tax effect of LAT	**(88,147)**	(52,152)
Others	**5,644**	(201)
Actual tax expense	**2,891,021**	2,208,492

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB5,261 million (2016: RMB4,281 million) and the weighted average of 29,875,307,000 ordinary shares in issue during the year ended 31 December 2017 (2016: 30,013,486,000 shares).

The weighted average number of ordinary shares is calculated as follows:

	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**30,020,396**	29,600,000
Effect of exercise of over-allotment (note 37 (c))	**–**	413,486
Effect of shares under restricted share incentive scheme purchase (note 37 (d))	**(145,089)**	–
Weighted average number of ordinary shares at 31 December	**29,875,307**	30,013,486

Given vesting condition of restricted shares are subject to achievement of financial performance of the Company and individual performance assessment of participants over the unlocking period, there was no dilutive effect arising from restricted share incentive scheme for the year ended 31 December 2017.

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12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Transportation vehicles/ vessels	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At 1 January 2016	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	–	–	–	420	107	–	5,218	5,745
Transfer from investment properties (note 14)	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	–	(5,890)	(2,429)	–	(682)	–	–	(9,001)
Transfer to investment properties (note 14)	(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
Additions	**513,872**	**517,742**	**354,621**	**108,648**	**60,575**	**69,316**	**2,382,801**	**4,007,575**
Transfer within property, plant and equipment	**461,270**	**790,999**	**10,132**	**11,008**	**1,437**	**7,097**	**(1,281,943)**	**–**
Acquisition of subsidiaries (note 45)	**101,437**	**315**	**686**	**414**	**324**	**122**	**80,084**	**183,382**
Contribution by non-controlling interests	**12,912**	**4,681**	**1,101**	**–**	**202**	**553**	**–**	**19,449**
Transfer from investment properties (note 14)	**11,392**	**–**	**–**	**–**	**–**	**–**	**–**	**11,392**
Write off/disposals	**(475,042)**	**(752,314)**	**(158,882)**	**(55,466)**	**(23,966)**	**(16,440)**	**–**	**(1,482,110)**
Disposal of subsidiaries	**–**	**–**	**(15,435)**	**–**	**(15)**	**–**	**–**	**(15,450)**
Transfer to investment properties (note 14)	**(24,058)**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,058)**
Exchange adjustment	**–**	**(56,157)**	**(18,859)**	**(2,851)**	**(569)**	**(1,283)**	**(481)**	**(80,200)**
At 31 December 2017	**21,523,760**	**20,766,440**	**3,534,655**	**1,492,751**	**498,755**	**728,541**	**2,523,977**	**51,068,879**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Machinery	Transportation vehicles/ vessels	Electronic equipment	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment:								
At 1 January 2016	(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 8)	(669,165)	(1,363,529)	(299,975)	(161,843)	(42,671)	(64,635)	–	(2,601,818)
Transfer from investment properties (note 14)	(2,555)	–	–	–	–	–	–	(2,555)
Write off/disposals	47,484	617,868	138,076	62,144	23,853	11,218	–	900,643
Disposal of subsidiaries	–	3,346	2,308	–	550	–	–	6,204
Transfer to investment properties (note 14)	177	–	–	–	–	–	–	177
Impairment for the year (note 6)	(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)
Provided for the year (note 8)	**(767,253)**	**(1,241,063)**	**(277,960)**	**(128,881)**	**(46,045)**	**(91,380)**	**–**	**(2,552,582)**
Transfer from investment properties (note 14)	**(5,615)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,615)**
Write off/disposals	**209,598**	**703,658**	**140,862**	**46,742**	**19,442**	**12,687**	**–**	**1,132,989**
Disposal of subsidiaries	**–**	**–**	**12,066**	**–**	**5**	**–**	**–**	**12,071**
Transfer to investment properties (note 14)	**6,111**	**–**	**–**	**–**	**–**	**–**	**–**	**6,111**
Impairment for the year (note 6)	**(8,045)**	**(2,542)**	**(45)**	**(35)**	**(79)**	**(184)**	**–**	**(10,930)**
Exchange adjustment	**–**	**37,775**	**6,579**	**2,219**	**98**	**582**	**–**	**47,253**
At 31 December 2017	**(5,355,668)**	**(10,691,138)**	**(2,432,346)**	**(987,162)**	**(304,382)**	**(488,360)**	**(28,459)**	**(20,287,515)**
Net book value:								
At 31 December 2017	**16,168,092**	**10,075,302**	**1,102,309**	**505,589**	**194,373**	**240,181**	**2,495,518**	**30,781,364**
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

12 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 RMB11 million was made for the year ended 31 December 2017 (2016: RMB314 million) 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 amount of approximately RMB2,947 million as at 31 December 2017 (31 December 2016: RMB975 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 43.

The carrying amounts of property, plant and equipment held under finance leases as at 31 December 2017 amounted to RMB43 million (31 December 2016: RMB417 million). Leased assets are pledged as security for the related finance lease liabilities.

As at 31 December 2017, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amounts of approximately RMB357 million (31 December 2016: RMB461 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

13 PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Cost:		
At beginning of the year	**9,128,787**	8,745,027
Additions	**231,691**	523,763
Acquisition of subsidiaries	**–**	2,811
Disposals	**(111,002)**	(142,814)
At end of the year	**9,249,476**	9,128,787
Accumulated amortisation and impairment:		
At beginning of the year	**(701,758)**	(510,891)
Charge for the year (note 8)	**(195,929)**	(190,361)
Disposals	**8,015**	4,985
Impairment for the year (note 6)	**(551)**	(5,491)
At end of the year	**(890,223)**	(701,758)
Net book value:		
At end of the year	**8,359,253**	8,427,029
At beginning of the year	**8,427,029**	8,234,136
Analysed for reporting purposes as:		
Non-current	**8,130,103**	8,213,342
Current	**229,150**	213,687
	8,359,253	8,427,029

As at 31 December 2017, the Group pledged leasehold land with carrying amount of RMB341 million (31 December 2016: RMB347 million) to secure loan facilities of the Group. Details of pledge of assets are set out in note 43.

As at 31 December 2017, 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 RMB13 million (31 December 2016: RMB15 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.

14 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Cost:		
At the beginning of the year	**806,862**	824,965
Transfer from property, plant and equipment (note 12)	**24,058**	1,669
Disposals	**(17,292)**	–
Transfer to property, plant and equipment (note 12)	**(11,392)**	(20,027)
Additions	**3,125**	255
At the end of the year	**805,361**	806,862
Accumulated depreciation:		
At the beginning of the year	**(162,853)**	(131,451)
Transfer from property, plant and equipment (note 12)	**(6,111)**	(177)
Provided for the year (note 8)	**(33,139)**	(32,913)
Disposals	**2,192**	–
Transfer to property, plant and equipment (note 12)	**5,615**	2,555
Impairment for the year (note 6)	**–**	(867)
At the end of the year	**(194,296)**	(162,853)
Net book value:	**611,065**	644,009

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 2017, the Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying amount of RMB71 million (31 December 2016: RMB84 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 2017, none of the Group's investment properties were pledged to secure loan facilities of the Group, while as at 31 December 2016, the carrying value of collateral was RMB67 million. Details of pledge of assets are set out in note 43.

14 INVESTMENT PROPERTIES (CONTINUED)

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.

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

	Net book value as at		(Level 3) Fair value as at	
	2017	2016	**2017**	2016
Located in:	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Anhui	**103,147**	106,254	**150,100**	147,510
Yunnan	**84,281**	96,007	**103,850**	116,480
Sichuan	**74,563**	78,703	**136,730**	128,410
Shaanxi	**90,063**	92,559	**241,050**	235,810
Xinjiang	**70,617**	74,439	**70,650**	75,110
Jilin	**36,800**	38,295	**39,980**	39,900
Hunan	**49,253**	33,746	**119,460**	94,944
Zhejiang	**27,425**	29,539	**65,920**	70,780
Jiangsu	**37,371**	39,852	**96,000**	96,000
Liaoning	**6,972**	21,792	**7,980**	41,200
Guangxi	**9,641**	10,326	**60,570**	55,450
Hubei	**8,690**	8,386	**42,010**	10,740
Tianjin	**5,548**	6,256	**35,560**	33,720
Hebei	**4,838**	5,139	**6,320**	6,150
Shanxi	**1,734**	1,894	**4,600**	4,590
Gansu	**–**	700	**–**	2,010
Guangdong	**122**	122	**37,480**	33,290
	611,065	644,009	**1,218,260**	1,192,094

The fair value of the investment properties as at 31 December 2016 and 2017 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 either income approach or 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.

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15 INTANGIBLE ASSETS

	Patent & unpatented technology	Software	Mining rights	Concession rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2016	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	–	14	–	–	36,269	36,283
Transfer within intangible assets	27,451	(19,634)	–	–	(7,817)	–
Disposal of subsidiaries	–	(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
Additions	**17,380**	**106,808**	**97,900**	**5,831,634**	**138,732**	**6,192,454**
Acquisition of subsidiaries	**–**	**–**	**–**	**1,924,455**	**–**	**1,924,455**
Transfer within intangible assets	**55,243**	**5,045**	**–**	**–**	**(60,288)**	**–**
Write off/disposal	**(30,533)**	**(8,357)**	**–**	**–**	**(616)**	**(39,506)**
At 31 December 2017	**304,944**	**735,853**	**213,757**	**24,797,734**	**393,969**	**26,446,257**
Accumulated amortisation and impairment:						
At 1 January 2016	(66,375)	(354,622)	(24,190)	(2,739,464)	(29,585)	(3,214,236)
Charge for the year (note 8)	(32,261)	(126,201)	(6,031)	(302,704)	(9,827)	(477,024)
Disposal of a subsidiary	–	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)
Charge for the year (note 8)	**(35,121)**	**(100,208)**	**(11,065)**	**(340,206)**	**(8,740)**	**(495,340)**
Transfer within intangible assets	**–**	**(3,495)**	**–**	**–**	**3,495**	**–**
Write off/disposal	**25,496**	**5,486**	**–**	**–**	**–**	**30,982**
At 31 December 2017	**(129,603)**	**(554,893)**	**(41,286)**	**(2,069,387)**	**(44,657)**	**(2,839,826)**
Net book value:						
At 31 December 2017	**175,341**	**180,960**	**172,471**	**22,728,347**	**349,312**	**23,606,431**
At 31 December 2016	142,876	175,681	85,636	15,312,464	276,729	15,993,386

15 INTANGIBLE ASSETS (CONTINUED)

The Group has entered into a number of service concession arrangements with certain government authorities in the PRC, Vietnam and Pakistan on a BOT basis in respect of its toll road operations, wastewater treatment plants, coal power plant and hydraulic power plant (the "underlying assets"). Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of the underlying assets, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain the infrastructure at a specified level of serviceability and also maintain the infrastructure to an acceptable level of working conditions before handing over the infrastructure to the grantors; and (iii) is entitled to operate the underlying assets upon completion for a specified concession period from 20 to 30 years by charging users of the public service. The Group will not hold any residual interest in the underlying assets 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 2016: two) concession agreements with an aggregate carrying amount of RMB7,485 million as at 31 December 2017 (31 December 2016: RMB7,721 million) were pledged to obtain bank borrowings (note 43).

Except for mining rights and concession rights related to toll roads (note 2(k)), intangible assets are amortised using the straight-line method over the expected useful lives as follows:

Patent & unpatented technology	10 years
Software	5 years
Concession right related to wastewater treatment plants	20 – 30 years
Concession right related to coal power plant	25 years
Concession right related to hydraulic power plant	30 years
Others	5 – 10 years

16 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	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	2017	2016	
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)	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)	9 November 1952 PRC	214,261,650	**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)	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)	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)	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)	11 December 1982 PRC	309,314,000	**100%**	100%	Construction

16 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	2017	2016	
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)	15 March 1985 PRC	240,813,200	**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)	7 April 1985 PRC	224,193,984	**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)	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)	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)	31 July 1986 PRC	715,000,000	**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)	1 March 1987 PRC	200,000,000	**100%**	100%	Survey, design, consulting and construction

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For the year ended 31 December 2017

16 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	2017	2016	
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)	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)	12 May 1988 PRC	400,839,800	**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)	3 August 1989 PRC	150,000,000	**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)	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)	18 November 1989 PRC	106,659,500	**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)	3 January 1990 PRC	300,000,000	**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)	29 March 1990 PRC	116,800,000	**100%**	100%	Survey, design, consulting and construction

16 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	**2017**	2016	
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)	12 April 1990 PRC	173,720,000	**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)	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)	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)	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)	13 October 1993 PRC	300,000,000	**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)	13 April 1994 PRC	713,501,288	**100%**	100%	Construction

16 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	2017	2016	
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)	2 May 1995 PRC	255,200,000	**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)	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)	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)	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)	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)	10 June 2003 PRC	3,207,700,000	**100%**	100%	Survey, design, consulting, construction, civilian blasting, cement sales and real estate development

16 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Date and place of establishment/ operation	Paid up registered capital	Equity interests attributable to the Group at 31 December		Principal activities
		RMB	**2017**	2016	
中國電力工程顧問集團有限公司 China Power Engineering Consulting Group Co., Ltd. ("CPEC") (note)	12 August 2003 PRC	2,097,370,200	**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)	16 August 2012 PRC	3,762,472,740	**100%**	100%	Manufacturing of equipment

Note:

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.

Composition of the Group

Principal activity	Place of establishment and operation	Number of principal directly-held subsidiaries	
		2017	2016
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

16 SUBSIDIARIES (CONTINUED)

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 establishment 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	
		2017	2016	2017	2016	2017	2016
				RMB'000	RMB'000	RMB'000	RMB'000
CGGC (note 3 (a)(i))	PRC	57.66%	57.66%	3,481,596	2,839,640	22,276,883	19,299,572
Others				58,790	33,534	805,061	399,259
Eliminations (note)				(29,737)	(16,989)	(399,669)	(203,124)
Total				3,510,649	2,856,185	22,682,275	19,495,707

Note:

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

16 SUBSIDIARIES (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

	2017 RMB'000	2016 RMB'000
Non-controlling interests percentage	**57.66%**	57.66%
Current assets	**123,188,853**	100,536,221
Non-current assets	**63,734,820**	50,692,610
Current liabilities	**101,363,827**	69,588,665
Non-current liabilities	**44,464,532**	42,704,603
Net assets	**41,095,314**	38,935,563
Carry amounts:		
perpetual capital instruments holders	**8,220,000**	10,100,000
non-controlling interests	**22,276,883**	19,299,572
Revenue	**106,807,100**	100,254,150
Profit for the year	**5,513,583**	4,483,063
Total comprehensive income for the year	**4,796,763**	4,333,294
Profit attributable to perpetual capital instruments holders	**292,447**	301,104
Profit attributable to non-controlling interests	**3,481,596**	2,839,640
Dividends paid to non-controlling interests	**1,287,066**	833,300
Net cash (outflows)/inflows from operating activities	**(823,888)**	1,839,696
Net cash outflows from investing activities	**(9,160,096)**	(3,483,541)
Net cash inflows from financing activities	**7,459,004**	5,553,686

17 INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of unlisted interests in joint ventures	**3,061,011**	3,557,813
Share of post-acquisition profits, net of dividends received and receivables	**326,176**	9,001
	3,387,187	3,566,814

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

Name of the joint ventures	Principal activities	Place of establishment and operation	Ownership interest at 31 December		Voting rights held at 31 December	
			2017	2016	**2017**	2016
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%

Notes:

(a) During the year ended 31 December 2015, the Group established two joint ventures and completed its capital contribution of RMB1,790 million into these two joint ventures. In 2016, the Group made further capital contribution of RMB36 million into these two joint ventures. The Group holds 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 agreements, 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.

(b) China Energy Engineering Group Investment Co., Ltd ("Investment Company"), a directly-held wholly-owned subsidiary of the Company, holds 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.

* English name of these companies are for reference only and have not 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.

17 INTERESTS IN JOINT VENTURES (CONTINUED)

Zhenglin

	2017 RMB'000	2016 RMB'000
Gross amount of Zhenglin		
Current assets	**5,043,127**	4,765,949
Non-current assets	**494**	149
Current liabilities	**1,768,677**	1,431,796
Non-current liabilities	**1,024,000**	1,200,000
Equity	**2,250,944**	2,134,302
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**483,177**	292,941
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,024,000**	1,200,000

	2017 RMB'000	2016 RMB'000
Revenue	**1,211,731**	–
Profit/(loss) and other comprehensive income for the year	**116,643**	(8,368)
The above profit/(loss) for the year includes the following:		
Finance income	**1,468**	731
Income tax expense	**(38,881)**	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:

	2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**2,250,944**	2,134,302
Proportion of the Group's interest in Zhenglin	**49%**	49%
Carrying amount of the Group's interest in Zhenglin	**1,102,963**	1,045,808

17 INTERESTS IN JOINT VENTURES (CONTINUED)

Rumao

	2017 RMB'000	2016 RMB'000
Gross amount of Rumao		
Current assets	**3,623,715**	4,564,726
Non-current assets	**12,081**	142
Current liabilities	**605,045**	2,024,955
Non-current liabilities	**921,900**	979,900
Equity	**2,108,851**	1,560,013
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**182,132**	531,656
Non-current financial liabilities (excluding trade and other payables and provisions)	**921,900**	979,900

	2017 RMB'000	2016 RMB'000
Revenue	**2,511,670**	–
Profit/(loss) and other comprehensive income for the year	**548,839**	(23,293)
The above profit/(loss) for the year includes the following:		
Finance income	**–**	1,365
Income tax expense	**(177,372)**	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:

	2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**2,108,851**	1,560,013
Proportion of the Group's interest in Rumao	**49%**	49%
Carrying amount of the Group's interest in Rumao	**1,033,337**	764,406

17 INTERESTS IN JOINT VENTURES (CONTINUED)

Fangchenggang

	2017 RMB'000	2016 RMB'000
Gross amount of Fangchenggang		
Current assets	**1,069,425**	752,748
Non-current assets	**7,258,253**	7,509,516
Current liabilities	**1,185,842**	1,537,853
Non-current liabilities	**4,618,651**	4,157,792
Equity	**2,523,185**	2,566,619
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**343,416**	142,038
Current financial liabilities (excluding trade and other payables and provisions)	**460,036**	429,187
Non-current financial liabilities (excluding trade and other payables and provisions)	**4,576,377**	4,124,686

	2017 RMB'000	2016 RMB'000
Revenue	**1,622,591**	970,067
(Loss)/profit and other comprehensive income for the year	**(80,934)**	22,290
Cash dividends received from the joint venture	**–**	–
The above (loss)/profit for the year includes the following:		
Depreciation and amortisation	**(214,779)**	(152,807)
Finance income	**2,061**	2,845
Finance costs	**(224,305)**	(111,270)
Income tax expense	**(803)**	(5,693)

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

	2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**2,523,185**	2,566,619
Proportion of the Group's interest in Fangchenggang	**30%**	30%
Carrying amount of the Group's interest in Fangchenggang	**756,956**	769,986

17 INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit and other comprehensive income	–	140
Cash dividend received	–	–

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	493,931	98,311

18 INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of unlisted interests in associates	4,250,874	3,546,132
Share of post-acquisition profits, net of dividends received and receivable	(30,428)	(165,187)
Provision for impairment	(40,982)	(40,982)
	4,179,464	3,339,963

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place/country of establishment and operations	Proportion of Ownership interest held by the Group at 31 December		Principal activities
		2017	2016	
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%	40.00%	Real estate

18 INTERESTS IN ASSOCIATES (CONTINUED)

Note:

During the year ended 31 December 2016, one associate was newly established, into which capital of RMB10 million 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.

* English name of this company is for reference only and has not been registered.

WCRLGRE

	2017	2016
	RMB'000	RMB'000
Gross amount of WCRLGRE		
Current assets	**5,914,851**	5,007,785
Non-current assets	**6,213**	759
Current liabilities	**3,115,545**	2,610,862
Non-current liabilities	**430,000**	–
Equity	**2,375,519**	2,397,682
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**456,826**	1,017
Current financial liabilities (excluding trade and other payables and provisions)	**371,583**	2,610,099
Non-current financial liabilities (excluding trade and other payables and provisions)	**430,000**	–

	2017	2016
	RMB'000	RMB'000
Revenue	**519**	–
Loss and other comprehensive income for the year	**(22,164)**	(2,318)
The above loss for the year includes the following:		
Finance income	**4,469**	19
Income tax expense	**(5,277)**	(750)

18 INTERESTS IN ASSOCIATES (CONTINUED)

WCRLGRE (continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of the associate	2,375,519	2,397,682
Proportion of the Group's interest in WCRLGRE	40%	40%
Carrying amount of the Group's interest in WCRLGRE	950,208	959,073

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profits/(losses) and other comprehensive income	219,363	(61,127)
Cash dividends received	70,372	25,204

19 GOODWILL

	2017 RMB'000	2016 RMB'000
Cost:		
At the beginning of the year	1,287,918	779,958
Arising on acquisition of subsidiaries	87,613	507,960
Disposal of subsidiaries	(421)	–
At the end of the year	1,375,110	1,287,918
Accumulated impairment losses:		
At the beginning and end of the year	–	–
Net book value:		
At the end of the year	1,375,110	1,287,918
At the beginning of the year	1,287,918	779,958

19 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:

	2017 RMB'000	2016 RMB'000
CGGC Group	**1,337,746**	1,250,133
CPEC	**21,095**	21,094
Guangxi Water & Power Group	**10,493**	10,493
Others	**5,776**	6,198
	1,375,110	1,287,918

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

Goodwill with an amount of RMB688 million, 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 2017 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 9.50% (2016: 10.55%). 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 an amount of RMB508 million, 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, are principally engaged in investment management business of water plants. The recoverable amounts of the cash generating units as at 31 December 2017 have been determined based on the value in use calculation. 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 9.00% and 12.00% (2016: 9.10% and 8.17%), respectively. Another key assumption for the value in use calculation is the stable budgeted gross margin, which is determined based on the industry average level.

19 GOODWILL (CONTINUED)

Impairment testing on goodwill (continued)

Goodwill with an amount of RMB21 million, 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% (2016: 15.7%). Another key assumption for the value in use calculation 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. This 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% (2016: 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.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Listed investments:		
Equity securities listed in Mainland China	**1,242,441**	2,166,368
Equity securities listed in Hong Kong	**116,886**	124,171
Subtotal	**1,359,327**	2,290,539
Unlisted investments:		
Private companies (note (a))	**6,969,558**	4,064,073
Listed company (note (b))	**403,986**	401,570
Provision for impairment	**(140,350)**	(114,178)
Subtotal	**7,233,194**	4,351,465
Total	**8,592,521**	6,642,004
Analysed for reporting purposes as:		
Non-current assets	**8,592,521**	6,642,004

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.

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21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2017 RMB'000	2016 RMB'000
Net tax payable at 1 January	**786,121**	726,783
Provision for the year (note 10)	**3,121,895**	2,358,623
Income tax paid	**(2,821,855)**	(2,299,285)
Net tax payable at 31 December	**1,086,161**	786,121
Representing:		
Tax payable	**1,441,301**	1,323,432
Tax recoverable	**(355,140)**	(537,311)
	1,086,161	786,121

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) 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 2016	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 10)	(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	–	–	–	–	–	(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
Credit/(charge) to profit or loss (note 10)	**52,390**	**60,887**	**172,327**	**726**	**(262)**	**(75,022)**	**-**	**1,347**	**18,481**	**230,874**
(Charge)/credit to other comprehensive income	**(14,625)**	**-**	**-**	**-**	**-**	**-**	**129,441**	**-**	**-**	**114,816**
At 31 December 2017	**292,910**	**647,519**	**469,694**	**69,239**	**19,848**	**(661,290)**	**(115,202)**	**(15,356)**	**86,874**	**794,236**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**1,702,844**	1,413,215
Net deferred tax liability recognised in the consolidated statement of financial position	**(908,608)**	(964,669)
	794,236	448,546

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred taxation (continued)

Details of tax losses not recognised are set out below:

	2017	2016
	RMB'000	RMB'000
Tax losses	**7,332,789**	6,935,110

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:

	2017	2016
	RMB'000	RMB'000
2017	**–**	437,898
2018	**513,383**	888,161
2019	**1,132,450**	1,634,713
2020	**1,643,585**	2,056,459
2021	**1,904,174**	1,917,879
2022	**2,139,197**	–
	7,332,789	6,935,110

22 TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**54,427,426**	44,659,392
Retention receivables	**10,358,119**	7,935,233
Less: allowance for doubtful debts	**(3,282,441)**	(2,803,199)
	61,503,104	49,791,426
Bills receivable	**5,221,724**	4,799,663
Build-transfer ("BT")/BOT project receivables	**5,327,706**	4,618,136
Total trade and bills receivables	**72,052,534**	59,209,225
Analysed for financial reporting purpose:		
Non-current	**16,573,131**	5,576,038
Current	**55,479,403**	53,633,187
	72,052,534	59,209,225

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

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

As at 31 December 2017, the Group pledged its trade receivables from grid companies amounting to approximately RMB410 million (31 December 2016: RMB460 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 43.

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

During the year, one subsidiary of the Group entered into an asset based security arrangement (the "ABS Arrangement") with Huatai Securities CO.,Ltd(the "Huatai Securities"). According to the ABS Arrangement, the Group transferred receivables amounting to RMB522 million to a special purpose vehicle (the "SPV") set up by the Huatai Securities. The SPV issued securities to independent investors then. Upon the completion of transfer, the Group has transferred substantially all the risks and rewards of ownership of such receivables. Thus, the balance of receivables has been derecognised in these consolidated financial statements.

(a) Ageing analysis

The following is an analysis of trade and bills receivables by age, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
0 to 6 months	**48,959,537**	39,773,585
6 months to 1 year	**8,033,600**	7,655,659
1 year to 2 years	**8,169,220**	5,947,042
2 years to 3 years	**3,573,992**	2,984,576
3 years to 4 years	**1,727,523**	1,357,346
4 years to 5 years	**839,368**	670,758
Over 5 years	**749,294**	820,259
	72,052,534	59,209,225

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 2 (m)(i)). The movements in the allowance for doubtful debts including both specific and collective loss components are set out as follows:

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**2,803,199**	2,375,139
Impairment losses recognised (note 8)	**492,234**	443,151
Written off	**(20,091)**	(15,339)
Elimination on disposal of subsidiaries	**–**	(164)
Exchange adjustment	**–**	412
Others	**7,099**	–
At the end of the year	**3,282,441**	2,803,199

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade and bills receivables that are not impaired

An ageing analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**68,221,092**	55,537,077
Less than 6 months past due	**149,597**	422,513
6 months to 1 year past due	**57,818**	125,893
1 to 2 years past due	**189,775**	208,367
2 to 3 years past due	**97,658**	82,373
3 to 4 years past due	**32,154**	1,321
4 to 5 years past due	**1,254**	4,430
Over 5 years past due	**20,745**	24,052
Subtotal	**549,001**	868,949
	68,770,093	56,406,026

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Related parties of trade and bills receivables

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

	2017 RMB'000	2016 RMB'000
Ultimate holding company	**119**	778
Fellow subsidiaries	**12,088**	15,792
Joint ventures	**128,395**	86,000
Associates	**5,051,323**	1,113,990
Total	**5,191,925**	1,216,560

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. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

(e) Foreign currency of trade and bills receivables

Trade receivables denominated in currencies other than the functional currencies of respective entities are set out below:

	2017	2016
	RMB'000	RMB'000
United States Dollar ("USD")	**640,531**	1,411,584
Others	**182,930**	278,482
	823,461	1,690,066

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Advance to suppliers	**20,957,551**	29,598,876
Other receivables (note)	**17,213,720**	14,674,884
Prepayments for acquisition of property, plant and equipment	**1,589,612**	1,240,742
Prepaid taxes	**2,854,564**	1,801,003
Dividends receivable	**68,666**	28,495
Interests receivable	**115,280**	68,868
Deposits for prepaid lease payments	**31,628**	36,628
Deposits for investments	**227,201**	389,030
	43,058,222	47,838,526
Analysed for financial reporting purpose:		
Non-current	**2,049,215**	1,881,948
Current	**41,009,007**	45,956,578
	43,058,222	47,838,526

Note:

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

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for doubtful debts are set out as follows:

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**1,361,194**	1,034,963
Impairment losses recognised (note 8)	**9,291**	333,835
Written off	**(34,367)**	(7,055)
Elimination on disposal of subsidiaries	**(241)**	(550)
Exchange adjustment	**(87)**	1
At the end of the year	**1,335,790**	1,361,194

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:

	2017 RMB'000	2016 RMB'000
Ultimate holding company		
– Non-trade nature	**223,843**	245,237
Fellow subsidiaries		
– Trade nature	**51,117**	165,518
– Non-trade nature	**697,426**	62,828
Joint ventures		
– Non-trade nature	**12,474**	28,836
Associates		
– Non-trade nature	**1,089,793**	224,977
Total	**2,074,653**	727,396

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24 OTHER LOANS AND FINANCE LEASE RECEIVABLES

(a) Other loans

At 31 December 2017, the amounts due from fellow subsidiaries, associates and third parties included in other loans were repayable within one year. These loans are all unsecured and non-trade, further details of which are analysed as follows:

	2017 RMB'000	2016 RMB'000
Amounts due from:		
Fellow subsidiaries	**190,000**	190,000
Joint ventures	**–**	1,137,763
Associates	**3,452,266**	1,329,536
Third parties	**625,278**	615,000
	4,267,544	3,272,299
Analysed for financial reporting purpose:		
Non-current	**–**	1,837,763
Current	**4,267,544**	1,434,536
	4,267,544	3,272,299
Loans:		
With ultimate holding company guarantee	**190,000**	190,000
With third party guarantees	**500,000**	500,000
Without guarantees	**3,577,544**	2,582,299
	4,267,544	3,272,299
Interest bearing loans (fixed rate)	**4,137,414**	1,423,838
Interest bearing loans (floating rate)	**–**	1,137,763
Interest-free loans repayable on demand	**130,130**	710,698
	4,267,544	3,272,299
Range of interest rate (per annum)	**4.35% to 10%**	4.35% 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.

24 OTHER LOANS AND FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Finance lease receivables

In 2017, the Group entered into finance lease arrangements for certain of its transportation vehicles and manufacturing facilities. The term range of finance leases entered into is from 3 to 7 years.

The finance lease receivables were mainly with floating interest rates reference to the benchmark interest rate of PBOC. The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates. As at 31 December 2017, the carrying amount of these finance lease receivables was RMB729 million, of which approximately RMB159 million was classified as current assets.

25 INVENTORIES

	2017	2016
	RMB'000	RMB'000
Materials in transit	**60,698**	25,751
Raw materials	**3,814,879**	3,427,466
Work in progress	**1,406,196**	1,293,465
Finished goods	**6,052,456**	4,622,557
Low value consumables and spare parts	**349,736**	250,949
	11,683,965	9,620,188
Less: write-down of inventories	**(118,188)**	(126,060)
	11,565,777	9,494,128

26 PROPERTIES UNDER DEVELOPMENT FOR SALE/COMPLETED PROPERTIES FOR SALE

	2017	2016
	RMB'000	RMB'000
Properties under development for sale	**40,718,775**	24,860,970
Completed properties for sale	**2,510,362**	1,447,443
	43,229,137	26,308,413

The amount of properties under development for sale not expected to be completed within the next twelve months is as follows:

	2017	2016
	RMB'000	RMB'000
Properties under development	**32,265,661**	10,199,862

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 43.

27 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

	2017 RMB'000	2016 RMB'000
Gross amounts due from customers for construction work	**34,473,565**	23,804,689
Gross amounts due to customers for construction work	**(7,278,552)**	(5,734,119)
	27,195,013	18,070,570
Contract costs incurred plus recognised profits less recognised losses to date	**901,223,836**	758,561,624
Less: progress billings received and receivables	**(874,028,823)**	(740,491,054)
	27,195,013	18,070,570

Gross amounts due from customers for construction work above include amounts attributable to joint venture and associates as follows:

	2017 RMB'000	2016 RMB'000
Joint ventures	**166,350**	94,719
Associates	**173,281**	67,336
	339,631	162,055

Gross amounts due to customers for construction work above include amounts attributable to a joint ventures and associates as follows:

	2017 RMB'000	2016 RMB'000
Joint venture	**–**	688
Associates	**32,198**	37,586

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

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000
Listed investments		
Equity securities listed in Mainland China (note 39 (a))	52,167	70,182

29 BANK AND CASH BALANCE, PLEDGED DEPOSITS/OTHER DEPOSITS OVER THREE MONTHS

(a) Cash and cash equivalents comprise:

	2017 **RMB'000**	2016 RMB'000
Bank and cash balances	**48,439,660**	47,284,860
Time deposits	**3,424,687**	4,528,774
	51,864,347	51,813,634
Less: Pledged deposits for		
Bills payable	**1,214,195**	931,116
Letter of credit	**1,005,107**	1,257,072
Others	**1,234,404**	510,388
	3,453,706	2,698,576
Bank and cash balances at end of year	**48,410,641**	49,115,058
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**710,804**	2,340,973
Cash and cash equivalents in the consolidated statement of cash flows	**47,699,837**	46,774,085

The Group's bank and cash balances comprise cash and bank deposits, including pledged deposits, carrying interest at prevailing variable market rates ranging from 0.10% to 3.00% per annum as at 31 December 2017 (31 December 2016: 0.01% to 2.90% per annum).

As at 31 December 2017, the bank deposits of RMB711 million (31 December 2016: RMB2,341 million) carried fixed rate interests ranging from 1.10% to 2.75% per annum (31 December 2016: 1.10% to 4.50% per annum) with original maturity of more than three months.

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of Mainland China is subject to the exchange restrictions imposed by the PRC government.

29 BANK AND CASH BALANCE, PLEDGED DEPOSITS/OTHER DEPOSITS OVER THREE MONTHS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before tax		**11,955,262**	9,647,073
Adjustment for:			
Depreciation of property, plant and equipment	12	**2,552,582**	2,592,339
Depreciation of investment properties	14	**33,139**	32,913
Amortisation of prepaid lease payments	13	**195,929**	188,837
Amortisation of intangible assets	15	**495,340**	477,024
Amortisation of unrealised profit on sale and leaseback transactions	36	**(7,354)**	(11,250)
Amortisation of government grant related to income	36	**(244,309)**	–
Finance costs	7	**3,077,702**	2,671,207
Finance income	7	**(715,191)**	(581,211)
Net foreign exchange loss/(gain)	6	**476,797**	(312,429)
Gain on disposal of associates	6	**–**	(44,248)
Gain on disposal of available-for-sale financial assets	6	**(754,669)**	(3,437)
Gain on disposal of property, plant and equipment	6	**(60,897)**	(32,971)
Gain on disposal of prepaid lease payments	6	**(4,053)**	(351,739)
Gain on disposal of subsidiaries	6	**(3,238)**	(230,045)
Loss on disposal of intangible assets	6	**65**	306
Recognition of allowance for trade receivables	6	**492,234**	443,151
Recognition of allowance for other receivables	6	**9,291**	333,835
Recognition/(reversal) of allowance on inventories	8	**117,893**	(71,923)
Impairment on available-for-sale financial assets	6	**26,172**	–
Impairment on investment properties	6	**–**	867
Impairment on property, plant and equipment	6	**10,930**	314,088
Impairment on prepaid lease payments	6	**551**	5,491
Dividend income from available-for-sale financial assets	5	**(165,365)**	(174,232)
Fair value changes of financial assets at fair value through profit or loss	6	**14,521**	15,217
Excess of fair value of the previously-held interests in a joint venture	6	**–**	(111,161)

29 BANK AND CASH BALANCE, PLEDGED DEPOSITS/OTHER DEPOSITS OVER THREE MONTHS (CONTINUED)

(b) Reconciliation of profit before taxation to cash generated from operations: (continued)

	Note	2017 RMB'000	2016 RMB'000
Operating activities (continued)			
Share based compensation expense		**39,983**	4,576
Waiver of certain payables from suppliers and others	5	**(109,751)**	(66,212)
Government grants related to assets	5	**(61,213)**	(24,686)
Share of (profits)/losses of joint ventures	17	**(301,386)**	7,703
Share of (profits)/losses of associates	18	**(210,498)**	62,054
Operating cash flows before movements in working capital		**16,860,467**	14,781,137
Increase in trade and bill receivables		**(12,670,264)**	(4,204,194)
Decrease/(increase) in prepayments, deposits and other receivables		**6,916,547**	(5,575,845)
Increase in inventories		**(2,189,536)**	(179,630)
(Increase)/decrease in completed properties for sale		**(1,062,919)**	668,610
Increase in properties under development for sale		**(14,762,001)**	(832,888)
Increase in amounts due from customers for construction contracts		**(10,668,876)**	(6,610,827)
Increase in amounts due to customers for construction contracts		**1,544,433**	1,180,526
Increase in trade and bills payables		**15,777,823**	11,941,092
Increase/(decrease) in other payables and accruals		**8,117,408**	(3,413,552)
Increase/(decrease) in defined benefit obligations		**499,828**	(751,594)
Increase in government grants related to income		**374,639**	10,199
(Decrease)/increase in provisions		**(286,395)**	3,974
Decrease/(increase) in financial assets at fair value through profit or loss		**3,494**	(18,736)
Cash generated from operations		**8,454,648**	6,998,272

29 BANK AND CASH BALANCE, PLEDGED DEPOSITS/OTHER DEPOSITS OVER THREE MONTHS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings	Corporate bonds	Finance leases	Accrued interests	Perpetual capital instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 32)	(Note 33)		(Note 31)	(Note 38)	
At 1 January 2017	51,138,319	26,921,484	300,469	118,837	10,100,000	88,579,109
Changes from financing cash flows:						
New bank and other borrowings	18,424,794	–	–	–	–	18,424,794
Advances from related parties	4,241,104	–	–	–	–	4,241,104
Repayment of bank and other borrowings	(10,489,187)	–	–	–	–	(10,489,187)
New corporate bonds	–	581,753	–	–	–	581,753
Repayment of corporate bonds	–	(550,000)	–	–	–	(550,000)
Repayment of finance lease payables	–	–	(299,567)	–	–	(299,567)
Issue of perpetual capital instruments	–	–	–	–	3,670,000	3,670,000
Interest paid	–	(1,548,739)	(32,514)	(3,096,590)	(292,447)	(4,970,290)
Total changes from financing cash flows	12,176,711	(1,516,986)	(332,081)	(3,096,590)	3,377,553	10,608,607
Exchange adjustments	(343,279)	–	–	(3,203)	–	(346,482)
Other changes:						
Interest expenses	–	967,231	32,514	1,710,397	292,447	3,002,589
Capitalised borrowing costs	–	–	–	1,247,643	–	1,247,643
Transfer to debt instrument	5,550,000	–	–	–	(5,550,000)	–
Acquisition of business (note 45)	1,998,017	–	–	–	–	1,998,017
Others	–	–	–	280,303	–	280,303
Total other changes	7,548,017	967,231	32,514	3,238,343	(5,257,553)	6,528,552
At 31 December 2017	70,519,768	26,371,729	902	257,387	8,220,000	105,369,786

30 TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	RMB'000
Trade payables	**83,770,646**	69,459,841
Bills payable	**6,369,172**	4,902,147
	90,139,818	74,361,988

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

As at 31 December 2017, retention payables of RMB5,713 million (31 December 2016: RMB3,012 million) 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 29.

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

	2017	2016
	RMB'000	RMB'000
Within 1 year	**76,069,115**	61,060,118
1 to 2 years	**6,181,565**	7,143,900
2 to 3 years	**4,117,945**	3,496,652
More than 3 years	**3,771,193**	2,661,318
	90,139,818	74,361,988

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

	2017	2016
	RMB'000	RMB'000
Fellow subsidiaries	**100,092**	78,458
Associates	**12,521**	17,249
	112,613	95,707

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.

31 OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advance from customers	**28,422,193**	25,706,229
Other payables	**22,804,088**	17,250,214
Accrued payroll and welfare	**2,335,579**	2,120,215
Non-income tax related tax payables	**2,637,019**	1,926,480
Dividend payables	**220,062**	217,472
Accrued interests	**257,387**	118,837
	56,676,328	47,339,447
Analysed for financial reporting purpose:		
Current	**55,576,402**	47,275,838
Non-current	**1,099,926**	63,609
	56,676,328	47,339,447

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

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

	2017 RMB'000	2016 RMB'000
Ultimate holding company	**1,289,087**	1,302,364
Fellow subsidiaries	**159,531**	137,870
Joint ventures	**21,968**	20,606
Associates	**1,248,860**	47,916
	2,719,446	1,508,756
Analysed by nature:		
Trade nature	**37,636**	56,743
Non-trade nature (note)	**2,681,810**	1,452,013
	2,719,446	1,508,756

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

32 BANK AND OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Current		
Short term bank borrowings:		
– unsecured	**17,505,972**	10,812,709
– secured	**489,773**	547,320
Short term other borrowings:		
– unsecured	**9,372,097**	5,293,947
Current portion of long term bank borrowings:		
– unsecured	**8,021,478**	5,116,108
– secured	**2,481,606**	1,285,865
Current portion of long term other borrowings:		
– secured	**99,045**	44,050
	37,969,971	23,099,999
Non-current		
Long term bank borrowings:		
– unsecured	**14,853,835**	18,090,813
– secured	**16,268,731**	8,526,231
Long term other borrowings:		
– secured	**1,427,231**	1,421,276
	32,549,797	28,038,320

Note:

During the year ended 31 December 2017, in view of certain amendments of terms agreed between the Group and relative financial institutions, some tranches of perpetual capital instruments with face value of RMB5,550 million, which was presented as equity instrument in the consolidated financial statements of the Group for the year ended 31 December 2016, were transferred to debt instrument.

32 BANK AND OTHER BORROWINGS (CONTINUED)

	2017 RMB'000	2016 RMB'000
Carrying amount is repayable as follows*:		
Within one year	**37,076,611**	22,477,139
More than one year but within two years	**9,033,633**	10,607,998
More than two years but within three years	**5,299,302**	3,244,437
More than three years but within four years	**1,567,382**	1,634,473
More than four years but within five years	**3,172,616**	3,676,635
More than five years	**14,370,224**	9,497,637
	70,519,768	51,138,319
Less:		
Carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
More than five years	**893,360**	622,860
Amounts due within one year	**37,076,611**	22,477,139
Amounts shown under current liabilities	**37,969,971**	23,099,999
Amounts shown under non-current liabilities	**32,549,797**	28,038,320

* 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:

	2017 RMB'000	2016 RMB'000
Ultimate holding company	**1,653,037**	500,001
Fellow subsidiaries	**1,146,970**	175,157
Joint ventures	**2,528,510**	1,473,540
Associate	**1,215,500**	154,215
	6,544,017	2,302,913

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 43.

32 BANK AND OTHER BORROWINGS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Guaranteed by third parties	**119,098**	127,811

Bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out below:

	2017 RMB'000	2016 RMB'000
USD	**5,037,077**	2,355,207
Japanese Yen ("JPY")	**119,098**	127,811
	5,156,175	2,483,018

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

	2017		2016	
	RMB'000	%	RMB'000	%
Fixed rate bank and other borrowings	**30,879,063**	**1.05-8.00**	23,677,784	1.05-9.60
Floating rate bank and other borrowings	**39,640,705**	**1.20-8.70**	27,460,535	1.20-8.84
	70,519,768		51,138,319	

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.

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33 CORPORATE BONDS

	2017 RMB'000	2016 RMB'000
Carrying amount repayable based on repayment term*:		
Within one year	**1,231,753**	557,645
More than one year but within two years	**1,200,000**	670,856
More than two years but within three years	**750,000**	1,201,304
More than three years but within four years	**10,000,000**	775,713
More than four years but within five years	**200,000**	10,442,482
More than five years	**12,989,976**	13,273,484
	26,371,729	26,921,484
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**	10,134,523
Amounts due within one year	**1,097,230**	557,645
Amounts shown under current liabilities	**11,231,753**	10,692,168
Amounts shown under non-current liabilities	**15,139,976**	16,229,316
Effective interest rate – floating rate (per annum)	**n/a**	4.75%
Effective interest rate – fixed rate (per annum)	**3.14%-5.37%**	3.14%-5.37%

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

34 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.

34 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

ENERGY CHINA GROUP has operated a fund, which was injected into ENERGY CHINA GROUP by the Ministry of Finance (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 Finance Co., Ltd., a financial institution and a subsidiary of the Company, as time deposits, of which an amount of RMB3,283 million 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 million 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 cash payments to the Group amounting to RMB1,133 million (2016: RMB201 million) 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 2017 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 2017 and 31 December 2016 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.

34 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2017	2016
Discount rate	**3.75% – 4.00%**	3.00% – 3.25%
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:

	2017	2016
	RMB'000	RMB'000
Past service costs	**326,121**	20,196
Interest costs	**367,560**	286,262
Less: interest income	**51,432**	66,801
Components of defined benefit costs recognised in profit or loss	**642,249**	239,657
Component of defined benefit income recognised in other comprehensive income	**(894,178)**	(436,199)
Total	**(251,929)**	(196,542)

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.

34 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	2017 RMB'000	2016 RMB'000
Liability arising from defined benefit obligations	**10,903,919**	12,063,621
Fair value of Defined Benefit Plan Asset	**(1,096,515)**	(2,177,995)
Less: net amount due within one year	**596,887**	810,612
Net amount due after one year	**9,210,517**	9,075,014

Movements in the present value of the retirement and supplemental benefit obligations during the year are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**12,063,621**	13,166,120
Past service costs	**326,121**	20,196
Interest costs	**367,560**	286,262
Benefits paid	**(959,205)**	(972,758)
Actuarial gain arising from changes in financial assumptions	**(894,178)**	(436,199)
At end of the year	**10,903,919**	12,063,621

Movements in the present value of Defined Benefit Plan Asset during the year are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**2,177,995**	2,312,162
Interest income	**51,432**	66,801
Cash received by the Group from ENERGY CHINA GROUP	**(1,132,912)**	(200,968)
At end of the year	**1,096,515**	2,177,995

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.

34 DEFINED BENEFIT OBLIGATIONS (CONTINUED)

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.

	2017	2016
	RMB'000	RMB'000
Actuarial assumptions		
Discount rate		
– increase by 0.25%	**(240,770)**	(280,790)
– decrease by 0.25%	**251,150**	293,480
Supplemental benefit rate		
– increase by 1.00%	**238,500**	937,810
– increase by 1.00%	**(201,270)**	(805,570)
Medical cost trend rate		
– increase by 1.00%	**787,920**	310,400
– increase by 1.00%	**(681,890)**	(261,030)

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:

	2017	2016
	No. of years	No. of years
Retired members	**17**	17
Civil retirees	**5**	6
Early retired staff	**4**	4
Standby staff with injury	**10**	10
Dependents of deceased employees	**14**	14
Terminated staff	**7**	8

35 PROVISIONS

The movements of provisions are as follows:

	Provision for relocation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	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**
Additions	**–**	**6,112**	**6,112**
Paid	**–**	**(48,700)**	**(48,700)**
At 31 December 2017	**7,589**	**93,914**	**101,503**

36 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 2016	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**
Additions	**168,793**	**374,639**	**–**	**543,432**
Released to profit or loss	**(61,213)**	**(244,309)**	**(7,354)**	**(312,876)**
At 31 December 2017	**496,132**	**240,529**	**48,773**	**785,434**

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.

37 CAPITAL AND RESERVE

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Issued share capital	Capital reserve	Shares held under restricted share incentive scheme	Share based compensation reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	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
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**412,624**	**412,624**
Purchase of own shares under restricting share incentive scheme	**–**	**–**	**(282,524)**	**–**	**–**	**(282,524)**
Dividends declared	**–**	**–**	**–**	**–**	**(888,604)**	**(888,604)**
Effect of share based compensation	**–**	**–**	**–**	**39,983**	**–**	**39,983**
As at 31 December 2017	**30,020,396**	**17,010,521**	**(282,524)**	**44,559**	**(269,551)**	**46,523,401**

37 CAPITAL AND RESERVE (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

During the current year, a final dividend of RMB0.0296 per share in respect of the year ended 31 December 2016 was approved at the annual general meeting of the Company held on 8 June 2017. The aggregate amount of the final dividends of the year ended 31 December 2016 approved and paid in the current year amounted to RMB889 million, paid to the holders of 30,020,396,000 shares.

A final dividend of RMB0.0306 per share in respect of the year ended 31 December 2017, comprising 30,020,396,000 shares existing as at 31 December 2017, has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0296 per share (2016: RMB0.00416 per share)	**888,604**	124,885

(c) Issued share capital

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

	At 31 December 2017		At 31 December 2016	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid				
State legal person shares of RMB1.00 each	**20,757,960**	**20,757,960**	20,757,960	20,757,960
H Shares of RMB1.00 each	**9,262,436**	**9,262,436**	9,262,436	9,262,436
	30,020,396	**30,020,396**	30,020,396	30,020,396

37 CAPITAL AND RESERVE (CONTINUED)

(c) Issued share capital (continued)

(ii) A summary of the movements in the Company's issued share capital is as follows:

	2017		2016	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**RMB'000**	'000	RMB'000
At beginning of the year	**30,020,396**	**30,020,396**	29,600,000	29,600,000
Exercise of over-allotment	**–**	**–**	420,396	420,396
Reduction of State legal person shares	**–**	**–**	(42,040)	(42,040)
Conversion to H shares	**–**	**–**	42,040	42,040
	30,020,396	**30,020,396**	30,020,396	30,020,396

(d) Purchase of shares under restricted share incentive scheme

During the year ended 31 December 2017, the Company purchased shares under restricted share incentive scheme by a trustee on the Stock Exchange as follows:

Month/year	**Number of shares purchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate price paid**
		HKD	HKD	RMB'000
January 2017	68,260,000	1.4825	1.2819	80,799
February 2017	13,700,000	1.4766	1.3774	17,396
March 2017	19,700,000	1.5366	1.4138	25,951
April 2017	8,900,000	1.5435	1.4286	11,631
May 2017	16,600,000	1.4797	1.4342	21,365
June 2017	20,300,000	1.5785	1.4530	26,048
July 2017	20,500,000	1.5752	1.4130	26,521
August 2017	12,200,000	1.4792	1.3995	15,065
September 2017	11,100,000	1.4713	1.3856	13,428
October 2017	12,600,000	1.4502	1.3800	15,067
November 2017	9,450,000	1.3900	1.3400	10,934
December 2017	16,316,000	1.3930	1.2200	18,319
				282,524

37 CAPITAL AND RESERVE (CONTINUED)

(e) 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. 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. During the year ended 31 December 2017, 229,626,000 shares were acquired from the market (2016: Nil, note 37 (d)).

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

	2017		2016	
	Average fair value (per share)	**Number of restricted shares granted**	Average fair value (per share)	Number of restricted shares granted
	HKD		HKD	
At the beginning of the year	**0.66**	**287,500**	–	–
Forfeited	**0.66**	**(12,228)**	–	–
Granted	**–**	**–**	0.66	287,500
At the end of the year	**0.66**	**275,272**	0.66	287,500

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt (which includes bank and other borrowings, finance lease payables, corporate bonds, net of pledged deposits and bank and cash balances, as disclosed in notes 32, 33 and 29 respectively), perpetual capital instruments and equity attributable to equity shareholders of the Company. The net debt of the Group as at 31 December 2017 is RMB45,028 million (2016: RMB26,547 million).

37 CAPITAL AND RESERVE (CONTINUED)

(f) Capital management (continued)

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

38 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 31 December 2017:

Issuance Date	Distribution Rate p.a	Amount
	%	RMB'000
31 May 2016	4.28	3,000,000
21 September 2016	3.76	3,000,000
28 July 2017	5.80	1,000,000
31 July 2017	5.90	600,000
08 December 2017	6.00	620,000
Total		8,220,000

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.

39 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**72,052,534**	59,209,225
Deposits and other receivables	**17,397,666**	14,322,851
Finance lease receivables	**728,525**	–
Other loans	**4,267,544**	3,272,299
Pledged deposits	**3,453,706**	2,698,576
Bank and cash balances	**48,410,641**	49,115,058
Subtotal	**146,310,616**	128,618,009
Available-for-sale financial assets	**8,592,521**	6,642,004
Financial assets at FVTPL	**52,167**	70,182
Financial liabilities		
Amortised cost:		
Trade and bills payables	**90,139,818**	74,361,988
Other payables	**23,281,537**	17,499,880
Bank and other borrowings	**70,519,768**	51,138,319
Finance lease payables	**902**	300,469
Corporate bonds	**26,371,729**	26,921,484
	210,313,754	170,222,140

39 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 payables, other payables, 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 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 (2016: 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 2017 would increase/decrease by approximately RMB36 million (2016: RMB40 million).

If interest rates had been 50 basis points (2016: 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 2017 would decrease/increase by approximately RMB88 million (2016: RMB66 million).

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk

(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 in 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**14,925,041**	11,537,532	**8,525,098**	2,537,159
EURO	**463,996**	30,949	**4,878**	–
HKD	**168,628**	1,032,653	**–**	47
Others	**3,201,760**	788,829	**1,148,260**	1,264,936

Sensitivity analysis

The sensitivity analysis below has been determined based on a 6% (2016: 6%) increase/decrease in functional currency of respective group entities against the relevant foreign currencies. 6% (2016: 6%) 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% (2016: 6%) 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% (2016: 6%) against the relevant foreign currency. For a 6% (2016: 6%) 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.

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis *(continued)*

	2017 **RMB'000**	2016 RMB'000
(Decrease)/increase in the Group's post-tax profit		
– if RMB strengthens against USD	**(287,997)**	(416,396)
– if RMB strengthens against EURO	**(20,660)**	(1,432)
– if RMB strengthens against HKD	**(7,588)**	(42,028)
– if RMB strengthens against others	**(92,408)**	22,027
Decrease in the Group's other comprehensive income		
– if RMB strengthens against HKD	**(5,260)**	(5,745)

(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. Details of the available-for-sale financial assets and financial assets at fair value through profit or loss are set out in notes 20 and 28, 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.

39 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% (2016: 12%) increase/decrease in equity price of the equity securities mentioned above. 12% (2016: 12%) 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.

	2017 **RMB'000**	2016 RMB'000
Increase/(decrease) in post-tax profit		
– as a result of increase in equity price	**4,695**	6,494
– as a result of decrease in equity price	**(4,695)**	(6,494)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**122,339**	262,976
– as a result of decrease in equity price	**(122,339)**	(262,976)

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 recognized 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 9% of the total trade receivables was due from the Group's largest five customers in the PRC as at 31 December 2017 (31 December 2016: 3%). The Group's remaining customers individually contribute less than 1% of the total trade receivables of the Group.

39 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.

39 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 2017									
Trade and bills payables	N/A	90,139,818	–	–	–	–	–	90,139,818	90,139,818
Other payables	N/A	23,275,375	–	–	–	–	6,162	23,281,537	23,281,537
Financial lease payables	5.66	905	–	–	–	–	–	905	902
Corporate bonds	3.74	11,603,670	1,790,470	1,283,070	10,697,160	161,100	3,161,100	28,696,570	26,371,729
Interest-bearing bank and other borrowings									
– Floating rate	5.84	19,930,381	4,466,762	6,097,118	2,157,337	1,853,041	12,694,089	47,198,728	39,640,705
– Fixed rate	4.84	19,639,598	7,157,555	1,992,129	330,311	2,099,819	3,088,607	34,308,019	30,879,063
		164,589,747	13,414,787	9,372,317	13,184,808	4,113,960	18,949,958	223,625,577	210,313,754
Financial guarantee contracts	N/A	5,340,455	–	–	–	–	–	5,340,455	–

	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	–

39 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 2017, the aggregate carrying amount of these bank borrowings amounted to RMB893 million (31 December 2016: RMB623 million). 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 2017, the aggregate carrying amount of these corporate bonds amounted to RMB10,135 million (31 December 2016: RMB10,135 million). 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.

Fair value measurement

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Fair value hierarchy (continued)

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

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**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	**30,879,063**	23,677,784	**33,513,361**	24,670,791
Corporate bonds (fixed rate)	**26,371,729**	26,514,352	**26,647,262**	26,857,967
Financial lease payables (fixed rate)	**902**	300,469	**886**	308,782
	57,251,694	50,492,605	**60,161,509**	51,837,540

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Fair value hierarchy (continued)

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

Fair value hierarchy as at 31 December 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Bank and other borrowings (fixed rate)	–	33,513,361	–	33,513,361
Corporate bonds (fixed rate)	–	26,647,262	–	26,647,262
Financial lease payables (fixed rate)	–	–	886	886
	–	60,160,623	886	60,161,509

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
	–	51,528,758	308,782	51,837,540

39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Fair value measurement (continued)

Fair value hierarchy (continued)

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.

Financial assets	Fair value at		Fair value hierarchy	Valuation technique	Key inputs	Significant unobservable inputs	Relationship of unobservable inputs
	31 December 2017	31 December 2016					
Tradable listed equity securities classified as available-for-sale financial assets	**1,359,327**	2,290,539	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable
Subtotal	**1,359,327**	2,290,539					
Financial assets at fair value through profit or loss (note 28)	**52,167**	70,182	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable

Reconciliation of level 3 fair value measurement of financial assets:

	2017	2016
	RMB'000	RMB'000
At beginning of the year	**401,570**	347,977
Fair value gain recognised in other comprehensive income	**2,416**	53,593
At end of the year	**403,986**	401,570

40 CAPITAL COMMITMENTS

Capital expenditure:

	2017 RMB'000	2016 RMB'000
Contracted for but not provided in these consolidated financial statements:		
Property, plant and equipment	**1,693,123**	1,093,704

The Group's share of the capital commitments of its joint ventures is as follows:

	2017 RMB'000	2016 RMB'000
Commitments to contribute funds for the acquisition and construction of property, plant and equipment	**–**	358,801

Investment commitments:

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

	2017 RMB'000	2016 RMB'000
Investment commitments in:		
– Associates	**12,217**	2,931,387
– Joint ventures	**366,070**	1,733,242
– Available-for-sale financial assets	**–**	22,528
	378,287	4,687,157

41 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:

	2017 RMB'000	2016 RMB'000
Within one year	**178,831**	226,200
1 to 3 years	**235,907**	276,257
Over 3 years	**41,177**	68,988
	455,915	571,445

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 2017, rental income earned by the Group from its investment properties was RMB55 million (2016: RMB54 million).

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:

	2017 RMB'000	2016 RMB'000
Within one year	**64,522**	56,048
1 to 3 years	**73,519**	58,686
Over 3 years	**106,864**	108,036
	244,905	222,770

42 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 the management believes that the probability of loss is remote.

(b) In accordance with relevant policies issued by State-owned Assets Supervision and Administration Commission of the State Council and Ministry of Finance of PRC, state-owned enterprises shall carve out and transfer their assets related to water supply, power supply, and heat/gas supply and property management of employees' communities to the parties, which are designated by local governments (the "Transfer", 三供一業). Certain memorandums of understanding ("MOUs") and framework contacts have been entered into by subsidiaries of the Group in line with relevant policies. The Directors are of the opinion that these MOUs and framework contacts are not legally binding and subject to further changes, before the overall arrangement for the Transfer are approved by board or shareholders' meeting of the Company, when appropriate.

(c) Guarantees

	2017	2016
	RMB'000	RMB'000
Guarantees given to banks and other financial institutions in respect of loan facilities granted to: (note i)		
Joint ventures (note 44 (a))	**938,791**	1,068,151
Associates (note 44 (a))	**3,405,158**	3,701,466
Investee recognised as available-for-sale financial asset	**33,550**	75,000
	4,377,499	4,844,617
Mortgage loan guarantees provided by the Group to banks in favor of its customers (note ii)	**833,106**	1,244,449
	5,210,605	6,089,066

42 CONTINGENCIES (CONTINUED)

(c) Guarantees (continued)

(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.

43 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	2017 RMB'000	2016 RMB'000
Property, plant and equipment	12	**2,946,803**	975,091
Prepaid lease payments	13	**340,558**	346,952
Investment properties	14	**-**	66,670
Intangible assets	15	**7,484,795**	7,721,317
Trade receivables	22	**410,361**	459,796
Properties under development for sale	26	**21,388,648**	9,418,948
Completed properties for sale	26	**32,345**	19,722
Bank deposits	29	**3,453,706**	2,698,576
		36,057,216	21,707,072

44 MATERIAL 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:

	2017	2016
Sales of goods		
Ultimate holding company	**100**	–
Associates	**282,442**	83,406
Fellow subsidiaries	**73**	2,242
	282,615	85,648
Provision of construction services		
Joint ventures	**126,441**	57,273
Associates	**7,372,782**	3,500,437
Fellow subsidiaries	**33,927**	11,274
	7,533,150	3,568,984
Purchase of goods		
Joint ventures	**301**	–
Associates	**14,919**	18,799
Fellow subsidiaries	**290**	–
	15,510	18,799
Purchase of services		
Ultimate holding company	**8,042**	–
Joint ventures	**675**	–
Associates	**8,935**	–
Fellow subsidiaries	**122,115**	30,853
	139,767	30,853
Lease expense		
Fellow subsidiaries	**158,632**	160,445
Finance income		
Associates	**61,700**	99,991
Joint ventures	**–**	29,114
Fellow subsidiaries	**7,364**	5,996
	69,064	135,101
Finance costs		
Ultimate holding company	**33,919**	33,141
Fellow subsidiaries	**1,651**	201
	35,570	33,342

44 MATERIAL 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:

	2017	2016
	RMB'000	RMB'000
Associates (note 42 (c))	**3,405,158**	3,701,466
Joint ventures (note 42 (c))	**938,791**	1,068,151
	4,343,949	4,769,617

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.

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 22, 23, 24, 27, 30, 31 and 32.

44 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2017 RMB'000	2016 RMB'000
Directors' fee	**293**	487
Salaries and other allowances	**3,612**	3,280
Discretionary bonus	**5,679**	9,570
Retirement benefit schemes contributions	**702**	666
	10,286	14,003

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 37 (e).

(d) Applicability of the Listing Rules relating to connected transactions

Certain of the related party transactions included in note 44(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the Report of the Board as required by Chapter 14A of the Listing Rules.

45 ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2017, the Group acquired equity interests of certain companies owned by other independent third parties.

In current year, the Group obtained control of Jaks Pacific Power Limited ("Jaks Pacific"), which is engaged in investment, by modifying the contractual agreement with the other shareholder. As at 31 December 2016, Jaks Pacific was a joint venture of the Group. Pursuant to the revised articles of Jaks Pacific entered into during 2017, the board of directors of Jaks Pacific shall comprise five directors whereby the Group has the right to appoint three and the other sole investor shall appoint two. At least 50% approvals by the directors of Jaks Pacific are required for decisions on directing the relevant activities of Jaks Pacific. In the opinion of the Directors, the Group has control over Jaks Pacific based on the revised articles of Jaks Pacific and therefore Jaks Pacific 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. Such acquisition enabled the Group to expand its investment portfolio.

45 ACQUISITION OF SUBSIDIARIES (CONTINUED)

On 31 August 2017, a wholly-owned subsidiary of CGGC acquired 78% equity interests of Suki Kinari Hydro Private Limited("SK Hydro"), an associate of another wholly-owned subsidiary of CGGC by entering into a Share Purchase Agreement with a Saudi Arabian company named White Crystals Limited. After this acquisition, the Group indirectly held SK Hydro's 98% equity interest in total and obtained control of SK Hydro. SK Hydro was incorporated in Pakistan and entered into a service concession agreement with local government to construct and operate a hydroelectric station during the concession period, which is for 30 years of operation. Such acquisition broadened the Group's development directions and strategies of overseas investment business.

Assets and liabilities recognised at the date of acquisition are as follows:

	Jaks Pacific	SK Hydro	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	269	101,326	81,787	183,382
Intangible assets	642,508	1,281,947	–	1,924,455
Trade and bills receivables	106	–	–	106
Prepayments, deposits and other receivables	1,046,934	–	188	1,047,122
	1,689,817	1,383,273	81,975	3,155,065
CURRENT ASSETS				
Inventories	–	–	6	6
Prepayments, deposits and other receivables	50,554	1,451,095	18,892	1,520,541
Cash and cash equivalents	486,101	3,157	17,999	507,257
	536,655	1,454,252	36,897	2,027,804
CURRENT LIABILITIES				
Bank and other borrowings	9,976	–	7,000	16,976
Trade and bills payables	–	9,878	11,287	21,165
Other payables and accruals	17,843	1,923,430	25,820	1,967,093
Income tax payable	–	191	42	233
	27,819	1,933,499	44,149	2,005,467
NET CURRENT ASSETS/(LIABILITIES)	508,836	(479,247)	(7,252)	22,337
TOTAL ASSETS LESS CURRENT LIABILITIES	2,198,653	904,026	74,723	3,177,402
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,170,341	810,700	–	1,981,041
NET ASSETS	1,028,312	93,326	74,723	1,196,361

45 ACQUISITION OF SUBSIDIARIES (CONTINUED)

	Jaks Pacific	SK Hydro	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred				
– Consideration paid/payable	–	94,781	78,440	173,221
– Carrying amount of previously-held interests in a joint venture/ associate	719,818	56,348	–	776,166
– Excess of fair value of the previously-held interests in a joint venture	–	–	–	–
	719,818	151,129	78,440	949,387
Plus: non-controlling interests	308,494	1,867	24,226	334,587
Less: net assets acquired	1,028,312	93,326	74,723	1,196,361
Goodwill arising from acquisition (note 19)	–	59,670	27,943	87,613
Net cash outflow arising on acquisition				
Total cash consideration paid	–	(94,781)	(73,467)	(168,248)
Add: cash and cash equivalents acquired	486,101	3,157	17,999	507,257
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition	486,101	(91,624)	(55,468)	339,009

The initial fair value/acquisition accounting for SK Hydro and other subsidiaries was determined provisionally. In accordance with IFRS3, adjustments to the fair value of the consideration and the assets acquired and liabilities assumed can be made during the 12 months from the date of acquisition.

46 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**12,237**	14,410
Intangible assets	**14,619**	14,279
Investments in subsidiaries	**45,267,631**	40,338,981
Investments in joint ventures	**–**	1,523,550
Investments in associates	**–**	57,000
Available-for-sale financial assets	**13,000**	–
Prepayments, deposits and other receivables	**22,003**	120,804
Other loans to subsidiaries	**1,978,000**	1,916,000
	47,307,490	43,985,024
CURRENT ASSETS		
Other receivables	**4,118,433**	5,089,015
Other loans to subsidiaries	**1,301,022**	2,309,850
Pledged deposits	**200**	200
Bank and cash balances	**4,556,976**	9,559,512
	9,976,631	16,958,577
CURRENT LIABILITIES		
Other payables and accruals	**5,209,232**	10,547,481
Bank and other borrowings	**2,393,071**	–
NET CURRENT ASSETS	**2,374,328**	6,411,096
TOTAL ASSETS LESS CURRENT LIABILITIES	**49,681,818**	50,396,120
NON-CURRENT LIABILITIES		
Corporate bonds	**3,158,417**	3,154,198
NET ASSETS	**46,523,401**	47,241,922
Capital and reserves		
Issued share capital	**30,020,396**	30,020,396
Reserves	**16,503,005**	17,221,526
TOTAL EQUITY	**46,523,401**	47,241,922

47 SUBSEQUENT EVENT

On 9 March 2018, bondholders of perpetual corporate bonds (the "Bonds"), which was issued by CGGC in 2016 with face value of RMB10,000 million, voted in favour of the amendment of the terms, and the resolution has been duly passed. Pursuant to the amended terms, the Bonds, which is presented as financial liability in the consolidated financial statements of the Group for the year ended 31 December 2017, fall into the definition of equity instrument under IFRSs.

48 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2017.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to IAS 40, *Investment property: Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
Annual improvements to IFRSs 2015-2017 Cycle	1 January 2018
IAS 28, *Investments in Associates and Joint Ventures*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. The actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

- The Group has assessed that their financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9;

- With respect to the Group's financial assets currently classified as "available-for-sale", these are equity investments which the Group has the option to irrevocably designate as fair value through other comprehensive income ("FVTOCI") (without recycling) on transition to IFRS 9. The Group is in the process of assessing the fair value of the available-for-sale financial assets currently measured at cost less impairment and will disclose the impact to the opening balance of the Group's equity as 1 January 2018 in interim financial report for the six months ended 30 June 2018;

- The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any above mentioned financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Company and its subsidiaries on adoption of IFRS 9.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, Financial instruments (continued)

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses. Based on a preliminary assessment, the Group does not expect material change to the loss allowance for the Group's trade debtors and other debt investment held at amortised cost and net investment in finance lease. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2 (x). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the contract and the enforceability of any specific performance clauses in that contract. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

The Group is in the process of making an assessment of the impact of IFRS 15 on its financial statements. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining which transitional approach to take, where there are alternative approaches allowed under the new standards.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 16, Leases

As disclosed in note 2 (l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

Based a preliminary assessment, IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As disclosed in note 41, the Group's future minimum lease payments under non-cancellable operating leases for its offices and property, plant and equipment amounted to approximately RMB456 million as at 31 December 2017. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

In addition, the application of new requirements may result in 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.

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, and as amended after being considered and passed at the 2015 annual general meeting held on 8 June 2016 and the 2017 extraordinary general meeting held on 28 December 2017, respectively
"Board"	refers to the board of directors of the Company
"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
"BOOT"	refers to Build-Operate-Own-Transfer, a model in which project companies own and operate projects, and then transfer the project to government after a certain period of time, which is an investment mode evolved from BOT
"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 19 December 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 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on 28 December 2013 to take effective on 1 March 2014

Glossary of Vocabulary and Technical Terms

"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
"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 18 January 1996 and a subsidiary of our Company
"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

Glossary of Vocabulary and Technical Terms

"Group" or "our Group"	refers to the Company and its subsidiaries
"intelligent substation"	refers to substations that use advanced, reliable, integrated and intelligent devices to automatically complete basic functions of information collection, measurement, control, protection, survey and testing for the basic requirements of electronic information, network communication platform, standardized information sharing of the whole station while having advanced features such as real-time automatic control of the power grids, smart regulation, online analysis and decision-making and collaborative interaction
"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
"MOF"	refers to Ministry of Finance 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
"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"
"OFAC"	The Office of Foreign Assets Control of the US Department of the Treasury
"PRC" or "China"	refers to the People's Republic of China
"PPP"	refers to public-private-partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector
"PV"	refers to a technology directly converting the light energy into electrical energy by using the photovoltaic effect of the semiconductor interface

Glossary of Vocabulary and Technical Terms

"Reporting Period"	refers to the year ended 31 December 2017
"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)
"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
"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
"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 Listing Rules
"Supervisory Committee"	refers to the committee of supervisors of the Company
"the 461 China-Africa Cooperation Framework"	refers to four principles, six areas to promote new projects and one important platform aiming to upgrade the cooperation between China and Africa and jointly create a brighter future of China-Africa relationship development, in which the four principles being treating each other with full sincerity and as complete equals, enhancing solidarity and mutual trust, jointly pursuing inclusive development and innovating on practical cooperation; the six areas to promote new projects being industrial cooperation projects, financial cooperation projects, poverty reduction projects, ecological and environmental protection projects, cultural and people-to-people exchanges, and enhancing peace and security; the one important platform being completing the Forum on China-Africa Cooperation

"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
"13th Five-Year Plan"	refers to the Thirteenth Five-Year Planning Outline for National Economic and Social Development of the People's Republic of China

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