



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

INTERIM REPORT 2016

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

(Stock Code: 3996)

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Company Information

Company Information

Chinese Name: 中國能源建設股份有限公司
 English Name: China Energy Engineering Corporation Limited
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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
 Mr. Zhang Xianchong

Non-Executive Director

Mr. Ma Chuanjing

Independent Non-Executive Directors

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

Supervisors

Mr. Wang Baoguo (Chairman)
 (resigned on 27 July 2016)
 Mr. Lian Yongjiu
 Mr. Kan Zhen
 Mr. Fu Dexiang
 Mr. Wei Zhongxin

Authorized representatives

Mr. Wang Jianping
 Mr. Duan Qirong

Strategy Committee

Mr. Wang Jianping (Chairman)
 Mr. Ding Yanzhang
 Mr. Ma Chuanjing

Nomination Committee

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

Remuneration and Assessment Committee

Mr. Zheng Qiyu (Chairman)
 Mr. Wang Bin
 Mr. Cheung Yuk Ming

Audit Committee

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

Joint Company Secretaries

Mr. Duan Qirong
 Ms. Mok Ming Wai

H Share Registrar

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

International Auditor

Deloitte Touche Tohmatsu
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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
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 Beijing, the PRC

Compliance Adviser

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

Principal Bankers

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

Financial Summary

1 Summary of Condensed Consolidated Income Statement

	For the six months ended 30 June		Changes of 2016 over 2015 (%)
	2016 (RMB in million)	2015 (RMB in million)	
Revenue:			
Survey, design and consultancy	5,901.1	5,211.7	13.23
Construction and contracting	68,191.9	66,965.2	1.83
Equipment manufacturing	4,206.8	4,294.3	-2.04
Civil explosives and cement production	4,036.7	3,848.8	4.88
Investment and other businesses	13,029.0	8,959.9	45.41
Inter-segment elimination and adjustment	(3,250.3)	(2,460.1)	
Total	92,115.2	86,819.8	6.10
Gross profit	10,277.0	9,966.1	3.12
Profit before tax	3,701.5	3,662.8	1.06
Profit for the period	2,844.5	2,761.4	3.01
Profit attributable to owners of the Company for the period	2,210.1	1,622.6	36.21
Basic and diluted earnings per share (RMB cents)	7.37	7.51	-1.86

2 Summary of Condensed Consolidated Statement of Financial Position

	As at 30 June 2016	As at 31 December 2015	Changes of 30 June 2016 over 31 December 2015
	(RMB in million)	(RMB in million)	(%)
Current assets	197,113.1	184,877.1	6.62
Non-current assets	74,783.3	75,720.8	-1.24
Total assets	271,896.4	260,597.9	4.34
Current liabilities	149,167.1	151,934.7	-1.82
Non-current liabilities	58,140.8	47,870.9	21.45
Total liabilities	207,307.9	199,805.6	3.75
Total equity	64,588.5	60,792.3	6.24
Total equity and liabilities	271,896.4	260,597.9	4.34

Management Discussion and Analysis

1 Overview of Industry Development

- (1) Domestic electric power construction market. According to the statistics of the NEA, the power generation projects and power grid projects of the nationwide major power enterprises completed investment of RMB339.04 billion from January to June 2016, representing a year-on-year growth of 15%. Among which, the power generation projects of the nationwide major power enterprises completed investment of RMB121 billion, representing a year-on-year decrease of 8.37%; the power grid projects completed investment of RMB218.04 billion, representing a year-on-year growth of 33.25%. Among the power generation investment, the fossil-fuel power investment reached RMB37.87 billion, representing a year-on-year decrease of 6.41%; the hydropower investment reached RMB22.67 billion, representing a year-on-year decrease of 17.94%; the nuclear power investment reached RMB21.79 billion, representing a year-on-year growth of 7.32%; the wind power investment reached RMB24.43 billion, representing a year-on-year decrease of 38.43%.
- (2) Domestic non-power engineering market. According to the statistics of the National Bureau of Statistics, the investment scale of nationwide major hydraulic engineering projects under construction remained above RMB800 billion in 2016. In the first half of the year, the hydraulic engineering investment amounted to RMB378.41 billion, representing a year-on-year growth of 27.1%. The planned investment for nationwide railway fixed assets amounted to approximately RMB800 billion, of which investment of RMB304 billion was completed in the first half of the year, representing a year-on-year growth of 9%. The planned investment in nationwide roads amounted to approximately RMB1,650 billion, of which investment of RMB646.9 billion was completed in the first half of the year, representing a year-on-year growth of 10.2%. The planned investment in nationwide port and shipping projects amounted to approximately RMB200 billion, of which investment of RMB85.1 billion was completed in the first half of the year, representing a year-on-year increase of 18.5%. The investment scale of nationwide airport projects amounted to approximately RMB200 billion, of which investment of RMB95.55 billion was completed in the first half of the year, representing a year-on-year growth of 30.1%. As for the real estate, investment of RMB6,150 billion was completed in the first half of the year, representing a year-on-year growth of 7.2%.
- (3) International market. According to the latest statistics from the MOFCOM, the Chinese non-financial outbound direct investment reached USD88.86 billion in the first half of 2016, representing a year-on-year growth of 58.7%. The turnover of outbound contracting projects amounted to USD66.05 billion, representing a year-on-year decrease of 2.2% and a continuous decline in terms of the decreasing ratio. The contract amount for outbound contracting projects amounted to USD99.69 billion, representing a year-on-year growth of 15%. Among which, the contract amount for newly signed outbound contracting projects in 61 countries covered by "One Belt and One Road" amounted to USD51.45 billion, representing a year-on-year growth of 37% and accounting for 51.6% of the contract amount for newly signed outbound contracting projects during the corresponding period.

Management Discussion and Analysis

1 Overview of Industry Development (Continued)

- (4) Fixed asset investment. According to the National Bureau of Statistics, the investment in fixed assets in China (excluding rural households) amounted to RMB25,840 billion from January to June 2016, representing a year-on-year growth of 9% and an actual growth of 11% after excluding the price factors. Among which, infrastructure investment (excluding power and other items) reached RMB4,910 billion, representing a year-on-year growth of 20.9%.

2 Business Review

The Company is one of the largest comprehensive solutions providers for the power industry in China and in the globe, mainly engaged in survey, design and consultancy, construction and contracting, equipment manufacturing, civil explosives and cement production, investment and other businesses. In the first half of 2016, although the China economy maintained stable operation in general, it still faced relatively huge downward pressure. Focusing on enhancing quality and effectiveness, the Company proactively adapted to the new normal, made great progress in promoting internal reform and decided to establish companies in technological development, finance lease and e-commerce. After completion of the conversion of the investment from branches into subsidiaries and the equity adjustment in finance companies, the Company has further refined its development function, laying a solid foundation for developing new growth points.

Seizing the opportunities arising from the expanded investment by the government in certain key sectors and regions of the country, the Company has consolidated its advantages in power business and expanded into various non-electricity businesses. Guided by China's "13th Five-Year Plan", the Company made early plans for market development, with an aim to grasp the incremental opportunities arising from the ultra low emissions of coal-fired power plants and energy saving transformation, new energy and other infrastructure construction markets. By closely following the direction of "One Belt and One Road" and Chinese government's material diplomatic strategies, the Company implemented various measures to cope with the priorities of international businesses and closely monitor the key international markets, so as to improve its internationalized operating capability. Under the continued downward pressure on domestic economy, volatile international condition, lower-than-expected momentum of economic recovery as well as the increasingly intense market competitions, the Company was still able to achieve a new contract amount of RMB234.042 billion in the first half of the year. Although the contract amount represents a year-on-year decrease of 7.80%, it exceeds the expected half year target for contract sign-ups. The quality of contracted projects has steadily improved with a more diversified structure. Among which, the value of domestic new contracts amounted to RMB163.926 billion, representing a year-on-year decrease of 3.11% and international new contract value amounted to RMB70.116 billion, representing a year-on-year decrease of 17.19%. However, the proportion of direct contracts and the value of new direct contracts to that of China's new overseas contracting projects sustained growth. As of 30 June 2016, the outstanding contract value was RMB876.522 billion in aggregate, representing an increase of 19.33% as compared to that of the end of 2015.

Management Discussion and Analysis

2 Business Review (Continued)

2.1 Survey, Design and Consultancy Business

Guided by the planning and underpinned by technical support, the Company put greater effort into the preliminary market development and took the lead to capture the market initiative while speeding up the major international collaborations at country level on power planning. Accordingly, the survey, design and consultancy business suggested a steady growth momentum. Capitalising on the active promotion of the significance of the “venturing out” policy on power planning, the Company undertook various research works of overseas power and grid planning in Ethiopia, Senegal and Mongolia. The Company also proactively explored international markets and entered into survey and design contracts for several projects, including Jayaswal Phase I 2x660 MW Coal-fired Power Plant in India (印度嘉斯邁一期2x660兆瓦燃煤電站), Balloki 1,223 MW Combined Cycle Power Plant in Pakistan (巴基斯坦百路凱1,223兆瓦聯合循環電站) and PLTU Jawa Energy Cilacap Phase I (2x1,000 MW) Coal-fired Power Plant in Indonesia (印尼PLTU Jawa Energy Cilacap Phase I(2x1,000兆瓦)燃煤電站). Moreover, the Company expanded its shares of the domestic market with utmost effort. It executed survey and design contracts, including the national model engineering project, Zhongxing Penglai 2x1,000 MW Efficient and Ultra-clean Coal-fired Power Plant (中興蓬萊2x1,000兆瓦高效超淨燃煤電廠) and China’s first Grade H Huadian Junliangcheng 9H Class Gas Turbine Project (H級華電軍糧城9H級燃機項目), as well as several representative projects including the Zhundong – Wannan ±1,100 KV ultra high-voltage direct current transmission project (准東-皖南±1,100千伏特高壓直流輸電工程) and Yuheng – Weifang 1,000 KV ultrahigh voltage alternating current transformation and transmission project (榆橫-濰坊1,000千伏特高壓交流輸變電工程), which further elevated the strength in survey and design of large-capacity USC units and ultrahigh (extrahigh) voltage alternating and direct current transmission, and maintained the leading position in the field of ultrahigh voltage direct current design. With respect to nuclear power design, the Company entered into the design service contract in relation to conventional islands for units 1-4 of Zhangzhou Nuclear Power Plant, which is another design project executed by the Company in relation to conventional islands for HPR 1000 (華龍一號), being the third generation nuclear power technology in China.

During the first half of 2016, the operating revenue before inter-segment elimination of the survey, design and consultancy business was RMB5.9 billion, representing a year-on-year increase of 13.23%. The value of new contracts was RMB7.115 billion, representing a year-on-year increase of 18.95%. Among this, the value of new contracts of the fossil-fuel, hydropower, nuclear, new energy, power transformation and transmission, non-electricity and other projects were RMB1.930 billion, RMB0.088 billion, RMB0.233 billion, RMB0.367 billion, RMB3.110 billion and RMB1.387 billion, and representing a year-on-year increase of 29.10%, 229.10%, 770.71%, -14.21%, 3.97% and 36.73%, respectively. As of 30 June 2016, the outstanding contract value of the survey, design and consultancy business was RMB21.101 billion, representing an increase of 9.78% as compared to that of the end of 2015.

Management Discussion and Analysis

2 Business Review (Continued)

2.2 Construction and Contracting Business

The Company thoroughly developed traditional markets while proactively exploring emerging markets, which facilitated the transformation and upgrade of business structure. During the first half of the year, in response to the nation's key foreign strategies including the "One Belt and One Road", the Company prioritized and vigorously promoted the development of international business, and placed great effort in exploring international markets, by which the Company achieved value of international new contracts of RMB68.827 billion with the proportion of direct contracts to total contracts increased constantly. The Company successfully entered into contracts for a number of major international projects, such as Highlands Water Project in Central Iran (伊朗中部高原輸水項目), CPHGC 2x660 MW Coal-fired Power Plant in Pakistan (巴基斯坦胡布2x660兆瓦燃煤電站) and Malabo Water Supply and Pipeline Project in Equatorial Guinea (赤道幾內亞馬拉博供水及管網項目). The Company actively undertook the general contracting business and achieved new contract amount of RMB149.349 billion, and entered into several general contracting projects including 3x660 MW Fossil-fuel Power Unit of Qinghai Qiaotou Aluminium Power Corporation (青海橋頭鋁電公司3x660兆瓦火電機組), Hai Duong 2x600 MW Coal-fired Power Plant in Vietnam (越南海陽2x660兆瓦燃煤電站) and Patuakhali 2x660 MW Coal-fired Power Plant in Bangladesh (孟加拉國博杜阿卡利2x660兆瓦燃煤電站). Further, the Company endeavored to expand non-electricity business, and entered into a number of major non-electricity projects, mainly including independent reform project for shanty town of Chengdu 7436 Factory Area (成都七四三六廠片區棚戶區自主改造項目), general contracting project of mine construction of Xinjiang Shengxiong Energy Co., Ltd. (新疆聖雄能源股份有限公司礦山施工總承包工程), construction engineering for multimodal transport centre (Zone C) of Xiangzhong International Logistics Park in Loudi (婁底湘中國際物流園多式聯運中心(C區)建設工程) and Malabo Water Supply and Pipeline Project in Equatorial Guinea (赤道幾內亞馬拉博供水及管網項目), achieving new contract amount of RMB70.602 billion. The Company also showed initiative in the research and development of new business model, such as PPP business, which further defined the objectives, focuses and measures for the development of new business model. Leveraging on the profession and strengths in investment and financing, the Company enhanced the capacity in resource integration and risk control. The Company selected high-quality projects, and entered into a number of PPP projects, including engineering projects for Qinhan Avenue Lintong Section (East Section), Liwei Road and peripheral facilities in Lintong District of Xi'an, together with the investment and construction for demolition and resettlement and primary land development project within the controlled area (西安市臨潼區秦漢大道臨潼段(東段)、驪涇路及周邊配套工程及控制區內的拆遷安置及土地一級開發項目投資建設), integrated development and construction project for Chongqing Nanchuan Industrial Park (重慶市南川區工業園區整體開發建設項目), Luzhou No. 6 Yangtze River Bridge and Connection Line Project (瀘州長江六橋及連接線工程) and Xiaoguanmen – Baimuxi project of Changjiang Binjiang Road (長江濱江路小關門至柏木溪項目), achieving new contract amount of RMB36.800 billion.

Management Discussion and Analysis

2 Business Review (Continued)

2.2 Construction and Contracting Business (Continued)

During the first half of 2016, the operating revenue before inter-segment elimination of construction and contracting business was RMB68.19 billion, representing a year-on-year growth of 1.83%. The new contract amount was RMB220.814 billion, representing a year-on-year decrease of 8.66%. Among this, the new contract amount of the fossil-fuel, hydropower, nuclear, new energy, power transformation and transmission, non-electricity and other projects were RMB74.357 billion, RMB31.703 billion, RMB0.891 billion, RMB34.114 billion, RMB9.147 billion and RMB70.602 billion, representing a year-on-year increase of 27.89%, -32.53%, -51.30%, 23.52%, 18.04% and -28.99%, respectively. As of 30 June 2016, the outstanding contract value of the construction and contracting business was RMB843.839 billion, representing a year-on-year growth of 19.86% as compared to that of the end of 2015.

2.3 Equipment Manufacturing Business

The Company strengthened the expansion of domestic and foreign markets for the traditional equipment business and actively pushed forward the innovation of sales model whilst exploring the business of complete equipment supply and EPC general contracting, which further expanded the market share. During the first half of the year, the Company entered into the complete equipment supply contracts for various construction projects, including the expansion of Ningxia ZYZY Yanchi Liujiagou 150 MW wind power equipments (寧夏中贏正源鹽池劉家溝150兆瓦風電擴建), Laos Banha power transformation and transmission (老撾班哈輸變電) and seawater ancillary facilities for Jizan Gas Turbine Combined Cycle Power Plant in Saudi Arabia (沙特阿拉伯吉贊燃氣聯合循環電站海水配套). The Company undertook the EPC general contracting project of Shenmu Hongjing's coal dust production line with coal slime cleaning (神木縣宏景煤泥淨化工程煤粉生產線). The Company have also successfully won the tenders of a number of nuclear power products, including closed busbars and mufflers. In addition, the Company collaborated with the world's leading gas-fired unit manufacturers to actively promote the research and development and application of conversion technology of stored energy.

During the first half of 2016, the revenue before inter-segment elimination of equipment manufacturing business was RMB4.21 billion, representing a year-on-year decrease of 2.04%. The new contract amount was RMB6.113 billion, representing a year-on-year decrease of 0.15%. As of 30 June 2016, the outstanding contract value of the equipment manufacturing business was RMB11.582 billion, representing an increase of 2.59% as compared to that of the end of 2015.

2.4 Civil Explosive and Cement Production Business

During the first half of 2016, the Company made timely adjustment to the development strategy on the civil explosive market based on the market condition. Under the approach of expanding inventory market and achieving development increment, the Company continued to enlarge the business scale of general contracting for mine construction and consolidate the integrated core civil explosive business. Taking advantage of the market layout and technological edge, the Company optimized the business structure and made effort to develop the markets in, amongst others, hydropower, non-ferrous metal, infrastructure and aggregates. The Company also pushed forward the expansion of international business markets and achieved new breakthroughs in developing key country markets, such as Pakistan and Turkey. Further, the Company enhanced the technological research and development capacity and successfully registered the post-doctoral workstation.

Management Discussion and Analysis

2 Business Review (Continued)

2.4 Civil Explosive and Cement Production Business (Continued)

Benefited from the accelerated structural adjustment, transformation and upgrade of cement production business, the strength of our principal operations was further enhanced, and the sales volume in civil market improved steadily. With the further extended industry chain, the total concrete production is likely to exceed 5 million tonnes during the year. The Company's new aggregate production project progressed smoothly, and it is expected that the production capacity will reach 7.7 million tonnes after coming on-stream during the year. Overseas cement investment projects were on track as planned.

During the first half of 2016, the operating revenue of civil explosive and cement production business was RMB4.04 billion, representing a year-on-year increase of 4.88%. Among which, the operating revenue before inter-segment elimination of civil explosives business was RMB1.29 billion, representing a year-on-year increase of 12.33% whereas that of cement production business was RMB2.75 billion, representing a year-on-year increase of 1.71%.

2.5 Investment and Other Businesses

During the first half of 2016, the Company's investment and other businesses grew steadily with the investment landscape further improved. It completed investment of RMB15.009 billion in total, representing a year-on-year growth of 5.68%. Apart from the active and prudent investment, merger and acquisition and restructuring of various areas in renewable clean energy, electricity, environmental protection and water supply, the Company increased the investment in premium overseas projects and obtained initial result from the synergic development of the industry driven by the investment platform. With respect to renewable clean energy, a number of projects including Guangdong Nanxiong Liniu Plateau wind power (廣東南雄犁牛坪風電) and Anhui Taihe PV power generation (安徽太和光伏發電) are about to be grid-connected for power connection. On the other hand, various projects including Guangdong Nanxiong Industrial Park PV power generation (廣東南雄工業園光伏發電), Zhejiang Qingyuan Baihuayan wind power (浙江慶元百花岩風電), Huanglong Phase II Jinjashan wind power (黃龍二期金家山風電) and Yunnan Yulong PV power generation (雲南玉龍光伏發電) progressed smoothly, which initially shaped the landscape of progressive development and scale development. With regard to foreign power investment, the Company have successfully pushed forward the Vietnam Hai Duong Coal-Fired Power Plant project (越南海陽燃煤電站項目), which is the project of PRC enterprises with the largest single investment in Vietnam and is one of the largest fossil-fuel projects invested overseas by PRC enterprises. Several overseas hydropower investment projects progressed in an orderly manner, including Pakistan SK and Azad Pattan. With respect to environmental protection and waterworks, the regional presence of renewable resources was gradually going into the whole country. The Company further enhanced the research efforts in new technologies, such as steel slag utilization, and new eco-friendly materials. The model line at Laohekou of collaborative treatment of urban solid waste by cement kilns achieved good operating results. The Company also successfully acquired Kardan Water Company (凱丹水務公司) and Hunan Haichuanda Water Company (湖南海川達水務公司). The Company has further optimized the strategic planning for the development of the real estate business, and acquired land parcels of quality in Chengdu, Nanjing and other cities, which expanded its business coverage into most of the core first-tier and second-tier cities. On-sale projects in Sanya, Hefei, Wuhan and others achieved good sales performance.

Management Discussion and Analysis

2 Business Review (Continued)

2.5 Investment and Other Businesses (Continued)

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

During the first half of 2016, the operating revenue before inter-segment elimination of investment and other businesses was RMB13.03 billion, representing a year-on-year growth of 45.41%. Among which, the operating revenue before inter-segment elimination of real estate business was RMB2.47 billion, representing a year-on-year decrease of 15.12%; that of power generation business was RMB0.52 billion, representing a year-on-year increase of 20.93%; that of highway was RMB0.64 billion, representing a year-on-year growth of 12.28% and that of other businesses was RMB9.4 billion, representing a year-on-year growth of 85.77%.

3 Consolidated Operating Results

3.1 Revenue

For the six months ended 30 June 2016, the revenue of the Company amounted to RMB92,115.2 million, representing an increase of 6.10% as compared to RMB86,819.8 million for the corresponding period of 2015. The increase in revenue was mainly due to the significant growth of 45.41% of the investment and other businesses, of which the environmental protection and water utility business of the CGGC Group increased significantly to RMB5,000.9 million from RMB33.2 million for the corresponding period of 2015.

3.2 Cost of Sales and Gross Profit

For the six months ended 30 June 2016, the cost of sales of the Company amounted to RMB81,838.3 million, representing an increase of 6.49% as compared to RMB76,853.6 million for the corresponding period of 2015. The increase in cost of sales was in line with the growth of revenue.

For the six months ended 30 June 2016, the gross profit of the Company amounted to RMB10,277.0 million, representing an increase of 3.12% as compared to RMB9,966.1 million for the corresponding period of 2015. The increase in gross profit was mainly due to the growth of revenue.

3.3 Selling Expenses

For the six months ended 30 June 2016, the selling expenses of the Company amounted to RMB784.8 million, representing a year-on-year growth of 13.89%. The proportion of selling expenses to revenue increased from 0.79% for the corresponding period of 2015 to 0.85% for the period.

3.4 Administrative Expenses

For the six months ended 30 June 2016, the administrative expenses of the Company amounted to RMB4,599.5 million, representing a year-on-year growth of 6.07%. The proportion of administrative expenses to revenue was the same level as compared to 4.99% for the corresponding period of 2015.

Management Discussion and Analysis

3 Consolidated Operating Results (Continued)

3.5 Finance Expense

For the six months ended 30 June 2016, the finance expense of the Company amounted to RMB1,363.8 million, representing a year-on-year decrease of 13.94%. The proportion of finance expenses to revenue decreased from 1.83% for the corresponding period of 2015 to 1.48% for the period.

4 Operating Results by Segments

Industry segments	Conditions of industry segments of principal business (For the six months ended 30 June)								
	2016			2015			Increase or decrease in percentage (%)/percentage points as compared with last year		
	Revenue (RMB in million)	Cost of sales	Gross profit margin (%)	Revenue (RMB in million)	Cost of sales	Gross profit margin (%)	Revenue	Cost of sales	Gross profit margin
Survey, design and consultancy	5,901.1	3,454.1	41.47	5,211.7	3,040.1	41.67	13.23	13.62	-0.20
Construction and contracting	68,191.9	63,572.6	6.77	66,965.2	62,263.9	7.02	1.83	2.10	-0.25
Equipment manufacturing	4,206.8	3,553.1	15.54	4,294.3	3,619.7	15.71	-2.04	-1.84	-0.17
Civil explosives and cement production	4,036.7	3,097.1	23.28	3,848.8	2,793.4	27.42	4.88	10.87	-4.14
Investment and other businesses	13,029.0	10,952.9	15.93	8,959.9	6,940.7	22.54	45.41	57.81	-6.61
Inter-segment elimination ⁽¹⁾	(3,250.3)	(3,141.9)	-	(2,460.1)	(2,386.5)	-	-	-	-
Unallocated items ⁽²⁾	-	350.4	-	-	582.3	-	-	-	-
Total	92,115.2	81,838.3	11.16	86,819.8	76,853.6	11.48	6.10	6.49	-0.32

Notes:

- (1) Inter-segment elimination mainly represents the provision of goods or services between business segments.
- (2) Unallocated items mainly represent provisions for impairment of inventories and certain business tax and surcharges, which could not be attributed to any business segment.

4.1 Survey, Design and Consultancy Business

For the six months ended 30 June 2016, revenue before inter-segment elimination of survey, design and consultancy business amounted to RMB5,901.1 million, representing an increase of 13.23% as compared to RMB5,211.7 million for the corresponding period of 2015, mainly due to the larger amount from the new power transformation and transmission project of CPECC and the greater progress of previous incomplete project during the period.

For the six months ended 30 June 2016, cost of sales before inter-segment elimination of survey, design and consultancy business amounted to RMB3,454.1 million, representing an increase of 13.62% as compared to RMB3,040.1 million for the corresponding period of 2015. The increase in cost of sales was in line with the growth of revenue.

Management Discussion and Analysis

4 Operating Results by Segments (Continued)

4.1 Survey, Design and Consultancy Business (Continued)

For the six months ended 30 June 2016, gross profit before inter-segment elimination of survey, design and consultancy business amounted to RMB2,447.0 million, representing an increase of 12.68% as compared to RMB2,171.6 million for the corresponding period of 2015. The gross profit margin was 41.47%, which remained stable year-on-year.

4.2 Construction and Contracting Business

For the six months ended 30 June 2016, revenue before inter-segment elimination of construction and contracting business amounted to RMB68,191.9 million, representing an increase of 1.83% as compared to RMB66,965.2 million for the corresponding period of 2015.

For the six months ended 30 June 2016, cost of sales before inter-segment elimination of construction and contracting business amounted RMB63,572.6 million, representing an increase of 2.10% as compared to RMB62,263.9 million for the corresponding period of 2015.

For the six months ended 30 June 2016, gross profit before inter-segment elimination of construction and contracting business amounted to RMB4,619.3 million, representing an decrease of 1.74% as compared to RMB4,701.3 million for the corresponding period of 2015. The gross profit margin was 6.77%, which remained stable year-on-year.

4.3 Equipment Manufacturing Business

For the six months ended 30 June 2016, revenue before inter-segment elimination of equipment manufacturing business amounted to RMB4,206.8 million, representing a decrease of 2.04% as compared to RMB4,294.3 million for the corresponding period of 2015.

For the six months ended 30 June 2016, cost of sales before inter-segment elimination of equipment manufacturing business amounted to RMB3,553.1 million, representing a decrease of 1.84% as compared to RMB3,619.7 million for the corresponding period of 2015.

For the six months ended 30 June 2016, gross profit before inter-segment elimination of equipment manufacturing business amounted to RMB653.7 million, representing a decrease of 3.10% as compared to RMB674.6 million for the corresponding period of 2015. The gross profit margin was 15.54%, which remained stable year-on-year.

4.4 Civil Explosive and Cement Production Business

For the six months ended 30 June 2016, revenue before inter-segment elimination of civil explosive and cement production business amounted to RMB4,036.7 million, representing an increase of 4.88% as compared to RMB3,848.8 million for the corresponding period of 2015, mainly due to the growth in business volume of civil explosive business.

Management Discussion and Analysis

4 Operating Results by Segments (Continued)

4.4 Civil Explosive and Cement Production Business (Continued)

For the six months ended 30 June 2016, cost of sales before inter-segment elimination of civil explosive and cement production business amounted to RMB3,097.1 million, representing an increase of 10.87% as compared to RMB2,793.4 million for the corresponding period of 2015, mainly due to the growth in business volume.

For the six months ended 30 June 2016, gross profit before inter-segment elimination of civil explosive and cement production business amounted to RMB939.6 million, representing a decrease of 10.97% as compared to RMB1,055.4 million for the corresponding period of 2015. The gross profit margin recorded a year-on-year decrease of 4.14 percentage points, mainly due to the year-on-year decrease in selling price of cement products.

4.5 Investment and Other Businesses

For the six months ended 30 June 2016, revenue before inter-segment elimination of investment and other businesses amounted to RMB13,029.0 million, representing an increase of 45.41% as compared to RMB8,959.9 million for the corresponding period of 2015, mainly due to the significant growth of the environmental protection business of CGGC Group.

For the six months ended 30 June 2016, cost of sales before inter-segment elimination of investment and other businesses amounted to RMB10,952.9 million, representing an increase of 57.81% as compared to RMB6,940.7 million for the corresponding period of 2015, mainly due to the significant year-on-year growth of the environmental protection business of CGGC Group.

For the six months ended 30 June 2016, gross profit before inter-segment elimination of investment and other businesses amounted to RMB2,076.1 million, representing an increase of 2.82% as compared to RMB2,019.2 million for the corresponding period of 2015. The gross profit margin recorded a year-on-year decrease of 6.61 percentage points, mainly due to the new environmental protection business of CGGC Group accounting for a larger portion with relatively low gross profit margin.

5 Cash Flow

	For the six months ended 30 June	
	2016 (RMB in million)	2015 (RMB in million)
Net cash used in operating activities	(11,034.0)	(10,885.5)
Net cash used in investing activities	(5,228.5)	(348.9)
Net cash generated from financing activities	900.1	8,277.6
Net decrease in cash and cash equivalents	(15,362.4)	(2,956.8)
Cash and cash equivalents at the beginning of the period	47,237.0	28,756.6
Exchange gains of cash and cash equivalents	71.8	12.8
Cash and cash equivalents at the end of the period	31,946.4	25,812.6

Management Discussion and Analysis

5 Cash Flow (Continued)

5.1 Cash Flow Used in Operating Activities

For the six months ended 30 June 2016, the net cash used in operating activities of the Company amounted to RMB11,034.0 million, which was primarily due to the following reasons: (i) an increase of RMB7,761.9 million in prepayment, trade receivables and bills receivables, which was mainly attributable to the fact that centralized fund settlement for large-scale engineering projects usually takes place at the end of the year; (ii) an increase of RMB7,880.1 million in amounts due from customers for construction contracts, which was mainly attributable to more newly commenced projects during the period. The cash outflow was partially offset by increase in trade and bills payables.

5.2 Cash Flow Used in Investing Activities

For the six months ended 30 June 2016, the net cash used in investing activities of the Company amounted to RMB5,228.5 million, representing a decrease of RMB4,879.6 million or 1398.57% as compared to the corresponding period of 2015 which was primarily due to the following reasons: (i) placement of deposits with original maturity of over three months of RMB5,029.0 million; (ii) payment in cash of RMB2,227.2 million for the purchase of property, plants and equipment. The cash outflow was partially offset by the collection of other loan receivables of RMB3,071.7 million.

5.3 Cash Flow Generated from Financing Activities

For the six months ended 30 June 2016, the net cash generated from financing activities of the Company amounted to RMB900.1 million, representing a decrease of RMB7,377.5 million or 89.13% as compared to the corresponding period of 2015. During the period, financing activities mainly included: (i) the issuance of bonds to raise funds of RMB10,000.0 million; (ii) the addition of bank borrowings of RMB17,728.9 million. The cash inflow was partially offset by the repayment of bank borrowings of RMB25,524.4 million.

5.4 Capital Expenditures

In the first half of 2016, the Company incurred capital expenditures primarily for expenditures on property, plant and equipment, as well as intangible assets. The following table sets forth the components of capital expenditures of the Company for the periods indicated:

	For the six months ended 30 June	
	2016 (RMB in million)	2015 (RMB in million)
Property, plant and equipment	2,078.3	2,430.2
Prepaid land lease payment	77.9	268.4
Intangible assets	56.6	344.6
Investment properties	–	6.5
Total	2,212.8	3,049.7

Management Discussion and Analysis

6 Indebtedness

As at 30 June 2016, the total indebtedness of the Company amounted to RMB77,119.8 million. The following table sets forth the details of bank borrowings, other borrowings, corporate bonds, finance lease payables and short-term financing notes as of the dates indicated:

	As at 30 June 2016 (RMB in million)	As at 31 December 2015 (RMB in million)
Long-term		
Bank borrowings		
Unsecured	20,569.9	19,394.5
Secured	8,332.8	9,045.2
Other borrowings		
Secured	1,379.5	1,525.8
Corporate bonds ⁽¹⁾	15,744.7	5,773.6
Finance lease payables ⁽²⁾	282.3	279.1
Sub-total	46,309.2	36,018.2
Short-term		
Bank borrowings		
Unsecured	20,835.6	28,969.7
Secured	2,707.9	4,180.7
Other borrowings		
Unsecured	2,867.0	1,784.1
Secured	796.3	226.1
Corporate bonds ⁽¹⁾	–	500.0
Finance lease payables ⁽²⁾	30.7	228.8
Short-term financing notes ⁽³⁾	3,573.1	3,516.0
Sub-total	30,810.6	39,405.4
Total	77,119.8	75,423.6

Notes:

- (1) The corporate bonds of the Company are unsecured medium-term notes and corporate bonds.
- (2) The Company has leased certain buildings and machinery for construction operations.
- (3) The short-term financing notes of the Company are unsecured with fixed interest rate.

Management Discussion and Analysis

6 Indebtedness (Continued)

As at 30 June 2016 and 31 December 2015, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

	As at 30 June 2016 (RMB in million)	As at 31 December 2015 (RMB in million)
USD	1,079.4	1,110.8
Japanese Yen	141.1	120.3
Euro	–	3.8
Total	1,220.5	1,234.9

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

	As at 30 June 2016 (RMB in million)	As at 31 December 2015 (RMB in million)
Guaranteed by:		
Ultimate holding company	–	185.0
Third parties	–	436.3
Total	–	621.3

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

	As at 30 June 2016 (RMB in million)	As at 31 December 2015 (RMB in million)
Repayable within 1 year	30,810.6	39,405.4
Repayable after 1 year but within 2 years	11,762.6	7,232.9
Repayable after 2 years but within 3 years	6,489.4	9,366.6
Repayable after 3 years but within 4 years	2,805.6	3,596.2
Repayable after 4 years but within 5 years	13,204.0	1,811.0
Repayable after 5 years	12,047.6	14,011.5
Total	77,119.8	75,423.6

Management Discussion and Analysis

6 Indebtedness (Continued)

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

	As at 30 June 2016	As at 31 December 2015
	(%)	(%)
Bank borrowings	1.20-9.60	1.05-9.60
Other borrowings	4.60-7.50	4.655-6.48
Corporate bonds	3.14-5.85	4.75-5.85
Short-term financing notes	3.08-3.38	3.08-3.38
Finance lease payables	5.15-8.00	5.15-8.00

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

	As at 30 June 2016		As at 31 December 2015	
	(RMB in million)	(%)	(RMB in million)	(%)
Fixed rate bank and other borrowings	27,079.5	1.20-9.60	34,723.9	1.05-9.60
Floating rate bank and other borrowings	30,409.5	2.35-8.84	30,402.3	2.75-8.70
Total	57,489.0		65,126.2	

Indebtedness of the Company increased by RMB1,696.2 million from 31 December 2015 to 30 June 2016, mainly due to satisfying working capital requirements and acquisition and construction of long-term assets.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms, nor was the Company subject to any material restrictive terms in respect of borrowings. In addition, as at 30 June 2016, the Company had RMB30,000.0 million of authorized but unutilized debt securities and RMB363,600.0 million of unutilized and unrestricted bank credit facilities.

Management Discussion and Analysis

7 Pledge of Assets and Contingent Liabilities

7.1 Pledge of Assets

As at 30 June 2016, the Company's assets with the following carrying amounts have been pledged to secure for general banking facilities (including bank borrowings, bills payable and letter of credit) granted:

	As at 30 June 2016	As at 31 December 2015
	(RMB in million)	(RMB in million)
Property, plant and equipment	704.2	881.3
Prepaid lease payments	115.4	90.8
Intangible assets	7,823.1	10,008.1
Trade receivables	949.4	1,368.0
Properties under development	9,008.4	10,348.9
Completed properties for sale	21.4	99.9
Bank deposits	2,333.4	2,650.6
Investment properties	68.0	69.3
Total	21,023.3	25,516.9

7.2 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 suffered by the Company from those legal proceedings and claims when the management can reasonably estimate the outcome of the legal proceedings and claims after taking into account the legal advice.

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.

	As at 30 June 2016	As at 31 December 2015
	(RMB in million)	(RMB in million)
Guarantees given to banks and non-financial institutions in respect of loan facilities granted to:		
Associates	4,177.9	3,565.6
Investee recognized as available-for-sale financial asset	79.5	79.5
	4,257.4	3,645.1
Mortgage loan guarantees provided by the Company to banks in favor of its customers	348.9	778.8
Total	4,606.3	4,423.9

Management Discussion and Analysis

7 Pledge of Assets and Contingent Liabilities (Continued)

7.2 Contingent Liabilities (Continued)

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

8 Gearing Ratio

As at 30 June 2016, the gearing ratio of the Company is 119.4%, representing a decline of 4.7 percentage points as compared to 124.1% recorded as at 31 December 2015. Gearing ratio represents interest-bearing debts divided by total equity at the end of the period.

9 Risk

9.1 Business Risk

Macroeconomic Risks

The global economy remained in a period of intensive adjustment, sluggish recovery and slow growth. China was under the combined influence of the three periods, namely the shifting period for growth rate, the period of structural adjustment and the assimilation period of previous policies. At this stage, the economic downturn pressure still existed. The domestic structure of the power source and the acceleration of the distribution adjustment have some influence on the operation of the Company. Besides, the corporate operation was also involved with certain risks, whereas some of the risks would be increased because of accumulation. The Company will pay close attention to the macroeconomic development, and will further adjust the industrial structure, enhance the risk prevention and control capacity through reform, innovation, transformation, and upgrading.

Industrial Prospect Risk

The growth of the domestic demand tends to be slow overall, the pressure on the ecological environment increases. The adjustment of power structure entered its crucial period, and investment in traditional fossil-fuel power is limited to some extent. On the basis of consolidating the traditional market, the Company will actively explore new energy, clean energy and non-electricity markets. Further, it will focus on developing the high-end market and the incremental market, enhance the diversified operation, achieving the goal of the corporation's steady development.

Management Discussion and Analysis

9 Risk (Continued)

9.1 Business Risk (Continued)

International Operation Risk

International operation faced risks such as project-specific business risks and risks involved with various national laws, political and non-traditional public threats. As an experienced international engineering contractor, the Company has established its sophisticated management system and comprehensive internal control system. By supervision and guidance over various aspects of projects such as tracking, proposal, tendering, negotiating, decision making, contracting and implementing throughout the project life cycle, the probability of occurrence of project-specific business risks and their respective impact was reduced to the minimum. The Company will grasp various opportunities brought by China's strategic deployment of "One Belt and One Road", ensure the healthy development of its international businesses and accomplish the goals of international operation with its effort in aversion of international operation risks through management of target markets, strategic insurance and business insurance, crisis and remedy management.

Competition Risk

The phenomena of the excess capacity and the disparity of demand and supply of market in construction industry still exist. The market competition is still fierce and complex under the impact of the industrial prospect and macro-economy. The Company will further strengthen the control and management of the headquarters and the high-end operation by leveraging the Group's brand advantages and enhancing coordination of the industry chain so as to enhance the core competitiveness.

Investment Risk

The domestic demand recovers slowly, the growth speed of the investment slows down, and the overseas investment confronts the political and economic risks. The Company will follow closely the trend of the industrial development, optimize the investment orientation, select the investment project, strengthen the project management and perform project inspection and follow-up assessment, endeavoring to achieve the investment goals.

9.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, thus the functional currency applied in the financial statements of the Company is RMB. The Company continues to expand the overseas business, and it is expected that the income and expense denominated in foreign currency will increase. The exchange rate fluctuation may have impact on the service pricing and the cost of procurement of materials and equipment of the Company with foreign exchange and therefore may affect the financial position and operating performance. The Company will carry out risk controls by means of contracts and financial instruments, make reasonable business arrangements and select suitable foreign currency and exchange rate for settlement and payment so as to prevent exchange rate fluctuation risk.

Management Discussion and Analysis

10 Number of Employees, Share Option Scheme and Training Program

As of 30 June 2016, the Company has 131,968 employees in total, including 32,371 management personnel, 39,672 professional technicians, and 39,803 operating personnel.

The Company has 10,380 talents with various national registered certified qualifications. Also, the Company has a number of top notch talents of China, including 24 experts who enjoy the special government subsidy, 5 national exploration and design masters, 1 national nuclear industry engineering exploration and design master, 4 experts of new century talent project, 3 national young and middle-aged experts with outstanding contribution, and 23 national technical experts.

On 27 July 2016, the Board approved the proposed adoption of the restricted share incentive scheme to closely align the interests and benefits of and risks sharing among the shareholders, the Company and the employees in order to maximize the proactiveness of the senior management and key employees. Shareholders' approval will be sought at the extraordinary general meeting of the Company to approve the restricted shares and the scheme. The restricted share incentive scheme does not constitute a share option scheme pursuant to Chapter 17 of Hong Kong Listing Rules and is a discretionary scheme of the Company. For details, please refer to the announcement of the Company dated 27 July 2016.

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 255,900 employees in the first half of 2016 and actually trained 265,800 employees, including on-the-job training for 160,300 employees, continuing education training for 20,100 employees, and other training for 85,400 employees.

11 Plans for Significant Investment or Purchase of Capital Asset in Future

The Company will continue to adhere to the guidelines of the mid- to long-term development strategies, implement the guidance opinions on investment and business revitalization as well as investment business planning. Pursuing the investment principle of "focus on highlights, take cost-effectiveness as priority, interests in both domestic and overseas markets, integration and collaboration of industries and prudence", the Company will seize quality investment opportunities in strategic cooperation areas such as renewable clean energy, environmental protection industry, emerging industry, modern infrastructure network, new-type urbanization, "One Belt and One Road" initiative and international capacity cooperation. The Company will innovate its investment and development model, steadily and continuously advance the investment business and strive to enhance overall profitability through development of businesses such as construction and contracting, civil explosives and cement and equipment manufacturing, so as to foster the growth with synergy between investment business and project business as well as between capital and production management.

Management Discussion and Analysis

12 Outlook

In the first half of 2016, China vigorously promoted the structural reform and proactively guided the new normal economic development. Macro economy continued to maintain the development momentum of “general stability, steady and positive growth”. In the first half of the year, the economic growth was 6.7% and it is expected that the annual growth will vary in the range between 6.6% and 6.8%.

- (1) Domestic power market. During the “13th Five-Year Plan” Period, as the development of power industry accommodates with the new normal economic development in China, the power demand will feature a brand-new low to moderate growth momentum. Meanwhile, with relatively sufficient power supply, it is expected that power supply and demand will be abundant in general with oversupply in certain regions. In addition, during the “13th Five-Year Plan” Period, the power industry of China will enter a new stage in its development featuring innovation-driven improvement of quality and efficiency and green development as the main features. There is pressure of significant adjustment on power consumption and supply and new changes in the structure of power supply and demand will take place. In terms of the power generation, as projected by China Electricity Council (中國電力企業聯合會), in 2016 China will newly add an installed capacity of approximately 120 million kilowatts and the installed capacity in China will reach 1.64 billion kilowatts by the end of the year, representing a year-on year increase of approximately 8.6%, while the structure of the power source will be further adjusted. As China has cancelled and delayed the approval and construction of a bunch of coal-power projects this year, impact was made on the fossil-fuel power market to a certain extent. By the power system reform and stringent environmental protection policies, emerging power business market evolves with remarkable scale. Clean energy (such as hydropower, nuclear power, air power, wind power, PV and solar thermal power) and ultra-low emission of coal-fired power plant and energy saving transformation (which is committed to achieve the target of 580 million kilowatts by 2020) see new opportunities: Clean energy construction, the upgrade and transformation of fossil-fuel power units and the operation, maintenance and overhaul market will further increase. In terms of power grid, it is expected that during the “13th Five-Year Plan” Period an average annual investment of RMB550 billion will be introduced in power grid construction. With the continuous progress on the transformation and upgrade of ultrahigh voltage main transmission grid, smart grid, power distribution and rural power grid, the power grid market will grow steadily. Following the successive implementation of the relevant policies, the restructuring of the power market will accelerate.

Management Discussion and Analysis

12 Outlook (Continued)

- (2) Domestic non-power engineering market. It is expected that in the second half of 2016, China's growth of fixed asset investment will remain the current downward trend but the annual rate of growth will still remain at about 10%. In the second half of the year, China's infrastructure investment will still record a year-on-year increase of over 20% and the annual growth rate is expected to be approximately 21%. Hydraulic engineering, railway engineering, city subway rail, urban comprehensive pipe gallery, environmental protection facilities, sponge city construction will become key investment fields and the relevant construction businesses will grow accordingly. In particular, as flood control is challenging and urban waterlogging was frequent this year, hydraulic engineering, urban comprehensive pipe gallery and sponge city construction are expected to become new market highlights with accelerating growth.
- (3) International market. Although the global infrastructure construction market is still under recovery, with the establishment of new pattern of China's all-round opening-up and the successive implementation of cooperation mechanisms such as the strategy of "One Belt and One Road", international capacity cooperation and China-Africa Industrial Cooperation Partnership Plan, and the successive operation of financial supports, such as AIIB and Silk Road Fund, the regional economic integration and the development of contracting overseas projects will be further promoted. The global demand of power construction will continue to grow. The electricity consumption per capita in South Asia, Southeast Asia and most of African regions is still far below the world's average level; and therefore, they are the important markets of new power installed.

In 2016, the Company will focus on the strategic objective of developing an engineering company with technology and management oriented, internationalization, diversity and international competitiveness, precisely capture market opportunities to consolidate the traditional and advantageous power areas, deepen internal reform, improve the incentive and restriction mechanisms to stimulate the development vitality, innovate development model to further strengthen the operating synergy, with the development of international, high-end business and industrial investment as the priority and non-power project business development as the focus so as to improve the development of new business platforms, explore new growth drivers, accelerate the promotion of business transformation and upgrading, further improve legal corporate governance compliance to vigorously improve the efficiency of the Company's operations.

Material Events

1 Repurchase, Sale and Redemption of the Listed Securities

During the first half of 2016, there is no repurchase, sale or redemption of the listed securities of the Company by the Company and its subsidiaries.

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

As at 30 June 2016, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Material Events

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

As at 30 June 2016, 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:

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

Material Events

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 as at 30 June 2016.
- (2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in 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 domestic shares held by EPPE Company.
- (3) The Company was notified by the Energy China Group that as of 30 June 2016 that it held 42,150,000 H shares, representing 0.46% of the total issued H shares of the Company. Pursuant to the SFO, the shareholders of the Company shall only submit the disclosure form for the equity interest held subject to fulfilling certain conditions.
- (4) These shares are directly held by CEZN Limited. CEZN Limited is wholly-owned by Cyan Amber Investment Limited; while the latter is wholly-owned by Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Buttonwood Investment Holding Company Ltd. holds 65% equity in Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Therefore, Cyan Amber Investment Limited, Silk Road Fund Co., Ltd. (絲路基金有限責任公司) and Buttonwood Investment Holding Company Ltd. are deemed to be interested in shares held by CEZN Limited.
- (5) Central Huijin Investment Ltd. holds 57.31% equity in China Construction Bank Corporation. Therefore, Central Huijin Investment Ltd. is deemed to be interested in shares held by China Construction Bank Corporation.
- (6) These shares are directly held by State Grid International Development Limited. State Grid International Development Limited is wholly-owned by State Grid International Development Co., Ltd.; while the latter is wholly-owned by State Grid Corporation of China. Therefore, State Grid International Development Co., Ltd. and State Grid Corporation of China are deemed to be interested in shares held by State Grid International Development Limited.

4 Compliance with the Provisions of the Corporate Governance Code

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

As of six months ended 30 June 2016, 2 Board meetings were convened and held by the Company, considering and voting for 24 resolutions and proposing 11 resolutions to the shareholders’ general meeting; 1 shareholders’ general meeting (i.e. the 2015 shareholders’ annual general meeting) was held, considering and voting for 12 resolutions; 2 Strategy Committee meetings were held, considering and voting for 4 resolutions; 1 Remuneration and Assessment Committee meeting was held, considering and voting for 3 resolutions; and 2 Audit Committee meetings were held, considering and voting for 6 resolutions.

As of six months ended 30 June 2016, the Company has complied with all provisions of the Corporate Governance Code.

Material Events

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

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

Having made enquiry with all the Directors and supervisors, the Company confirmed that each of the Directors and supervisors have complied with all provisions of the Model Code for Securities Transactions during the six months ended 30 June 2016.

6 Changes in Information of Directors and Supervisors

On 11 March 2016, Mr. Ma Chuanjing was appointed as the external director of Sinochem Group (中國中化集團公司). He resigned as the external director of Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司) on 25 April 2016 and was appointed as the external director of Xinxing Cathay International Group Co., Ltd. (新興際華集團有限公司) on 18 July 2016.

On 29 March 2016, Mr. Zhang Xianchong resigned as the member of Remuneration and Assessment Committee of the Company. Mr. Cheung Yuk Ming was appointed as the member of Remuneration and Assessment Committee.

On 4 May 2016, Mr. Mao Xiangqian resigned as the employee representative supervisor of the Company. Mr. Kan Zhen was appointed as the employee representative supervisor.

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

7 Use of Proceeds from the Initial Public Offering

The Company completed the initial public offering on 10 December 2015 and exercised over-allotment option on 8 January 2016, raising net proceeds of RMB11,040.00 million in total. As at 30 June 2016, the net proceeds were applied as expenses in aggregate of RMB4,615.50 million according to the use of proceeds as set out in the prospectus and the balance was RMB6,424.50 million. The breakdown is as follows:

- (1) used for power and infrastructure construction and contracting projects in China and abroad amounted to RMB1,482.20 million.
- (2) used for fixed assets investment in the expansion and upgrading of production facilities amounted to RMB48.43 million.
- (3) used for repayment of bank loans for working capital and projects development amounted to RMB2,116.00 million.
- (4) used to fund the working capital for general corporate purpose amounted to RMB968.87 million.

Material Events

8 Connected Transactions

During the six months ended 30 June 2016, the Company has conducted the following continuing connected transactions which are subject to the reporting, annual review and announcement requirement under Chapter 14A of the Listing Rules:

8.1 Financial Services Framework Agreement

As approved by the Board, Finance Company entered into a financial services framework agreement with Energy China Group on 29 March 2016. According to the agreement, the financial services to be provided by Finance Company to Energy China Group or its associates include credit lending services, deposit services and miscellaneous financial services. The term of the agreement shall be one year (i.e. from 1 January 2016 to 31 December 2016).

Pursuant to the agreement, in respect of the credit lending services, the maximum daily lending balance is RMB1 billion during the term of the agreement. In respect of the deposit services, the maximum daily deposit balance is RMB1.5 billion during the term of the agreement. The deposit services to be provided by Finance Company will not be conditional upon any collateral of assets of the Company. In respect of the miscellaneous financial services, the maximum aggregate service fee to be charged is RMB10 million during the term of the agreement.

The interest rates for the credit lending services and deposit services to be provided by Finance Company shall be in accordance with the floating range of loan interest rates and the relevant rules of promoting marketization of deposit interest rates stipulated by the People's Bank of China with reference to the interest rates of major domestic commercial banks in the PRC for the loans and deposits with the same type and term; the service fee for the miscellaneous financial services shall be determined with reference to the service fee charged by major domestic commercial banks in the PRC for the same type of service.

Through the expansion of services provided by Finance Company to Energy China Group, Finance Company will enhance the stability of its operations, by which the profitability of the Company as a whole will also be improved.

8.2 Daily Production and Operation Framework Agreement

As approved by the Board, the Company entered into a daily production and operation framework agreement with Energy China Group on 29 March 2016. According to the agreement, the Company or its subsidiaries and Energy China Group or its associates agreed to provide each other with daily operational services including survey and design, construction and installation, project supervision and technology consultancy. The term of the agreement shall be one year (i.e. from 1 January 2016 to 31 December 2016).

Pursuant to the agreement, in respect of the daily operational services to be provided by Energy China Group or its associates to the Company or its subsidiaries, the maximum aggregate service fee is RMB800 million during the term of the agreement. In respect of the daily operational services to be provided by the Company or its subsidiaries to Energy China Group or its associates, the maximum aggregate service fee is RMB200 million during the term of the agreement;

Material Events

The service fee shall be determined after arm's length negotiation and consensus between the parties with reference to:

- (1) national or industrial pricing standards for each type of service to be provided;
- (2) price for the services of similar type, scale, or other relevant conditions (if any) provided by two to three independent third parties in the same region.

Energy China Group is familiar with the business operations and process of the Company, and the provision of services by Energy China Group to the Company will significantly improve the working efficiency and lower the operational cost and risks of the Company; and the provision of services by the Company to Energy China Group will enable the Company to conduct its business more extensively and grasp the information of industry development comprehensively.

For the six months ended 30 June 2016, the details of the Company's connected transactions are set out in note 31 to the Condensed Consolidated Financial Statements.

9 Review of Interim Report

On 30 August 2016, the Audit Committee has reviewed the interim results announcement for the six months ended 30 June 2016, the 2016 interim report of the Company and the unaudited interim financial statements for the six months ended 30 June 2016 which has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

10 Appointment and Removal of Auditors

Being considered and approved on 2015 shareholders' annual general meeting held on 8 June 2016, Deloitte Touche Tohmatsu was appointed as the external auditor of the Company for the financial year of 2016 and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the domestic auditor of the Company for the financial year of 2016.

11 Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

12 Acquisition and Disposal of Subsidiaries

Details of acquisition and disposal of subsidiaries by the Company for the six months ended 30 June 2016 are set out in notes 32 and 33 to the Condensed Consolidated Financial Statements.

Report on Review of Condensed Consolidated Financial Statements

To The Board of Directors of China Energy Engineering Corporation Limited

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Energy Engineering Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 77, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2015 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	92,115,217	86,819,757
Cost of sales		(81,838,267)	(76,853,615)
Gross profit		10,276,950	9,966,142
Other income	5	374,370	369,398
Other gains and losses	6	243,602	79,512
Selling expenses		(784,764)	(689,089)
Administrative expenses		(4,599,461)	(4,336,102)
Research and development expenses		(759,824)	(501,663)
Finance income	7	313,230	327,935
Finance costs	7	(1,363,795)	(1,584,745)
Share of profit of joint ventures		8,508	33,569
Share of loss of associates		(7,306)	(2,150)
Profit before tax		3,701,510	3,662,807
Income tax expense	9	(857,011)	(901,376)
Profit for the period	8	2,844,499	2,761,431
Other comprehensive (expense) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations		(2,210)	(1,430)
– Income tax relating to remeasurement of defined benefit obligations		121	66
		(2,089)	(1,364)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		(32,244)	(12,663)
– Net fair value loss on available-for-sale financial assets		(380,113)	(172,418)
– Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets		(659)	(17,200)
– Income tax relating to items that may be reclassified subsequently to profit or loss		81,044	49,148
		(331,972)	(153,133)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Other comprehensive expense for the period, net of income tax		(334,061)	(154,497)
Total comprehensive income for the period		2,510,438	2,606,934
Profit for the period attributable to:			
Owners of the Company		2,210,115	1,622,624
Holders of perpetual capital instruments		38,726	–
Non-controlling interests		595,658	1,138,807
		2,844,499	2,761,431
Total comprehensive income attributable to:			
Owners of the Company		1,945,954	1,561,199
Holders of perpetual capital instruments		38,726	–
Non-controlling interests		525,758	1,045,735
		2,510,438	2,606,934
Earnings per share			
– Basic and diluted (RMB cents)	10	7.37	7.51

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	28,392,600	27,701,938
Prepaid lease payments	13	8,003,611	8,042,079
Investment properties		677,221	693,514
Intangible assets	14	14,041,173	16,433,014
Investments in joint ventures		3,160,773	2,868,041
Investments in associates		1,788,163	1,656,748
Goodwill		779,958	779,958
Available-for-sale financial assets	15	6,780,173	6,536,527
Deferred tax assets		1,292,910	1,125,493
Trade receivables	16	7,562,719	7,113,935
Prepayments, deposits and other receivables	17	1,904,043	1,469,568
Other loans	18	400,000	1,300,000
		74,783,344	75,720,815
CURRENT ASSETS			
Inventories		10,758,452	9,243,066
Properties under development for sale		25,196,490	17,503,195
Completed properties for sale		2,384,956	2,116,053
Amounts due from customers for construction contracts	19	25,073,958	17,193,862
Trade and bills receivables	16	52,117,337	47,374,834
Prepayments, deposits and other receivables	17	39,226,655	36,586,775
Prepaid lease payments	13	178,561	192,057
Other loans	18	1,764,043	3,699,230
Financial assets at fair value through profit or loss		90,058	66,663
Pledged deposits		2,333,428	2,650,613
Bank and cash balances		37,989,160	48,250,759
		197,113,098	184,877,107

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	20	64,834,940	62,459,066
Amounts due to customers for construction contracts	19	5,504,120	4,553,593
Other payables and accruals	21	46,466,863	43,464,444
Income tax payable		567,222	952,058
Bank and other borrowings	22	27,206,822	35,160,620
Short-term financing notes		3,573,067	3,515,981
Defined benefit obligations		722,563	776,240
Corporate bonds		–	500,000
Finance lease payables		30,736	228,775
Provisions		260,746	323,917
		149,167,079	151,934,694
NET CURRENT ASSETS			
		47,946,019	32,942,413
TOTAL ASSETS LESS CURRENT LIABILITIES			
		122,729,363	108,663,228
NON-CURRENT LIABILITIES			
Other payables and accruals	21	76,257	359,240
Bank and other borrowings	22	30,282,205	29,965,531
Finance lease payables		282,259	279,103
Corporate bonds	23	15,744,671	5,773,612
Defined benefit obligations		9,902,597	10,077,718
Deferred tax liabilities		1,115,876	1,041,467
Deferred revenue		736,958	374,185
		58,140,823	47,870,856
NET ASSETS			
		64,588,540	60,792,372
Capital and reserves			
Issued share capital	24	30,020,396	29,600,000
Reserves		14,315,279	12,375,732
Equity attributable to owners of the Company			
Perpetual capital instruments	25	4,000,000	1,000,000
Non-controlling interests		16,252,865	17,816,640
TOTAL EQUITY			
		64,588,540	60,792,372

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Issued share capital	Capital reserve	Special reserve	Defined benefit obligation remeasurement reserve	Investments revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the Company	Perpetual capital instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	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	-	-	-	(2,175)	(229,501)	(32,485)	2,210,115	1,945,954	38,726	525,758	2,510,438
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	-	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Cash capital contribution by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	130,225	130,225
Acquisition of additional interests in subsidiaries	-	(6,944)	-	-	-	-	-	(6,944)	-	(1,665,037)	(1,671,981)
Transfer to reserves	-	-	80,964	-	-	-	(80,964)	-	-	-	-
Dividends declared to perpetual capital instruments holders	-	-	-	-	-	-	-	-	(38,726)	-	(38,726)
Dividends declared	-	-	-	-	-	-	(124,885)	(124,885)	-	-	(124,885)
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(554,721)	(554,721)
Others	-	(8,582)	-	-	-	-	-	(8,582)	-	-	(8,582)
At 30 June 2016 (unaudited)	30,020,396	8,005,260	490,734	9,792	86,731	582	5,722,180	44,335,675	4,000,000	16,252,865	64,588,540
At 1 January 2015 (audited)	21,600,000	5,066,957	366,909	414,940	694,272	(27,165)	-	28,115,913	-	15,885,606	44,001,519
Total comprehensive income	-	-	-	(1,445)	(47,361)	(12,619)	1,622,624	1,561,199	-	1,045,735	2,606,934
Contributions by owner (note a)	-	45,695	-	-	-	-	-	45,695	-	-	45,695
Cash capital contribution by non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	460,205	460,205
Disposal of partial interest in a subsidiary without losing control	-	54,234	-	-	-	-	-	54,234	-	339,035	393,269
Acquisition of subsidiaries (note 32)	-	33,207	-	-	-	-	-	33,207	-	151,850	185,057
Transfer to reserves	-	-	80,042	-	-	-	(80,042)	-	-	-	-
Dividends declared to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(516,041)	(516,041)
Other deemed distribution to owner (note b)	-	(135,225)	-	-	-	-	-	(135,225)	-	-	(135,225)
At 30 June 2015 (unaudited)	21,600,000	5,064,868	446,951	413,495	646,911	(39,784)	1,542,582	29,675,023	-	17,366,390	47,041,413

Notes:

- (a) During the six months ended 30 June 2015, China Energy Engineering Group Co., Ltd. ("ENERGY CHINA GROUP") and Electric Power Planning & Engineering Institute Co., Ltd. ("EPPE Company", a wholly-owned subsidiary of ENERGY CHINA GROUP) made cash contributions amounting to RMB45,695,000 to the Company.
- (b) The Company and its subsidiaries (collectively referred to as the "Group") incurred certain expenses on behalf of ENERGY CHINA GROUP for the six months ended 30 June 2015 which will not be reimbursed by ENERGY CHINA GROUP to the Group. As such, these transactions were accounted for as other deemed distribution to owner of the Company for the six months ended 30 June 2015.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash used in operating activities		(11,034,019)	(10,885,473)
Investing activities			
Interest received		257,714	253,523
Purchase of property, plant and equipment		(2,227,211)	(2,882,542)
Addition to prepaid lease payments		(87,655)	(224,504)
Addition to investment properties		(255)	(6,466)
Addition to intangible assets		(56,575)	(344,649)
Capital contributions to joint ventures		(284,224)	(171,074)
Capital contributions to associates		(151,815)	(43,538)
Deposits paid for acquisition of subsidiaries		(180,193)	–
Purchase of available-for-sale financial assets		(775,478)	(164,095)
Proceeds from disposal of property, plant and equipment		122,814	574,206
Proceeds from disposal of prepaid lease payments		49,392	54,289
Proceeds from disposal of intangible assets		790	–
Proceeds from disposal of joint ventures		–	101,277
Proceeds from disposal of associates		111,099	106,049
Proceeds from disposal of available-for-sale financial assets		94,351	158,279
Net decrease (increase) in pledged deposits		317,185	(144,312)
Dividends received from joint ventures		–	76,353
Dividends received from associates		25	–
Dividends received from available-for-sale financial assets		86,986	115,643
Net (placement) withdrawal of deposits with original maturity of over three months		(5,028,981)	219,328
Acquisition of subsidiaries, net of cash acquired	32	–	(487,249)
Disposal of subsidiaries, net of cash disposed	33	(6,433)	20,204
New other loan receivables		(236,543)	(1,540,720)
Collection of other loan receivables		3,071,730	3,979,053
Repayments of cash advances by related parties		(323,466)	(14,900)
Government grants received related to assets		18,205	16,929
Net cash used in investing activities		(5,228,538)	(348,916)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Financing activities			
Capital injections from non-controlling interests		130,225	460,205
Proceeds from disposal of partial interest in a subsidiary without losing control		–	393,269
Issue of perpetual capital instruments		3,000,000	–
Interests paid on perpetual capital instruments		(38,726)	–
Contributions by owner		–	45,695
Proceed from exercise of over-allotment		565,759	–
Payment on transaction costs attributable to exercise of over-allotment		(11,359)	–
H share issuance proceeds from exercise of over-allotment received on behalf of National Council for Social Security Fund of the People's Republic of China ("NSSF")		56,523	–
H shares issuance proceeds paid to NSSF		(1,127,863)	–
Acquisition of additional interests in subsidiaries		(1,671,981)	–
Interests paid on bank and other borrowings		(1,638,364)	(1,463,424)
Interests paid on corporate bonds		(245,360)	(96,969)
Interests paid on short-term financing notes		–	(73,163)
New bank and other borrowings		17,728,875	22,570,139
Repayment of bank and other borrowings		(25,524,359)	(14,490,298)
New corporate bonds		10,000,000	–
Repayment of corporate bonds		(500,000)	–
New short-term financing notes		–	3,500,000
Repayment of short-term financing notes		–	(2,000,000)
Proceeds from sales and leaseback transactions		32,338	6,802
Repayment of finance lease payables		(227,221)	(154,507)
Advances from related parties		904,773	–
Repayment to related parties		–	(68,478)
Dividends paid to non-controlling interests		(533,197)	(338,909)
Expenditures paid on behalf of owner as other deemed distribution		–	(12,804)
Net cash from financing activities		900,063	8,277,558
Net decrease in cash and cash equivalents		(15,362,494)	(2,956,831)
Cash and cash equivalents at the beginning of the period		47,236,932	28,756,576
Effects of exchange rate changes		71,914	12,874
Cash and cash equivalents at the end of the period		31,946,352	25,812,619

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 19 December 2014 as a joint stock company with limited liability and its H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 10 December 2015. 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.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 *"Interim Financial Reporting"* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") Issued by International Accounting Standards Board that are mandatorily effective for the current interim period.

The adoption of amendments to standards and annual improvements effective for the current interim period commenced from 1 January 2016 does not have any material impact on the accounting policies adopted, interim financial position or performance of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue from:		
Construction contracts	70,933,693	70,277,562
Rendering of other services	10,549,124	6,037,043
Sale of properties	2,474,065	2,907,659
Sale of goods	8,158,335	7,597,493
Total	92,115,217	86,819,757

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");
- Provision of construction and contracting 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");

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Segment revenue		
Mainland China	79,032,071	74,389,313
Overseas:		
Pakistan	2,762,282	1,738,841
Vietnam	1,063,340	181,701
Philippines	915,287	295,142
Others	8,342,237	10,214,760
Total	92,115,217	86,819,757
	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets		
Mainland China	57,454,577	58,893,783
Overseas:		
Vietnam	464,930	217,249
Liberia	155,033	143,843
State of Libya	93,299	110,948
Ethiopia	65,532	110,011
Others	463,211	169,026
Total	58,696,582	59,644,860

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

4. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major customers

There is no major individual customer contributing over 10% of the total revenue of the Group for the six months ended 30 June 2016 (30 June 2015: nil).

Segment assets and liabilities

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

5. OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Government grants		
– grants related to income (note)	238,185	237,902
– grants related to assets	15,146	12,431
Dividend income from available-for-sale financial assets	87,851	75,011
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	2	1,860
Compensation income on contract violation	5,768	7,174
Waiver of certain payables from suppliers and others	27,418	35,020
Total	374,370	369,398

Note:

Government grants include various government subsidies received by the Group from relevant government bodies primarily in connection with enterprise expansion, technology advancement and value-added tax refund. There were no unfulfilled conditions or contingencies relating to these grants and subsidies as at 30 June 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net foreign exchange gain	117,967	8,005
Gain (loss) on disposal of:		
– Associates	41,030	–
– Financial assets at FVTPL	8,192	196,747
– Available-for-sale financial assets measured at cost	(368)	112,468
– Property, plant and equipment	16	44,810
– Prepaid lease payments	80,517	–
– Subsidiaries (note 33)	230,045	15,726
Impairment loss recognised in respect of:		
– Trade receivables	(227,445)	(214,041)
– Other receivables	(20,405)	(60,312)
– Available-for-sale financial assets	–	(28,719)
– Interests in associates	–	(988)
– Property, plant and equipment	–	(585)
Fair value changes of financial assets at FVTPL	4,386	(35,902)
Cumulative gain on disposal of available-for-sale financial assets	659	17,200
Others	9,008	25,103
Total	243,602	79,512

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

7. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest income on:		
Bank and cash balances and pledged deposits	221,318	101,481
Other loans	54,113	182,235
Defined benefit plan assets	37,799	44,219
Total finance income	313,230	327,935
Interest expenses on:		
Bank and other borrowings	1,549,218	1,414,675
Corporate bonds	216,419	168,208
Finance leases	19,003	26,964
Discounted bills	14,656	23,765
Short-term financing notes	57,086	75,105
Defined benefit obligations	195,795	247,345
	2,052,177	1,956,062
Less: Interest capitalised in		
– Construction in progress	46,203	9,848
– Properties under development	642,179	361,469
Total finance costs	1,363,795	1,584,745

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Salaries and other labor costs	7,251,493	6,551,436
Retirement benefits and pensions	1,204,797	1,042,957
Other social benefits	1,783,511	1,706,535
Total staff and labor costs	10,239,801	9,300,928
Less: Capitalised in construction in progress	(1,623)	(1,089)
Less: Capitalised in properties under development for sale	(12,036)	(10,018)
	10,226,142	9,289,821
Recognition of allowance on:		
– Inventories	59,426	51,913
– Trade receivables (note 6)	227,445	214,041
– Other receivables (note 6)	20,405	60,312
Cost of inventories recognised as expense	23,466,095	21,000,731
Operating lease expenses	172,010	121,212
Gross rental income from investment properties	(24,512)	(28,331)
Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income	17,633	20,849
	(6,879)	(7,482)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current enterprise income tax	820,059	573,040
Deferred tax	(11,844)	227,748
Land appreciation tax ("LAT")	48,796	100,588
	857,011	901,376

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

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

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	2,210,115	1,622,624

	Six months ended 30 June	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	30,004,227	21,600,000

The computation of diluted earnings per share for the six-month ended 30 June 2016 does not assume the exercise of over-allotment option pursuant to the listing of the Company's H shares on the Stock Exchange since the exercise price is higher than the average market price.

No diluted earnings per share are presented as there are no potential ordinary shares outstanding during the six-months ended 30 June 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. DIVIDENDS

During the current interim period, a final dividend of RMB0.00416 per share in respect of the year ended 31 December 2015, comprising 29,600,000,000 shares existed as at 31 December 2015 together with 420,396,364 new shares issued by the Company on the exercise of the over-allotment option on 8 January 2016, was approved at the annual general meeting of the Company held on 8 June 2016. The aggregate amount of the final dividends approved in the current interim period amounted to RMB124,884,849 (2014 final dividends approved during the six months ended 30 June 2015: nil).

The Directors do not recommend the payment of an interim dividend for the current interim period (six months ended 30 June 2015: nil).

On 3 August 2015, the Company made a special resolution to make a special distribution to the then shareholders of the Company (the "Special Distribution") in an amount equal to the Group's profit attributable to the equity owners of the Company derived from 1 January 2015 to 31 October 2015. The Special Distribution amounting to RMB2,523.07 million was determined based on the audited consolidated financial statements of the Company prepared in accordance with the relevant accounting policies and financial regulations in the PRC for the ten months ended 31 October 2015, after allowance has been made for the allocation to the statutory reserve and after giving effect to relevant necessary adjustments. As advised by the Group's PRC legal advisor, the declaration of the Special Distribution is subject to the Company having sufficient distributable reserves in accordance with the PRC law, and as such, the Company will need to make arrangements for the distribution of dividends from its subsidiaries to the Company prior to declaring and paying the Special Distribution. The Company will make an announcement on the outcome of the special audit and the amount of Special Distribution declared before actual payment. In the opinion of the Directors, the Special Distribution will be paid during the year ending 31 December 2016.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred costs for construction in progress of RMB1,556 million (six months ended 30 June 2015: RMB864 million) and acquired buildings at a cost of RMB51 million (six months ended 30 June 2015: RMB849 million), machinery at a cost of RMB287 million (six months ended 30 June 2015: RMB748 million), transportation vehicles/vessels at a cost of RMB79 million (six months ended 30 June 2015: RMB90 million), electronic equipment at a cost of RMB59 million (six months ended 30 June 2015: RMB54 million), office equipment at a cost of RMB19 million (six months ended 30 June 2015: RMB47 million), and other equipment at a cost of RMB27 million (six months ended 30 June 2015: RMB63 million) for the purpose of expanding the Group's business.

The Group pledged certain buildings with carrying values of approximately RMB704,163,000 as at 30 June 2016 (31 December 2015: RMB881,325,000) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 30.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amounts of property, plant and equipment held under finance leases as at 30 June 2016 amounted to RMB434,921,000 (31 December 2015: RMB596,772,000).

As at 30 June 2016, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amount of approximately RMB665 million (31 December 2015: RMB363 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period..

13. PREPAID LEASE PAYMENTS

During the current interim period, the Group incurred costs for acquisition of prepaid lease payments of RMB81 million (six months ended 30 June 2015: RMB268 million).

As at 30 June 2016, the Group pledged leasehold land with carrying value of RMB115,380,000 (31 December 2015: RMB90,837,000) to secure loan facilities of the Group. Details of pledge of assets are set out in note 30.

As at 30 June 2016, the Group was in the process of applying the title certificates of certain of its land use rights in the PRC with aggregate carrying amount of approximately RMB16 million (31 December 2015: RMB16 million). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

14. INTANGIBLE ASSETS

During the current interim period, addition to intangible assets amounting to RMB57 million (six months ended 30 June 2015: RMB437 million), which comprised concession rights of nil (six months ended 30 June 2015: RMB330 million), mining rights of RMB2 million (six months ended 30 June 2015: nil), software of RMB36 million (six months ended 30 June 2015: RMB31 million), patent & unpatented technology of nil (six months ended 30 June 2015: RMB47 million) and other intangible assets of RMB19 million (six months ended 30 June 2015: RMB29 million).

The rights in respect of toll road income under two concession agreements with an aggregate carrying amount of RMB7,823,083,000 as at 30 June 2016 (31 December 2015: RMB10,008,105,000) are pledged to obtain bank borrowings (note 30).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Listed investments:		
Equity securities listed in Mainland China	2,478,362	2,641,334
Equity securities listed in Hong Kong	129,083	216,100
Subtotal	2,607,445	2,857,434
Unlisted investments:		
Private companies (note (a))	3,980,701	3,450,223
Listed company (note (b))	311,134	347,977
Provision for impairment	(119,107)	(119,107)
Subtotal	4,172,728	3,679,093
Total	6,780,173	6,536,527
Analysed for reporting purposes as:		
Non-current assets	6,780,173	6,536,527

Notes:

- (a) The unlisted investments in private companies represent equity securities of private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that the fair values cannot be reliably measured. The Group does not intend to dispose them in the near future.
- (b) These investments represent non-tradable shares of Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin", a PRC established company which is under control by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")), the H shares of which were listed on the Stock Exchange in 2012.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Trade receivables	45,368,837	40,756,525
Retention money receivables	7,695,014	6,797,604
Less: allowance of doubtful debts	(2,600,397)	(2,375,139)
	50,463,454	45,178,990
Bills receivable	2,831,555	3,477,579
Build-Transfer ("BT")/Build-Operate-Transfer ("BOT") project receivables	6,385,047	5,832,200
Total trade and bills receivables	59,680,056	54,488,769
Analysed for financial reporting purpose:		
Non-current	7,562,719	7,113,935
Current	52,117,337	47,374,834
	59,680,056	54,488,769

The following is an analysis of trade and bills receivables including BT and BOT receivables by age, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
0 to 6 months	37,335,545	34,137,929
6 months to 1 year	8,079,648	6,497,153
1 year to 2 years	8,217,965	8,450,143
2 years to 3 years	3,761,157	3,178,505
3 years to 4 years	1,571,698	1,185,050
4 years to 5 years	535,841	476,944
Over 5 years	178,202	563,045
	59,680,056	54,488,769

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

16. TRADE AND BILLS RECEIVABLES (continued)

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Ultimate holding company	1,695	1,324
Fellow subsidiaries	8,890	14,764
Joint ventures	4,177	849
Associates	283,886	277,254
Total	298,648	294,191

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

As at 30 June 2016, the Group pledged its trade receivables from grid companies amounting to approximately RMB949,426,000 (31 December 2015: RMB1,368,035,000) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 30.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Advance to suppliers	21,668,856	23,999,025
Other receivables (note (a))	16,123,661	11,140,065
Prepayments for acquisition of property, plant and equipment	1,356,049	1,187,528
Prepaid taxes	1,409,927	1,391,096
Dividends receivable	29,589	28,724
Interest receivable	45,582	27,865
Relocation compensation receivable from government (note (b))	192,075	192,075
Deposits for prepaid lease payments	124,766	89,965
Deposits paid for acquisition of subsidiaries	180,193	–
	41,130,698	38,056,343
Analysed for financial reporting purpose:		
Non-current	1,904,043	1,469,568
Current	39,226,655	36,586,775
	41,130,698	38,056,343

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

- (a) Other receivables mainly represented bidding bonds, performance bonds and various deposits required for the Group's business operations.
- (b) A subsidiary of the Company was required by the local government for relocation to other place due to certain commercial development plan in the local area. The local government would make compensation to the Group for relocation costs and loss of assets as a result of such relocation. This compensation receivable will be settled with the Group progressively after the local government obtains proceeds from sales of the above underlying piece of land.

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Ultimate holding company		
– Non-trade nature	987,070	1,126,017
Fellow subsidiaries		
– Trade nature	131,211	50,929
– Non-trade nature	33,061	–
Joint ventures		
– Non-trade nature	34,879	136,895
Associates		
– Non-trade nature	44,032	170,082
Total	1,230,253	1,483,923

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. OTHER LOANS

At 30 June 2016, the amounts due from fellow subsidiaries, associates and third parties included in other loans were mainly repayable within one year, except for loans amounting to RMB400,000,000 as at 30 June 2016 (31 December 2015: RMB1,300,000,000) which were repayable from 1 to 2 years. These loans are all unsecured, further details of which are analysed as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Amounts due from:		
Fellow subsidiaries	187,960	–
Associates	1,695,096	2,907,578
Third parties	280,987	2,091,652
	2,164,043	4,999,230
Analysed for financial reporting purpose:		
Non-current	400,000	1,300,000
Current	1,764,043	3,699,230
	2,164,043	4,999,230
Loans:		
With ultimate holding company guarantee	187,960	–
With third party guarantees	–	600,000
Without guarantees	1,976,083	4,399,230
	2,164,043	4,999,230
Interest bearing loans (fixed rate)	1,885,105	4,710,528
Interest-free loans repayable on demand	278,938	288,702
	2,164,043	4,999,230
Range of interest rate (per annum)	4.35% to 10.50%	2.55% to 10.50%

For these loans, the management of the Group assesses recoverability on an individual item basis based on estimated irrecoverable amounts which is determined by reference to the credit history, objective evidences of impairment and expected recoverable amounts.

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For the six months ended 30 June 2016

19. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Gross amounts due from customers for construction work	25,073,958	17,193,862
Gross amounts due to customers for construction work	(5,504,120)	(4,553,593)
	19,569,838	12,640,269
Contract costs incurred plus recognised profits less recognised losses to date	677,042,197	652,544,244
Less: Progress billings received and receivables	(657,472,359)	(639,903,975)
	19,569,838	12,640,269

Gross amounts due from customers for construction work above include amounts attributable to associates as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Associates	16,515	70,597

Gross amounts due to customers for construction work above include amounts attributable to joint ventures and associates as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Joint ventures	16,964	52,872
Associates	193	–
	17,157	52,872

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

20. TRADE AND BILLS PAYABLES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Trade payables	59,189,983	56,334,038
Bills payable	5,644,957	6,125,028
	64,834,940	62,459,066

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

As at 30 June 2016, retention payables of RMB1,980,678,000 (31 December 2015: RMB2,242,086,000) were included in trade and bills payables. Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Within 1 year	53,709,073	52,233,016
1 to 2 years	5,675,387	5,953,089
2 to 3 years	2,887,747	1,873,757
More than 3 years	2,562,733	2,399,204
	64,834,940	62,459,066

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For the six months ended 30 June 2016

20. TRADE AND BILLS PAYABLES (continued)

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Fellow subsidiaries	93,289	88,862
Joint ventures	41	–
Associates	3,626	1,061
	96,956	89,923

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

21. OTHER PAYABLES AND ACCRUALS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Advance from customers	27,259,675	22,583,279
Other payables	16,300,750	16,059,140
Payable to NSSF (Note)	–	1,065,549
Accrued payroll and welfare	1,705,925	1,871,753
Non-income tax related tax payables	910,663	1,968,778
Dividend payables	273,422	127,013
Interest payables	92,685	148,172
	46,543,120	43,823,684
Analysed for financial reporting purpose:		
Current	46,466,863	43,464,444
Non-current portion	76,257	359,240
	46,543,120	43,823,684

Note: In accordance with relevant PRC regulations regarding disposal of state-owned shares, in the event of an initial public offering to public shareholders in overseas securities market by a PRC joint stock company in which the state has an interest, such company shall dispose of its state-owned shares representing 10% of the amount received from such offering. Proceeds generated from the disposal of such state-owned shares and payable to NSSF as at 31 December 2015 were fully settled by the Company during the current interim period.

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For the six months ended 30 June 2016

21. OTHER PAYABLES AND ACCRUALS (continued)

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

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Ultimate holding company	278,130	217,025
Fellow subsidiaries	154,379	177,649
Joint ventures	1,132,115	479,659
Associates	152,299	421,699
	1,716,923	1,296,032
Analysed by nature:		
Trade nature	164,373	1,150,662
Non-trade nature (Note)	1,552,550	145,370
	1,716,923	1,296,032

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

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22. BANK AND OTHER BORROWINGS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Current		
Short term bank borrowings:		
– unsecured	17,708,292	25,029,012
– secured	772,000	786,300
Short term other borrowings:		
– unsecured	2,867,011	1,784,119
– secured	108,640	112,460
Current portion of long term bank borrowings:		
– unsecured	3,127,273	3,940,735
– secured	1,935,925	3,394,371
Current portion of long term other borrowings:		
– secured	687,681	113,623
	27,206,822	35,160,620
Non-current		
Long term bank borrowings:		
– unsecured	20,569,854	19,394,494
– secured	8,332,820	9,045,235
Long term other borrowings:		
– secured	1,379,531	1,525,802
	30,282,205	29,965,531

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. BANK AND OTHER BORROWINGS (continued)

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Ultimate holding company	500,001	1,103,117
Fellow subsidiaries	359	–
Joint ventures	336,949	–
Associates	–	25,000
	837,309	1,128,117

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 30.

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Guaranteed by		
Ultimate holding company (note 31)	–	185,000
Third parties	–	436,250
	–	621,250

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

	At 30 June 2016		At 31 December 2015	
	RMB'000 (Unaudited)	%	RMB'000 (Audited)	%
Fixed rate bank and other borrowings	27,079,520	1.20-9.60	34,723,850	1.05-9.60
Floating rate bank and other borrowings	30,409,507	2.35-8.84	30,402,301	2.75-8.70
	57,489,027		65,126,151	

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of the People's Bank of China or at London Interbank Offered Rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

23. CORPORATE BONDS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Carrying amount repayable based on repayment term:		
Within one year:	–	500,000
More than one year but within two years	924,426	407,113
More than two years but within three years	–	520,342
More than three years but within four years	1,686,502	1,050,790
More than four years but within five years	10,075,420	625,284
More than five years	3,058,323	3,170,083
	15,744,671	6,273,612
Less: Amounts due within one year shown under current liabilities	–	500,000
Amounts shown under non-current liabilities	15,744,671	5,773,612
Effective interest rate (per annum)	3.14%-5.85%	4.75%-5.85%

On 23 February 2016, CGGC (defined in note 25) issued a corporate bonds with principal amount of RMB3,000 million and on 14 June 2016, CGGC issued another two corporate bonds with principal amount of RMB3,000 million and RMB4,000 million respectively. These corporate bonds are issued with a term of 5 years in the PRC. The interest rates of these corporate bonds are 3.14% per annum, 3.27% per annum and 3.45% per annum respectively.

24. ISSUED SHARE CAPITAL

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

	At 30 June 2016		At 31 December 2015	
	Number of shares '000 (Unaudited)	Nominal value RMB'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value RMB'000 (Audited)
Registered, issued and fully paid				
State legal person shares of RMB1.00 each	20,757,960	20,757,960	20,800,000	20,800,000
H Shares of RMB1.00 each	9,262,436	9,262,436	8,800,000	8,800,000
	30,020,396	30,020,396	29,600,000	29,600,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

24. ISSUED SHARE CAPITAL (continued)

A summary of the movements in the Company's issued share capital is as follows:

	At 30 June 2016		At 31 December 2015	
	Number of shares '000 (Unaudited)	Nominal value RMB'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value RMB'000 (Audited)
At beginning of the period/year	29,600,000	29,600,000	21,600,000	21,600,000
Public offer of H Shares (Note (i))	-	-	8,000,000	8,000,000
Exercise of over-allotment (Note (ii))	420,396	420,396	-	-
Reduction of State legal person shares (Note (iii))	(42,040)	(42,040)	(800,000)	(800,000)
Conversion to H shares (Note (iii))	42,040	42,040	800,000	800,000
	30,020,396	30,020,396	29,600,000	29,600,000

Notes:

- (i) On 10 December 2015, the Company issued 8,000,000,000 H shares of RMB1.00 each at the price of HK\$1.59 per share by way of public offering. On the same date, the Company's H shares were listed on the Main Board of the Stock Exchange.
- (ii) On 8 January 2016, the Company issued an additional 420,396,364 H shares of RMB1.00 each at the price of HK\$1.59 per share by means of exercise of the over-allotment option as set out in the prospectus issued by the Company dated 27 November 2015.
- (iii) 800,000,000 and 42,039,636 State legal person shares of the Company were converted into H shares and transferred to the NSSF on 10 December 2015 and 8 January 2016, respectively.

25. PERPETUAL CAPITAL INSTRUMENTS

Beijing Weiyi Real Estate Development Co., Limited (北京唯逸房地產開發有限公司) ("Beijing Weiyi", a subsidiary of the Group), issued the first tranche of perpetual capital instruments on 31 December 2015, with a total principal amount of RMB1 billion. In addition, China Gezhouba Group Stock Company Limited (中國葛洲壩集團股份有限公司) ("CGGC", a subsidiary of the Group), issued the first tranche of perpetual notes on 30 May 2016 with a total principal amount of RMB3 billion.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

25. PERPETUAL CAPITAL INSTRUMENTS (continued)

Beijing Weiyi and CGGC could not defer current interests and all deferred interests when any of the following compulsory interest payment events occur:

- to declare and pay dividend to ordinary shareholders;
- to decrease share capital

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

Beijing Weiyi or CGGC 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 condensed consolidated financial statements.

26. FINANCIAL INSTRUMENTS

Fair value measurement

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

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in these condensed consolidated financial statements approximate their fair values.

	Carrying amounts		Fair values	
	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Financial liabilities				
Bank and other borrowings (fixed rate)	27,079,520	34,723,850	27,131,929	34,913,525
Corporate bonds (fixed rate)	15,744,671	5,773,612	15,761,685	5,996,911
Financial lease payables (fixed rate)	312,995	507,878	339,734	548,185
	43,137,186	41,005,340	43,233,348	41,458,621

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

Financial assets	Fair value at		Fair value hierarchy	Valuation technique	Key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015					
	RMB'000 (Unaudited)	RMB'000 (Audited)					
Tradable listed equity securities classified as available-for-sale financial assets	2,607,445	2,857,434	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable
Non-tradable securities of listed company classified as available-for-sale financial assets (note)	311,134	347,977	Level 3	Black-Scholes option pricing model	Spot price of the securities, volatility of the securities, expected life of the option and risk-free interest rate	Expected volatility. Expected life of the option.	The higher the volatility, the lower the fair value. The longer the expected life of the option, the lower the fair value.
Subtotal	2,918,579	3,205,411					
Financial assets at fair value through profit or loss	90,058	66,663	Level 1	Unadjusted quoted price on active market	Not applicable	Not applicable	Not applicable

Note: These investments represent non-tradable shares of Huadian Fuxin which were listed on the Stock Exchange in 2012.

Reconciliation of level 3 fair value measurement of financial assets:

	RMB'000
At 1 January 2016 (Audited)	347,977
Fair value loss recognised in other comprehensive income	(36,843)
At 30 June 2016 (Unaudited)	311,134

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For the six months ended 30 June 2016

27. CAPITAL COMMITMENTS

Capital expenditure:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Contracted for but not provided in these condensed consolidated financial statements:		
Property, plant and equipment	2,162,581	2,866,876

The Group's share of the capital commitments of its joint ventures is as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Commitments to contribute funds for the acquisition and construction of property, plant and equipment	403,033	424,389

Investment commitments:

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Investment commitments in:		
– Associates	591,214	622,542
– Joint ventures	2,025,016	2,272,697
	2,616,230	2,895,239

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

28. 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:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Within one year	247,289	256,667
1 to 3 years	323,202	391,078
Over 3 years	101,722	155,500
	672,213	803,245

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises. Lease of rented premises are negotiated with fixed lease term for 1 to 10 years.

The Group as lessor

For the six months ended 30 June 2016, rental income earned by the Group from its investment properties was RMB24,512,000 (six months ended 30 June 2015: RMB28,331,000).

All of the properties leased out have committed tenants for 1 to 18 years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Within one year	39,402	46,018
1 to 3 years	67,077	71,859
Over 3 years	136,014	173,874
	242,493	291,751

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

29. CONTINGENCIES

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

(b) Guarantees

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Guarantees given to banks and other financial institutions in respect of loan facilities granted to: (note i)		
Associates (note 31(a))	4,177,850	3,565,588
Investee recognised as available-for-sale financial asset	79,500	79,500
	4,257,350	3,645,088
Mortgage loan guarantees provided by the Group to banks in favor of its customers (note ii)	348,947	778,793
	4,606,297	4,423,881

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

29. CONTINGENCIES (continued)

(b) 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 condensed consolidated financial statements for these guarantees.

30. 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	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Property, plant and equipment	12	704,163	881,325
Prepaid lease payments	13	115,380	90,837
Investment properties		67,962	69,254
Intangible assets	14	7,823,083	10,008,105
Trade receivables	16	949,426	1,368,035
Properties under development for sale		9,008,408	10,348,935
Completed properties for sale		21,418	99,940
Bank deposits		2,333,428	2,650,613
		21,023,268	25,517,044

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

31. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transactions with related parties during the period:

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of goods		
Associates	70,212	–
Construction service		
Fellow subsidiaries	451	378
Joint ventures	52,646	61,904
Associates	1,147,850	940,650
	1,200,947	1,002,932
Purchase of goods		
Joint ventures	1,865	–
Associates	7,676	4,845
	9,541	4,845
Purchase of services		
Fellow subsidiaries	3,567	20,115
Lease expense		
Fellow subsidiaries	82,982	43,532

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

31. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Finance income		
Fellow subsidiaries	2,112	–
Associates	40,682	80,075
	42,794	80,075
Finance costs		
Ultimate holding company	20,079	27,088
Fellow subsidiaries	27	–
	20,106	27,088

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

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Associates (note 29(b))	4,177,850	3,565,588

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

31. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

The Group had obtained guarantees by ultimate holding company in respect of certain bank loans of the Group:

	At 30 June 2016	At 31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Ultimate holding company (note 22)	–	185,000

In the opinion of the Directors, the transactions 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 current interim period, 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 16, 17, 18, 19, 20, 21 and 22.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

32. ACQUISITION OF SUBSIDIARIES

During the six-month ended 30 June 2015, the Group acquired equity interests of certain companies owned by other independent third parties or by certain employees of the Group. No such acquisition occurred in the current interim period.

In respect of the companies previously owned by certain employees of the Group, during the six-month ended 30 June 2015, SASAC initiated the transactions to acquire these companies for the purpose of onward injection into ENERGY CHINA GROUP so as to enable ENERGY CHINA GROUP to make injection of these companies into the Group pursuant to the reorganisation. Under these acquisition transactions initiated by SASAC, the total fair value of the net assets of these companies at the respective dates of acquisition were higher than the purchase consideration amounts. As SASAC is the controlling party of ENERGY CHINA GROUP, these bargain purchase gain obtained by SASAC at the date of acquisition of the above subsidiaries were recognised in reserve of the Group as shareholder contribution upon completion of the acquisition transactions.

All the above investees are engaged in the similar business activities of the Group. The purpose of the above transactions is to satisfy the need for the expansion of the Group's business operations.

Acquisition-related costs relating to the above transactions are insignificant and have been excluded from the cost of acquisitions and have been recognised directly as expenses in the year in which the transactions were made and included in the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Six months ended 30 June 2015

	Enterprises- owned by employees	Others	Total
	RMB '000	RMB '000	RMB '000
	(Unaudited)	(Unaudited)	(Unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	25,899	290,268	316,167
Intangible assets	2,478	89,679	92,157
Investments in joint ventures	–	886,010	886,010
Trade receivables	–	763,966	763,966
Deferred tax assets	–	22	22
	28,377	2,029,945	2,058,322
CURRENT ASSETS			
Inventories	1	7,579	7,580
Trade and bills receivables	14,820	34,280	49,100
Prepayments, deposits and other receivables	26,480	21,357	47,837
Bank and cash balances	6,868	31,650	38,518
	48,169	94,866	143,035

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

32. ACQUISITION OF SUBSIDIARIES (continued)

Six months ended 30 June 2015 (continued)

	Enterprises- owned by employees	Others	Total
	RMB '000	RMB '000	RMB '000
	(Unaudited)	(Unaudited)	(Unaudited)
CURRENT LIABILITIES			
Trade and bills payables	13,162	23,847	37,009
Other payables and accruals	25,577	1,021,132	1,046,709
	38,739	1,044,979	1,083,718
NET CURRENT ASSETS/(LIABILITIES)	9,430	(950,113)	(940,683)
TOTAL ASSETS LESS CURRENT LIABILITIES	37,807	1,079,832	1,117,639
NON-CURRENT LIABILITIES			
Bank and other borrowings	–	337,850	337,850
Deferred tax liabilities	–	112,170	112,170
	–	450,020	450,020
Net assets	37,807	629,812	667,619
Identifiable net assets acquired	(37,807)	(629,812)	(667,619)
Non-controlling interests	–	151,850	151,850
Consideration transferred – Consideration paid/payable	4,600	525,767	530,367
Bargain purchase gain recognised as deemed contributions by owner	33,207	–	33,207
Goodwill	–	47,805	47,805
Net cash outflow arising on acquisition			
Total cash consideration paid	–	(525,767)	(525,767)
Add: cash and cash equivalents acquired	6,868	31,650	38,518
Net outflow of cash and cash equivalents in respect of the acquisition	6,868	(494,117)	(487,249)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

33. DISPOSAL OF SUBSIDIARIES

During the six-month periods ended 30 June 2016 and 2015, equity interests of certain companies held by the Group were disposed of by the Group.

Six months ended 30 June 2016

	RMB'000 (Unaudited)
NON-CURRENT ASSETS	
Property, plant and equipment	2,797
Intangible assets	2,055,950
	2,058,747
CURRENT ASSETS	
Inventories	1,448
Trade and bills receivables	1,368
Prepayments, deposits and other receivables	32,057
Bank and cash balances	10,846
	45,719
CURRENT LIABILITIES	
Trade and bills payables	2,618
Other payables and accruals	10,212
Bank and other borrowings	2,255,268
	2,268,098
NET CURRENT LIABILITIES	(2,222,379)
TOTAL ASSETS LESS CURRENT LIABILITIES	(163,632)
NON-CURRENT LIABILITIES	
Bank and other borrowings	62,000
	62,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

33. DISPOSAL OF SUBSIDIARIES (continued)

Six months ended 30 June 2016 (continued)

	RMB'000 (Unaudited)
Net liabilities disposed of	(225,632)
Cash consideration received by the Group	4,413
Gain on disposal of subsidiaries	230,045
Net cash outflow arising on disposal	
Cash consideration received	4,413
Less: Cash and cash equivalents disposed of	10,846
	(6,433)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

33. DISPOSAL OF SUBSIDIARIES (continued)

Six months ended 30 June 2015

	RMB'000 (Unaudited)
NON-CURRENT ASSETS	
Property, plant and equipment	547
Deferred tax assets	638
	1,185
CURRENT ASSETS	
Inventories	128
Trade and bills receivables	30,323
Prepayments, deposits and other receivables	5,971
Bank and cash balances	2,796
	39,218
CURRENT LIABILITIES	
Trade and bills payables	3,131
Other payables and accruals	29,576
	32,707
NET CURRENT ASSETS	6,511
TOTAL ASSETS LESS CURRENT LIABILITIES	7,696
Net assets	7,696
Non-controlling interest	–
Net assets disposed of	7,440
Cash consideration received by the Group	23,000
Gain on remeasurement of group's retained interests	166
Gain on disposal of subsidiaries	15,726
Net cash inflow arising on disposal	
Cash consideration received	23,000
Less: Cash and cash equivalents disposed of	2,796
	20,204

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

34. EVENTS AFTER THE REPORTING PERIOD

- (i) On 22 July 2016 and 5 August 2016, CGGC issued the first tranche and the second tranche of long-term renewable corporate bonds with a total principal amount of RMB10 billion with interest rate ranging from 3.15% to 3.48% per annum.
- (ii) According to the announcement made by the Company on 27 July 2016, the Group proposes to adopt the restricted share incentive scheme (the "Scheme"). Details of the Scheme are set out in that announcement.

Glossary of Vocabulary and Technical Terms

“13th Five-Year Plan”	refers to the Thirteenth Five-Year Planning Outline For National Economic and Social Development of the PRC
“Board”	refers to the board of directors of the 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 in the PRC on 19 December 2014
“Corporate Governance Code”	refers to the Corporate Governance Code and Corporate Governance Report 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

Glossary of Vocabulary and Technical Terms

“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), a limited liability company established in the PRC on 18 January 1996 and a subsidiary of our Company
“Group”	refers to the Company and its subsidiaries
“Guangdong Electric Power Design Institute Co., Ltd.”	refers to China Energy Engineering Group Guangdong Electric Power Design Institute Co., Ltd. (中國能源建設集團廣東省電力設計研究院有限公司), a limited liability company established in the PRC on 8 November 2001 and a wholly-owned subsidiary of our Company
“Guangdong Thermal Power Engineering Co., Ltd.”	refers to China Energy Engineering Group Guangdong Thermal Power Engineering Co., Ltd. (中國能源建設集團廣東火電工程有限公司), a limited liability company established in the PRC on 12 May 1986 and a wholly-owned subsidiary of our Company
“Hong Kong Listing Rules” or “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 for Securities Transactions”	refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOFCOM”	refers to the Ministry of Commerce 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
“National Bureau of Statistics”	refers to the National Bureau of Statistics of the People’s Republic of China
“NEA”	refers to the National Energy Administration of the People’s Republic of China
“One Belt and One Road”	refers to the development strategy and framework, proposed by the People’s Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road”
“PPP”	refers to public-private-partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector

Glossary of Vocabulary and Technical Terms

“PRC”	refers to the People’s Republic of China
“PV”	refers to a technology directly converting the light energy into electrical energy by using the photovoltaic effect of the semiconductor interface
“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
“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
“Stock Exchange”	refers to the Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Supervisory Committee”	refers to the committee of supervisors of the Company
“USC”	refers to main steam pressure higher than that of a supercritical generation unit. The main steam pressure is normally at 28 MPa or above with temperature higher than 600°C



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