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内蒙古能建

內蒙古能源建設投資股份有限公司
Inner Mongolia Energy Engineering Co., Ltd.

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

Stock Code: 1649

2017 Interim Report





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Corporate Profile

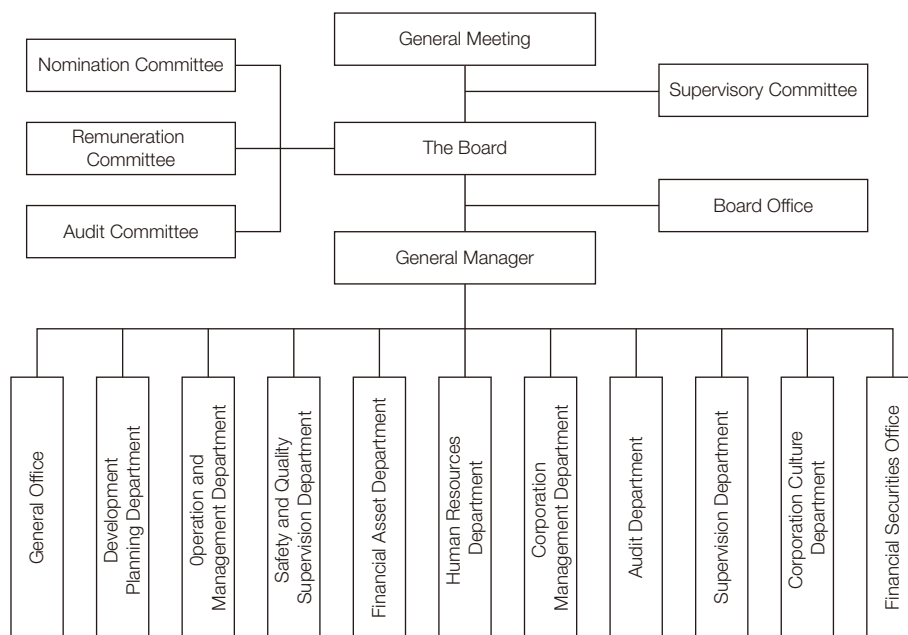
THE ISSUANCE AND LISTING OF THE SHARES

The Company was listed on the Main Board of the Stock Exchange on July 18, 2017 and the stock code is 1649, the offer price is HK\$1.60 per share and the Over-allotment Option has been partially exercised on August 9, 2017. As at the date of this report, the total number of Shares of the Company was 2,846,860,952 Shares, comprising 821,547,048 H Shares which represent 28.86% of the total issued Shares, and 2,025,313,904 Domestic Shares which represent 71.14% of the total issued Shares.

BUSINESS OVERVIEW

The Company is a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. The Company provides a comprehensive range of solutions, including survey, design and consultancy, construction contracting and maintenance and overhaul services to serve the full life-cycle of power projects and the entire value chain of the power engineering industry. The Company primarily provides services to energy and power companies in Inner Mongolia and other provinces in China. In recent years, the Company also started to provide survey, design and consultancy services overseas, such as in Pakistan, Indonesia, Cambodia, Mongolia, Tajikistan, Kyrgyzstan and Laos.

CORPORATE STRUCTURE



Financial Highlights

1. KEY OPERATION RESULTS

	For the six months ended June 30, 2017 (RMB in million)	For the six months ended June 30, 2016 (RMB in million)	Amount of Change (RMB in million)	Percentage of Change %
Revenue	3,240.5	4,398.4	(1,157.9)	(26.3%)
Gross profit	663.7	631.0	32.7	5.2%
Total profit	317.0	313.7	3.3	1.1%
Net profit	243.6	240.6	3.0	1.2%
Net profit attributable to the parent company	243.6	240.6	3.0	1.2%
Basic earnings per share	0.12	0.11	0.01	9.1%

Note: The basic earnings per share of the Group for the six months ended June 30, 2017 was RMB0.12 per share (equivalent to HK\$0.14 per share, based on the middle exchange rates for RMB to HKD as published by the People's Bank of China on June 30, 2017).

2. REVENUE

	For the six months ended June 30, 2017 (RMB in million)	For the six months ended June 30, 2016 (RMB in million)	Amount of Change (RMB in million)	Percentage of Change %
Survey, design and consultancy	230.5	241.9	(11.4)	(4.7%)
Construction contracting	2,645.9	2,232.2	413.7	18.5%
Trading	169.4	1,350.2	(1,180.8)	(87.5%)
Power project operations and other business	194.7	574.1	(379.4)	(66.1%)
Total revenue	3,240.5	4,398.4	(1,157.9)	(26.3%)

Financial Highlights

3. ASSETS AND LIABILITIES

	At June 30, 2017 (RMB in million)	At December 31, 2016 (RMB in million)	Amount of Change (RMB in million)	Percentage of Change %
Total assets	15,209.4	13,526.7	1,682.7	12.4%
Total liabilities	12,339.1	10,061.9	2,277.2	22.6%
Total equity of owners	2,870.3	3,464.8	(594.5)	(17.2%)
Equity attributable to equity owners of the parent company	2,864.3	3,460.3	(596.0)	(17.2%)

Management Discussion and Analysis

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2017

(I) General status of the Power Industry

1. Overview of the PRC Power Industry

(1) Power Supply and Demand

In the development of the PRC power industry, the total power output has increased from 4,227.8 billion kWh in 2010 to 5,989.7 billion kWh in 2016, representing a CAGR of 6.0%, according to the statistics of the China Electricity Council. For the first half of 2017, the total power output in China amounted to 2,959.8 billion kWh. According to the data of the China Electricity Council, during the implementation of the “12th five-year plan”, the power consumption of the whole society remained growing by an average of 5.7% per year. The power consumption of the whole society amounted to 5,550 billion kWh in 2015 and 5,919.8 billion kWh in 2016, respectively, representing an increase of 6.7% over the corresponding period of last year. For the first half of 2017, the power consumption of the whole society amounted to 2,950.8 billion kWh, increasing by 6.3% over the corresponding period of last year. Currently, the difference of the electricity consumption level per capita between China and developed countries is still huge. Looking forward, there remains great development potential in domestic electricity demand.

(2) Power Installed Capacity

According to the statistics of the China Electricity Council, in the first half of 2017, the power output of nationwide power plants recorded an increase of 6.3% over the corresponding period of last year; as of the end of June 2017, the cumulative installed capacity of power plants (6,000 kW and above) reached 1.63 billion kW, representing an increase of 6.9% over the corresponding period of last year. With the continuous optimization in the power structure and presence across China, the additional non-fossil energies power installed accounted for 73.4% of the total additional power installed, representing an increase in weighting of 20% over the corresponding period of last year and the additional wind power and solar power installed in eastern and central China accounted for 57.9% and 76.1% respectively. Electricity enterprises in China adopted a multi-pronged approach to promote the use of new energy resources, alleviating the problem of isolated power generation from either wind power or photovoltaic power. As a result, the utilization hours of wind power generation equipment increased by 67 hours over the corresponding period of last year and the number of utilization hours of solar power generation equipment increased by 39 hours over the corresponding period of last year.

(3) Construction of Power Grids

China is also investing more and more in the power grid network. According to the statistics of the China Electricity Council, cumulative investment in the PRC power grid network between 2010 and 2015 amounted to RMB2.0 trillion, increasing by 34.8% as compared to the “11th five-year plan” phase. In 2016, the PRC power grid companies in China further expanded their investment in the

Management Discussion and Analysis

infrastructure of power grid with a total investment amount of RMB542.6 billion throughout the year, representing an increase of 16.9% over the corresponding period of last year. Throughout the first half of 2017, the total investment in the power grid network amounted to RMB239.8 billion, representing an increase of 10% over the corresponding period of last year. With the release of new policies such as the Guidelines on Accelerating the Construction and Transformation of the Electric Distribution Network (《關於加快配電網建設改造的指導意見》) by the National Development and Reform Commission and the Action Plan of Transformation of the Electric Distribution Network (2015-2020) (《配電網建設改造行動計劃(2015-2020年)》) by the National Energy Administration in 2015, it is expected that power grid companies would further expand their construction of power grids in the five years up to 2020 in order to achieve the goal of growing stably, adjusting the structure, benefiting the public and accelerating the upgrading. Meanwhile, the power transformation capacity of 110kV and above will also remain growing rapidly in the meantime.

(4) Investment in Power Construction

According to the statistics of the China Electricity Council, the CAGR of total investment in electric power was 4.3% from 2010 to 2015. The total investment amount of electric power remained at a stable level in recent years. In 2016, investment in power engineering and construction in China amounted to RMB885.5 billion (RMB542.6 billion for power grids and RMB342.9 billion for power sources); in the first half of 2017, investment in power engineering and construction in China amounted to RMB344.4 billion (RMB239.8 billion for power grids and RMB104.6 billion for power sources). The proportion of investment in power grids continued to increase. As power construction projects in China have become more sophisticated, a number of power survey and design companies and construction companies are refocusing their business models to the EPC contracting model so as to enhance their overall competitiveness.

2. Overview of Power Industry in Inner Mongolia

(1) Power Supply and Demand

Benefiting from its rich resources of coal, wind and solar energy, Inner Mongolia is one of the biggest power-producing provinces in China. Total power output in Inner Mongolia has been increasing since 2010. According to the Gazette of Statistics on the Development of National Economy and Society in Inner Mongolia, the power output in Inner Mongolia amounted to 394.8 billion kWh in 2016 and 208.8 billion kWh in the first half of 2017. Great power output capability is proved by the fact that the CAGR of power output in Inner Mongolia from 2010 to 2016 was obviously higher than the CAGR of power output in China over the same period.

As an important power supplying province in China, Inner Mongolia exports approximately 35% of its power output to other provinces in China and Mongolia every year. According to the statistics of Inner Mongolia Electric Power Association, Inner Mongolia exported 135.7 billion kWh in 2016 and 71.1

Management Discussion and Analysis

billion kWh in the first half of 2017. Besides, power consumption in Inner Mongolia grew rapidly from 2010 to 2016, increased from 153.7 billion kWh in 2010 to 260.5 billion kWh in 2016, representing a CAGR of 5.9%. In the first half of 2017, the power consumption in the Inner Mongolia amounted to 138.7 billion kWh, representing an increase of 12.8 billion kWh over the corresponding period of last year.

(2) Power Installed Capacity

According to the statistics of Inner Mongolia Electric Power Association, Inner Mongolia is the province in China with the highest power installed capacity. In 2015, the cumulative installed capacity of power plants (6,000 kW and above) in Inner Mongolia reached 103.9 GW, accounting for 6.9% of total power installed capacity in China, among which the installed capacity of fossil-fuel power reached 72.6 GW. The installed capacity of power plants (6,000 kW and above) in Inner Mongolia reached 110.3 GW in 2016 and increased further to 115.9 GW as of the first half of 2017. With rich resources of wind and solar power, the scale of construction of wind power and photovoltaic projects in Inner Mongolia is larger than those in other provinces in China. According to the statistics of Inner Mongolia Electric Power Association, installed capacity of wind power in Inner Mongolia exceeded 25.6 GW in 2016 and 26 GW as of the first half of 2017. During the period from 2010 to 2016, the cumulative power installed capacity in Inner Mongolia continued to grow at a CAGR of about 10.7%. The Company expects that, in the next five years, with the completion of the cross-region power transmission channels and installation base for power transmission, the power installed capacity in the Inner Mongolia Autonomous Region will continue to grow rapidly and surpass the average level in China.

3. Photovoltaic Construction Market in Inner Mongolia

Photovoltaic installed capacity has grown rapidly, driven by strong government support to the photovoltaic industry and the continual decline in price of photovoltaic modules as a result of advances in technology. Leveraging its extensive solar energy and land resources, Inner Mongolia has seen strong growth in new photovoltaic installed capacity. According to statistics provided by Inner Mongolia Electric Power Association, in 2015, 2016 and the first half of 2017, photovoltaic installed capacity of power plants with 6,000 kW capacity and above in Inner Mongolia reached 1.7 GW, 6.4 GW and 6.9 GW, respectively. With the support of favorable policies including “Notice on Improving the Benchmark Feed-in Tariff Policy for Grid Connection of Onshore Wind Power and Photovoltaic Power Generation” (《關於完善陸上風電光伏發電上網標杆電價政策的通知》), photovoltaic energy resources in the Inner Mongolia are expected to be further developed, and the growth of newly installed capacity per annum is expected to remain fast.

4. Wind Power Construction Market in Inner Mongolia

Inner Mongolia has extensive wind power resources and a relatively large scale of wind power projects. According to statistics provided by Inner Mongolia Electric Power Association, as at the end of 2016 and the first half of 2017, the cumulative installed capacity in Inner Mongolia exceeded 25.6GW and 26GW, respectively.

Management Discussion and Analysis

(II) General situation of trade industry

Affected by the slowdown in global economic growth, the downstream demand for coal experienced a downturn. Meanwhile, due to production overcapacity of domestic coal, market price of coal continued to drop since 2011 and rebounded in 2016, and then dropped again in 2017. Also, due to economic slowdown of developing countries, demand for crude oil fell and international crude oil market is still experiencing over supply.

2. BUSINESS OVERVIEW FOR THE FIRST HALF OF 2017

(I) Diversification of business transformation

The Company is a large comprehensive power industry solutions provider, focusing on power grid and new energy projects. We provide a comprehensive range of solutions, including survey, design and consultancy, construction contracting, maintenance and overhaul services to serve the full life-cycle of power projects and the entire value chain of the power engineering industry. During the first half of 2017, China had been constantly promulgating new policies on energy structural adjustment to strictly control the fossil-fuel power production capacity and develop new energy power production in an orderly manner. Meanwhile, China intensified power grid construction, and the proportion of investment in power grid continued to increase. Leveraging the relevant policies of the PRC and Inner Mongolia, during the first half of 2017, the Company has increased its effort in market expansion, strictly reduced cost expenses and effectively controlled operational risks. The Company's total new contract value of survey, design and consultancy business and construction contracting business during the first half of 2017 reached RMB2,041.50 million, of which the total new contract value in relation to power grid constructions, being the Company's traditional stable business, reached RMB1,079.87 million, representing an increase of 9.7% over the corresponding period of last year.

1. Survey, Design and Consultancy Business

Survey, design and consultancy business is one of our core businesses. In order to achieve the integration of marketization, refinement and informatization of power design and consultancy businesses, the Company increased its efforts in research and development and technological innovation, its subsidiary, Inner Mongolia Power Survey & Design Institute (內蒙古電力勘測設計院) has been rewarded as National High and New Technology Enterprise. Meanwhile, in the aspect of market development, we continue to increase development efforts through tapping on internal resources and external coordination. During the first half of 2017, the Company realized the value of newly signed contract of RMB264.46 million. The Company expanded overseas market actively, and undertook overseas projects, such as the 1 × 220MW efficient clean power plant project in Fengsha Bay, Xieng Khouang province, Laos, the 3 × 150MW project in Tavan Tolgoi, Mongolian, and expended domestic market actively, and undertook domestic power generation projects, such as the 2 × 350MW supercritical Unit engineering in Fuqiang Thermal Power, Jiangsu province and 4 × 30MW unit project of Heilongjiang Yipin Thermal Power. In addition, the Company has signed contracts on Huaidong-Eastern China ± 1,100kV UHV DC Transmission Lines and ultra-high voltage power transmission projects and further strengthened its competitiveness in the market of UHV design.

Management Discussion and Analysis

2. Construction Contracting Business

Construction contracting business is one of our core businesses. The Company has developed the construction contracting market in depth, and leveraging the Top Grade Qualification in general contracting of power engineering, has enhanced its market competitiveness. The Company is committed to undertaking high-capacity, high-parameters and high-voltage grade projects and promoting the traditional power construction industry to develop in an international, intelligent, green, service-oriented direction. The new contract value in relation to construction contracting business of the Company during the first half of 2017 reached RMB1,777.04 million. Amid the macro backdrop of enhanced power grid construction of China, the Company proactively explored power grid markets and, while securing its market position in the western Inner Mongolia market, the Company took initiatives in taking part in UHV projects of State Grid Corporation of China (國家電網) and construction projects of China Southern Power Grid Co., Ltd. (南方電網), and has undertaken a number of power transmission projects such as the power grid interconnection project of central Tibet and Changdu and the construction of Bomi-Nyingchi 500kV Transmission Line in relation to power grid projects. The power grid interconnection project of central Tibet and Changdu is regarded as the transmission and transformation project with highest altitude, largest Hematocrit and the most complicated natural conditions in the world so far, and participation in this project will strengthen the Company's market competitiveness and brand influence significantly. Meanwhile, the Company has undertaken a number of wind power and photovoltaic contract projects.

3. Trading Business

Our Company began to commence trading business from June 2015, which mainly includes petroleum products, coal and chemical materials. In particular, for coal trading business, we have established stable cooperative relationship for coal sale and purchase with large suppliers in Inner Mongolia, while we are gradually exploring the petroleum and chemical product markets. During the first half of 2017, sales revenue attributable to the Company's trading business reached RMB169.36 million.

4. Power Project Operation and Other Businesses

The Company has leveraged its key roles in bringing in investments and projects through ways such as investment and construction on its own, cooperation in construction and mergers, thereby promoting the development of the new energy industry. We closely tracked projects with good results or growth, and realized the large-scale and clustering operation and development of new energy industry. As of June 30, 2017, the Company has a wind power project in operation, the installed capacity of which was 199MW. While exploring the electricity market, we have increased our effort in exploring the non-electricity market.

Management Discussion and Analysis

(II) Rapid progress in basic management

We strived to construct high-quality engineering and benchmarking projects by focusing on promoting standardized project construction, establishing subcontractor blacklist system and carrying out in depth improving activities. Meanwhile, we further improved the long-term mechanism of safety management, and had been implementing a series of solid and effective measures including thorough safety inspections. As a result, we achieved significant improvement and enhancement in executing policies, implementing measures, identifying and eliminating hidden potential and carrying out civilized constructions.

Meanwhile, the Company, leveraging the Top Grade Qualification in general contracting of power engineering, further integrated market resources, collected and organized market information and undertook domestic and overseas projects. In the meantime, we established and put into operation the centralized fund accounting management platform, realizing full supervision and effective surveillance of systematic funded assets, funding and financing and other business activities of the Company; in addition, we launched and operated an E-commerce platform, which enabled us to realize full online operation of bidding and purchase, thereby significantly reducing engineering cost and effectively ensured project quality.

The Company also further innovated on our operation and management model, carried out pilot of operation target accountability and risk mortgage assessment mechanism. By establishing effective performance evaluation system and differentiated incentive mechanism, we aimed to motivate the initiative and creativity of staffs, push for the formation of a performance-linked, pressure-sharing and jointly-working situation, and steadily improve enterprise benefits.

Contracts

As of June 30, 2017, the outstanding contract value of survey, design and consultancy business and construction contracting business of the Company was RMB6,255.59 million, among which the outstanding contract value of survey, design and consultancy business was RMB996.04 million; the outstanding contract value of the outstanding contract value of project construction business was RMB5,259.55 million.

Scientific Research and Awards

As of June 30, 2017, the Company obtained various awards in survey, design and consultancy filed, including: one project obtained national invention patent, seven projects obtained First Prize of Outstanding Project Design Award for Power Industry, two projects obtained China Quality Power Project Award, five projects obtained Prize of Science and Technology Progress Award for Power Construction, three proprietary technologies obtained information of authorization, six projects obtained the proprietary technology of power engineering design; two projects won the Second Prize of Outstanding QC Achievement Award for National Engineering Construction (Survey and Design); four projects won the First Prize of Outstanding QC Achievement Award for Power Survey and Design Industry; two projects won the Second Prize of Outstanding Quality Management QC Achievement Award for Power Construction; three projects won the second prize of Excellent Project Design Award for Power Industry; three projects won the Prize of Excellent Project Survey Award for Power Industry; in the construction contract area, three projects won the Prize of Excellent Project Award for Power Industry; two projects won the Prize of Excellent Achievements of Quality Management Group Activities Award for National Project Construction; and two projects won the Outstanding QC Achievements of Quality Management Award for Power Construction.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2017

China's economy continued to maintain a generally steady development momentum in the first half of 2017 and the GDP recorded an increase of 6.9% over the corresponding period of last year with an estimated annual growth rate reaching 6.8%.

(I) The domestic power market

During the Thirteenth Five-year period, the power demand will present a new momentum of medium-and-low-speed growth by adapting to China's "New Normal" economic cycle. Meanwhile, China's power industry will enter a stage of high efficiency, low cost and sustainable development during the Thirteenth Five-year period. In terms of power source, the nation's additional installed capacity in the second half of 2017 increased by 60 million kW and the nation's annual additional power installed increased by about 0.11 billion kW pursuant to the statistics of China Electricity Council, of which additional non-fossil energies power installed reached about 65 million kW. It is expected that the nation's power installed capacity will reach 1.76 billion kW by the end of 2017, increased by about 7% over the corresponding period of last year, of which non-fossil energy power generation will reach 0.67 billion kW, accounting for 38% of the total installed capacity, increased by about 1 percentage point as compared to last year. The nation's annual utilization hours of power generation equipment will reach about 3,720 hours, of which utilization hours of fossil fuel power equipment will reach about 4,150 hours which is higher than what we expected at the beginning of the year. In terms of power grids, the investment in power distribution network construction and reform between 2015 and 2020 will be no less than RMB2 trillion and the accumulative investment during the Thirteenth Five-year period will be no less than RMB1.7 trillion pursuant to the statistics of National Energy Administration. Along with the continuous retrofitting of UHV, smart power grid and distribution network as well as the rural power grid, the power grid market will steadily expand.

(II) Power industry in Inner Mongolia Autonomous Region

Pursuant to the "Thirteenth Five-year Plan of energy development in Inner Mongolia Autonomous Region", during the implementation of the Thirteenth Five-year Plan, the power industry in Inner Mongolia Autonomous will realize a total power installed capacity of about 0.165 billion kW thereunder, including about 0.1 billion kW of fossil-fuel power, about 45 million kW of wind power and about 15 million kW of photovoltaic power. During the implementation of the Thirteenth Five-year Plan, Inner Mongolia strived to increase the local usage of new energy resources of about 8.5 million kW, including 3 million kW of wind power and 5.5 million kW of solar power. In respect of the base for outbound power transmission, the focus of development was placed on the construction of the eight new energy bases in Alxa, northern Baotou, Ordos, Ulanqa, Xinlingol, Chifeng, Tongliao and Hulunbuir. Leveraging the outbound power transmission lines in places including Ximeng — Shandong, Ximeng — Jiangsu, Shanghai Miao — Shandong the construction and development of outbound power transmission facilities will be accelerated, which will in turn promote the preliminary work of the base for outbound clean power transmission in Chifeng and western Inner Mongolia.

Management Discussion and Analysis

(III) International market

Facing the new situation, new trend and new change of the deepening adjustment and transformation of world economy, we will focus on the promotion of “Belt and Road” construction and economic cooperation and integration in Asian-Pacific region, and the further opening of domestic market. As the international demand for power construction continues to rise, Southeast Asia and most parts of Africa will all be important markets for new power installed capacity.

2017 is an important year for the Company to implement the Thirteenth Five-year Plan, and also a year of deepening reform and development, standardization of management and control, innovative management and improvement of quality and efficiency. The Company strengthened the development of our overseas market in line with our market strategy of maintaining a leading market position in Inner Mongolia, expanding across China and exploring overseas markets. Leveraging on our advantages in power transmission and transformation and clean energy construction projects in China, we actively explored the international power grid and new energy markets, especially businesses in the regions covered by the “Belt and Road,” “China-Mongolia-Russia Economic Corridor” and “China-Pakistan Economic Corridor” initiatives. Besides, we further traced and interlinked overseas fossil-fuel power and photovoltaic projects in Pakistan and Bangladesh, and strived to obtain substantive breakthrough. At present, we have established a branch in Brazil engaging in power transmission and transformation business, so as to take an active part in bidding works for power grid construction projects in Brazil. Each of our business develops based on the direction of “centering on integrative energy and diversifying industries”, with an aim to improve the enterprise business benefits.

4. FINANCIAL REVIEW

(I) Operation Results and Discussion

For the six months ended June 30, 2017, Group’s realized revenue was RMB3,240.5 million, representing a decrease of RMB1,157.9 million or 26.3% over the corresponding period of last year. Gross profit was RMB663.7 million, representing an increase of RMB32.7 million over the corresponding period of last year. Net profit for the period amounted to RMB243.6 million, representing an increase of RMB3.0 million or 1.25% over the corresponding period of last year. Among which the net profit for the period attributable to the equity owner of the Company was RMB243.6 million, representing an increase of RMB3.0 million or 1.23% over the corresponding period of last year.

1) Revenue

The Group generated revenue primarily from (i) survey, design and consultancy; (ii) construction contracting; (iii) trading; and (iv) power project operation and other businesses.

For the six months ended June 30, 2017, the revenue of the Group was RMB3,240.5 million, representing a decrease of RMB1,157.9 million or 26.3% over the corresponding period of last year. The decrease was mainly due to a decrease in oil trading business and sales of property development projects.

Management Discussion and Analysis

For the six months ended June 30, 2017, the revenue of the Group generated from China amounted to RMB3,240.5 million, accounting for 100% of the total revenue. The comparison of the information of the corresponding period of last year is as below:

	For the six months ended June 30, 2017 (RMB in million)		For the six months ended June 30, 2016 (RMB in million)	
		%		%
Inner Mongolia	2,189.9	67.6	3,131.7	71.2
Other parts of the PRC	1,050.6	32.4	1,266.7	28.8
Total	3,240.5	100%	4,398.4	100%

2) Cost of sales

For the six months ended June 30, 2017, the cost of sales of the Group amounted to RMB2,576.8 million, representing a decrease of RMB1,190.6 million or 31.6% over the corresponding period of last year, which was mainly due to a decrease in oil trading business and sales of property development projects.

3) Gross profit and gross profit margin

For the six months ended June 30, 2017, the gross profit of the Group amounted to RMB663.7 million, representing an increase of RMB32.7 million or 5.2% over the corresponding period of last year, which was mainly due to a decrease in proportion of trading business with lower gross profit margin of the current period. For the same periods, gross profit margin was 20.5% (the same period of 2016: 14.3%).

Management Discussion and Analysis

(II) Segment operating results

The following table shows revenue, gross profit, gross profit margin, segment result and operating profit margin of the Company's business segments for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result		Segment Result	
	For the six months ended June 30,		For the six months ended June 30,		For the six months ended June 30,		For the six months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(RMB in million)		(RMB in million)		%		(RMB in million)		%	
Survey, design and consultancy	230.5	241.9	120.7	124.4	52.4%	51.4%	120.7	109.6	25.2%	22.9%
Construction contracting	2,645.9	2,232.2	488.6	371.1	18.5%	16.6%	344.1	253.2	71.9%	52.8%
Trading	169.4	1,350.2	1.6	45.1	0.9%	3.3%	(24.2)	34.8	(5.1%)	7.3%
Power project operation and other businesses	194.7	574.1	52.8	90.4	27.1%	15.7%	37.7	81.5	7.9%	17.0%
Total	3,240.5	4,398.4	663.7	631.0	20.5%	14.3%	478.3	479.1	100.0%	100.0%

1) Survey, design and consultancy

The principal segment result data for the Group's survey, design and consultancy business is as follows:

	For the six months ended June 30,				
	2017		2016		% of Change
	(RMB in million)	%	(RMB in million)	%	
Segment revenue	230.5	7.1%	241.9	5.5%	(4.7%)
Cost of sales	109.8	4.3%	117.5	3.1%	(6.6%)
Gross profit	120.7	18.2%	124.4	19.7%	(3.0%)

Segment revenue Revenue of the survey, design and consultancy business after inter-segment elimination decreased by RMB11.4 million or 4.7% over the same period of last year, primarily due to a decrease in revenue caused by the decrease in the volume of wind power business as the state adjusted the power policies.

Management Discussion and Analysis

Cost of sales Cost of sales of the survey, design and consultancy business decreased by RMB7.7 million or 6.6% over the same period of last year, primarily due to a decrease in volume of business, which resulted in a decrease of corresponding costs.

Gross profit Gross profit of the survey, design and consultancy business decreased by RMB3.7 million or 3.0% over the same period of last year, primarily due to a decrease in revenue caused by the decrease in the volume of wind power business as the state adjusted the power policies.

2) Construction contracting

The principal segment result data for the Group's construction contracting business is as follows:

	For the six months ended June 30,				
	2017		2016		% of Change
	(RMB in million)	%	(RMB in million)	%	
Segment revenue	2,645.9	81.7%	2,232.2	50.8%	18.5%
Cost of sales	2,157.3	83.7%	1,861.1	49.4%	15.9%
Gross profit	488.6	73.6%	371.1	58.8%	31.7%

Segment revenue Revenue of the construction contracting business after inter-segment elimination increased by RMB413.7 million or 18.5% over the corresponding period of last year, primarily due to the substantial progress in the current period of new projects and projects to be completed.

Cost of sales Cost of sales of the construction contracting business increased by RMB296.2 million or 15.9% over the corresponding period of last year, primarily due to the substantial progress in the current period of new projects and projects to be completed.

Gross profit Gross profit of the construction contracting business increased by RMB117.5 million or 31.7% over the corresponding period of last year. Gross profit margin of the Company's works and construction contracting business increased to 18.5% in the first half of 2017 from 16.6% in the first half of 2016, primarily due to an increase in proportion of photovoltaic business with higher gross profit margin.

Management Discussion and Analysis

3) Trading

The principal segment result data for the Group's trading business is as follows:

	For the six months ended June 30,				
	2017		2016		% of Change
	(RMB in million)	%	(RMB in million)	%	
Segment revenue	169.4	5.2%	1,350.2	30.7%	(87.5%)
Cost of sales	167.8	6.5%	1,305.1	34.6%	(87.1%)
Gross profit	1.6	0.2%	45.1	7.1%	(96.5%)

Segment revenue Revenue of the trading business after inter-segment elimination decreased by RMB1,180.8 million or 87.5% over the corresponding period of last year, primarily due to a decrease in the oil trading business affected by the international market conditions.

Cost of sales Cost of sales of the trading business decreased by RMB1,137.3 million or 87.1% over the corresponding period of last year, primarily due to a decrease in the oil trading business.

Gross profit Gross profit of the trading business decreased by RMB43.5 million or 96.5% over the corresponding period of last year, primarily due to a decrease in the oil trading business.

4) Power project operation and other businesses

The principal segment result data for the Group's power project operation and other businesses is as follows:

	For the six months ended June 30,				
	2017		2016		% of Change
	(RMB in million)	%	(RMB in million)	%	
Segment revenue	194.7	6.0%	574.1	13.1%	(66.1%)
Cost of sales	141.9	5.5%	483.7	12.8%	(70.7%)
Gross profit	52.8	8.0%	90.4	14.3%	(41.6%)

Management Discussion and Analysis

Segment revenue Revenue of the power project operation and other businesses after inter-segment elimination decreased by RMB379.4 million or 66.1% over the corresponding period of last year, primarily due to the completed property development projects achieved sales during previous period, while there were no completed property development projects meeting the conditions of sale and achieving sales during the period.

Cost of sales Cost of sales of the power project operation and other businesses decreased by RMB341.8 million or 70.7% over the corresponding period of last year, primarily due to a decrease in related costs, as the completed property development projects achieved sales during the previous period, while there were no completed property development projects meeting the conditions of sale during the period.

Gross profit Gross profit of the power project operation business decreased by RMB37.6 million or 41.6% over the corresponding period of last year, primarily due to a decrease in revenue, as the completed property development projects achieved sales during the previous period, while there were no completed property development projects meeting the conditions of sale during the period.

(III) Floating Capital and Capital Resources

As of June 30, 2017, the bank deposit and cash held by the Group amounted to RMB2,785.0 million, representing an increase of RMB799.7 million as compared with that as at December 31, 2016, primarily due to the recovery of working capital and raise of bank borrowings as a result of the commencement of business.

The sources of the Group's fund are mainly from operating income and bank borrowings with good record of due repayment performance. Cash held are mainly denominated in RMB and borrowings are mainly carried with fixed interest rates. The Group has formulated strict capital management measures to monitor closely on the liquidity position as well as the position of the financial market in order to stipulate appropriate financial strategy.

As of June 30, 2017, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB10,166.1 million, among which notes and trade receivables, amounts due from customers for contract work, prepayments and other receivables and inventories were RMB7,461.1 million, RMB519.4 million, RMB1,878.8 million and RMB292.8 million, respectively.

As of June 30, 2017, the current liabilities of the Group amounted to RMB9,708.1 million, among which trade and other payables and short-term borrowings were RMB3,355.9 million and RMB4,480.5 million, respectively. As of June 30, 2017, the net current assets of the Group, being the difference between total current assets and current liabilities, amounted to RMB3,243.1 million, representing a decrease of RMB347.1 million or 9.7% as compared with that as of December 31, 2016.

Management Discussion and Analysis

As of June 30, 2017, the outstanding borrowings of the Group amounted to RMB6,652.5 million, among which short-term borrowings and long-term borrowings due within one year were RMB4,480.5 million and long-term borrowings were RMB2,172.0 million; the aggregate of borrowings increased by RMB2,495.0 million as compared with that as of December 31, 2016, comprised of an increase of RMB2,808.0 million in short-term borrowings and a decrease of RMB313.0 million in long-term borrowings.

1) Cash flows

Cash flows used in operating activities For the six months ended June 30, 2017, net cash outflow generated from operating activities amounted to RMB1,440.2 million, representing a decrease of RMB286.6 million or 16.6% as compared with the net outflow over the corresponding period of last year, primarily due to (i) the substantial progress in the current period of engineering and construction contracting business and the increase of RMB594.1 million in trade and bills receivables as a result of purchase of equipment for EPC projects; (ii) the increase of RMB464.7 million in prepayments, deposits and other receivables as we made prepayments to suppliers of our engineering and construction contracting business and paid tender bonds and performance bonds to our customers; (iii) the decrease of RMB332 million in other payables and accruals due to the return of deposits as engineering and construction contracting business achieved substantial progress in current period, which was offset by (i) the increase of RMB302.1 million in trade and bills payables as we obtained the entitled rights of deferred payment from customers because of our good credit and advantage of E-commerce platform.

Cash flows used in investing activities For the six months ended June 30, 2017, net cash outflow generated from investing activities amounted to RMB157.0 million, representing a decrease of RMB424.5 million as compared with the net outflow over the corresponding period of last year, primarily due to (i) deposit of pledged bank deposits and time deposits of RMB352.6 million; (ii) deposit paid and purchase of property, plant and equipment of RMB321.4 million, which were offset by (i) pledged bank deposits and time deposits of RMB368.8 million upon the maturity of the time deposit or upon the release of the pledge over the pledged deposits; (ii) cash advanced to parent company of RMB137.7 million; (iii) other financial assets repaid by third parties of RMB172.2 million.

Cash flows generated from financing activities For the six months ended June 30, 2017, net cash generated from the Company's financing activities was the net inflow amounting to RMB2,413.1 million, representing an increase of RMB495.8 million or 25.9% as compared with the net inflow over the corresponding period of last year, primarily due to (i) new raised bank and other borrowings of RMB3,990 million, which was offset by (ii) repayment of bank and other borrowings of RMB1,495 million.

Management Discussion and Analysis

2) Security and pledge of assets

Up to the reporting period, the amount of guarantee provided by the subsidiaries of the Company to third parties was RMB0 million.

During the reporting period, the subsidiaries of the Company had pledged fixed assets and land use rights to secure borrowings amounting to RMB0 million; and borrowings amounting to RMB0 million was pledged by trade receivables and bank deposits.

3) Gearing ratio

The Group monitors the Group's capital structure on the basis of gearing ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables shown in the consolidated balance sheet) minus restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt minus non-controlling interest. The Group's gearing ratios were approximately 60.2% and 71.6% as at December 31, 2016 and June 30, 2017, respectively. The increase of gearing ratio as of June 30, 2017 as compared with that as of December 31, 2016 was primarily due to an increase in bank borrowings as a result of the commencement of business of the Company.

4) Capital expenditure

For the first half of 2017, our capital expenditures amounted to RMB37.2 million, representing a decrease of 34.7% compared to RMB57.0 million for the first half of 2016, among which RMB4.9 million was used for the purchase of production facilities and equipment of construction engineering design and consultancy business segment; RMB32.1 million was used for the purchase of production facilities and equipment of engineering contracting, construction business segment and RMB0.2 million was used for acquisition of production facilities and equipment for trading segment. Capital resources mainly included self-owned capital and borrowings from banks.

5) Material acquisition

Up to the reporting period, the Company had no material acquisition.

6) Significant Events

Save as disclosed in the Prospectus dated June 30, 2017, the Company had no significant events as of June 30, 2017.

Management Discussion and Analysis

5. RISK FACTORS

Industrial Prospect Risk

The business cycle of the power industry is longer and the development of the industry is closely aligned with the macroeconomic development. Volatility in the power macroeconomic environment will affect the electricity demand and in turn increase the risks faced by the power industry. The Company will continue to keep an eye on risks arisen from power industry in China and Inner Mongolia, and make continuous effort to push forward the business transformation and upgrade, explore new areas, create new models and build up new capabilities so as to achieve sustainable and healthy development of the Company by seizing the opportunities brought by the “enhancement of power grid construction in view of limited electricity transmission” and “focused development of new energy resources through adjustment in the structure of electricity construction”.

Competition risk

Under the impact of the industrial prospect and economic downturn, competition in construction market is still fierce and complex. Nevertheless, the barriers to entry in terms of qualifications, technology, experience and capital and others remain high. The Company will make continuous effort to push forward the obtaining of qualification, business transformation and upgrade, promote the innovation on business model and technological research and development, strengthen the control and management of the headquarters as well as the high-end management, and optimize resource allocation, so as to enhance the comprehensive competitiveness.

Cash Flow Risk

Most of our construction contracting projects span across a relatively long period of time, generally from six months to three years. There could be a negative impact on our cash flow and availability of working capital if our customers delay or fail to pay. In addition, we also continuously incur costs relating to a construction project, mainly material, equipment and labor costs, from the commencement of the project and at the different stages of construction. If we have incurred a significant amount of costs and expenses for a project and our customers fail to pay the amount due or if there is timing difference between the receipt of progress payments from customers and payments to our suppliers, our results of operations and cash flow could be materially and adversely affected and our working capital could be reduced. The Company will strengthen the management enhancement and centralized fund management. With strict cost control, the Company will enhance the management on receivables and centralized procurement management so as to uplift the operating capacity of the enterprises.

Management Discussion and Analysis

Construction Project Management Risk

Factors including aging, malfunctioning, inappropriate installation, control or operation of various equipment, systems and facilities, human error or misconduct or strikes by or disputes with labor force, external attacks (such as malicious acts by third parties) and natural disasters may cause delay in the Company's projects or interruption of its business operation, resulting in greater performance risk. The Company will strictly manage project contract, perfect the early project planning and control over performance of contractual obligation, and achieve reasonable resources allocation. Meanwhile, it will enhance the check on projects and special inspection and strengthen subcontracting management, aiming to uplift project performance and profitability.

Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, and most of the transactions are denominated in RMB, thus the functional currency applied in the financial statements of the Company is RMB. The Company aims to strengthen the development of its overseas market in line with its market strategy of "maintaining a leading market position in Inner Mongolia, expanding across China and exploring overseas markets", and it is expected that the income and expenses dominated in foreign currencies will increase. The exchange rate fluctuation may have influence on the service pricing and the cost of procurement of materials and equipment of the Company by foreign exchange and therefore influence the financial position and operating performance of the Company. The Company will carry out risk controls by means of contracts and financial instruments, make reasonable commerce arrangements and select suitable foreign currency and exchange rate for settlement or payment so as to prevent exchange rate fluctuation risk.

6. EMPLOYEES AND REMUNERATION POLICY

Employees

As of June 30, 2017, the Company had a total of 5,448 employees in service. Moreover, the Group has off-post reserved labor force of 451.

The following table shows a breakdown of the employees in service by business segment as of June 30, 2017:

	Number of Employees	Percentage of Total
Survey, design and consultancy	1,164	21.36%
Construction contracting	3,853	70.72%
Trading	102	1.87%
Power project operation and other businesses	216	3.96%
Others	113	2.07%
Total	5,448	100%

Management Discussion and Analysis

According to relevant regulations of PRC local governments where the Company operates business, the Company contributes pension and medical insurance, unemployment insurance, maternity insurance and occupational injury insurance for our employees. The Company computes the contribution amount based on a specific percentage of the employee's gross salary in accordance with relevant PRC laws and regulations. The Company contributes housing provident fund to employees in accordance with PRC applicable laws and regulations. Apart from statutory contributions, the Company also voluntarily provides our employees and retired employees with benefits including supplementary health insurance plans and supplementary pension plans, as well as annual bonuses to our current employees.

For the first half of 2017, the Company's employee expenses amounted to RMB377.92 million. The Company does not have employee's share option scheme currently.

The Company has established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical skills, operational skills, operations and management and other areas. The Company hires employees through on-campus recruitment and human resource market. Pursuant to the Labour Contract Law (《劳动合同法》), the Company signs written employment contracts with employees, which stipulate terms on the probation period and violation penalties, dissolution of labour contracts, payment of remuneration and economical compensation as well as social insurance premium. The Group has taken a variety of measures to improve employment relationship management and fulfill its statutory obligations in a practical manner. The Company provides training for employees according to corporate business development strategies, operation objectives and job responsibilities and keeps exploring innovative training models.

The Group has established a labour union to protect employees' rights and encouraged employees to participate in the management of the Group. The Company has not experienced any strikes or other labour disputes which have interfered with the Company's management and operations.

The Company endeavors to provide training for our staff. The scope of our induction and ongoing training programs cover management skills and techniques training, overseas exchange programs and other courses. Through continued payment of education allowance, the Company also encourages our staff to engage in programs to obtain higher academic and employment qualifications.

Unaudited Interim Condensed Consolidated Financial Information

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2017

	NOTES	Six months ended June 30,	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	3,240,529	4,398,440
Cost of sales		(2,576,855)	(3,767,479)
Gross profit		663,674	630,961
Other income	5	10,720	6,408
Other expenses		(5,203)	(4,446)
Other gains and losses	6	(4,455)	(6,181)
Selling and distribution expenses		(10,383)	(6,136)
Administrative expenses		(261,063)	(262,437)
Finance income	7	43,971	14,363
Finance costs	7	(120,249)	(58,876)
Profit before tax		317,012	313,656
Income tax expense	8	(73,437)	(73,050)
Profit for the period	9	243,575	240,606
Other comprehensive (expense) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
– Remeasurement of defined benefit obligations		35,735	17,604
– Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss		(759)	(329)
Other comprehensive expense for the period, net of income tax		34,976	17,275
Total comprehensive income for the period		278,551	257,881
Profit for the period attributable to:			
Owners of the Company		243,575	240,606
Non-controlling interests		–	–
		243,575	240,606
Total comprehensive income attributable to:			
Owners of the Company		278,551	257,881
Non-controlling interests		–	–
		278,551	257,881
Earnings per share			
– Basic and diluted (RMB)	10	0.12	0.11

Condensed Consolidated Statement of Financial Position

As at June 30, 2017

	NOTES	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,262,140	1,282,383
Prepaid lease payments		54,044	54,613
Investment properties		9,430	9,717
Intangible assets		29,605	28,304
Investments in joint ventures	13	87,546	20,281
Available-for-sale investments		1,000	1,000
Deferred tax assets		55,242	61,313
Deposit for acquisition of an office building		759,223	475,043
Other financial assets	17	—	922,210
		2,258,230	2,854,864
CURRENT ASSETS			
Inventories	14	292,805	124,858
Prepaid lease payments		1,122	1,122
Properties for sale		12,910	13,791
Amounts due from customers for construction contracts	15	519,400	265,602
Trade and bills receivables	16	7,461,124	6,867,066
Prepayments, deposits and other receivables	17	1,878,794	1,414,116
Pledged bank deposits		433,639	249,802
Time deposits		—	200,000
Cash and cash equivalents		2,351,378	1,535,514
		12,951,172	10,671,871
CURRENT LIABILITIES			
Trade and bills payables	18	3,355,921	3,053,796
Amounts due to customers for construction contracts	15	240,856	402,831
Other payables and accruals	19	1,474,371	1,806,380
Income tax payable		130,086	119,827
Bank and other borrowings	20	4,480,500	1,672,500
Defined benefit obligations		26,373	26,373
		9,708,107	7,081,707
NET CURRENT ASSETS		3,243,065	3,590,164
TOTAL ASSETS LESS CURRENT LIABILITIES		5,501,295	6,445,028

Condensed Consolidated Statement of Financial Position

As at June 30, 2017

	NOTES	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings	20	2,172,000	2,485,000
Defined benefit obligations		459,020	495,155
		2,631,020	2,980,155
NET ASSETS			
Capital and reserves			
Issued share capital	21(a)	2,100,000	2,100,000
Reserves	21(b)	764,295	1,360,295
		2,864,295	3,460,295
Non-controlling interests		5,980	4,578
TOTAL EQUITY		2,870,275	3,464,873

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

	Attributable to owners of the Company						
	Owner's equity	Issued share capital	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016	—	2,100,000	1,005,832	354,463	3,460,295	4,578	3,464,873
Total comprehensive income	—	—	—	278,551	278,551	—	278,551
Acquisition from non-controlling interests	—	—	179	—	179	(278)	(99)
Contributed by non-controlling interests	—	—	—	—	—	1,680	1,680
Appropriation of maintenance and production funds	—	—	96,218	(96,218)	—	—	—
Dividend distribution	—	—	(337,934)	(536,796)	(874,730)	—	(874,730)
At June 30, 2017	—	2,100,000	764,295	—	2,864,295	5,980	2,870,275
At December 31, 2015	3,019,971	—	—	—	3,019,971	2,500	3,022,471
Total comprehensive income	245,684	—	—	12,197	257,881	—	257,881
Deemed distribution to owner	(153,145)	—	—	—	(153,145)	—	(153,145)
Other distribution to owner*	(7,000)	—	—	—	(7,000)	—	(7,000)
Deemed contribution upon acquisition of subsidiaries	322	—	—	—	322	159	481
Conversion of share capital and capital reserve	(3,105,832)	2,100,000	1,005,832	—	—	—	—
At June 30, 2016	—	2,100,000	1,005,832	12,197	3,118,029	2,659	3,120,688

* Representing certain amounts paid to IM Energy Group to increase the capital of its subsidiaries, and such amount was waived by the Group and regarded as other distribution to owner.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	Six months ended June 30,	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Net cash used in operating activities	(1,440,178)	(1,726,838)
INVESTING ACTIVITIES		
Deposit paid and purchase of property, plant and equipment	(321,381)	(443,256)
Repayments of other financial assets by a third party	172,219	-
Decrease in pledged bank deposits and time deposits	368,779	266,472
Increase in pledged bank deposits and time deposits	(352,616)	(375,773)
Cash advanced to parent company	(107,821)	(42,359)
Repayments of cash advanced by parent company	137,747	1,204
Other cash flows used in investing activities	(53,965)	12,186
Net cash used in investing activities	(157,038)	(581,526)
FINANCING ACTIVITIES		
New bank and other borrowings	3,990,000	4,080,000
Repayment of bank and other borrowings	(1,495,000)	(2,113,000)
Other cash flows used in from financing activities	(81,920)	(49,751)
Net cash from financing activities	2,413,080	1,917,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	815,864	(391,115)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,535,514	2,158,018
CASH AND CASH EQUIVALENTS AS AT JUNE 30	2,351,378	1,766,903

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

1. GENERAL INFORMATION

Inner Mongolia Energy Engineering Co., Ltd (the “Company”) was established in the PRC on March 24, 2016 under the name of Inner Mongolia Keyi Energy Engineering Co., Ltd. The Company was converted into a joint stock company with limited liability on May 31, 2016 as part of the reorganization of IM Energy Group (the “Reorganization”) and its H shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on July 18, 2017. In the opinion of the Directors, IM Energy Group, a limited liability company incorporated in the PRC, is the immediate and ultimate holding company of the Company.

The address of the Company’s registered office and principal place of business is Harbor Building, Ordos East Street, Saihan District, Hohhot, Inner Mongolia, the PRC.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended June 30, 2017 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.

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 December 31, 2016, which were contained in the Prospectus dated June 30, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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 as appropriate.

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 December 31, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to standards ("new and revised IFRSs") that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IFRS 12 as part of the *Annual Improvements to IFRS Standards 2014–2016 Cycle*

The application of the above new and revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ended December 31, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from:		
Construction and contracting	2,645,949	2,232,222
Construction work	2,041,386	1,437,892
Sales of equipment	604,563	794,330
Rendering of services	230,488	241,866
Trading of petroleum, coal, metal and chemical products	169,357	1,350,233
Sales of towers	80,021	100,857
Sales of properties	1,773	364,814
Sales of electricity	72,729	82,906
Maintenance operation	37,351	24,219
Other service income	2,861	1,323
Total	3,240,529	4,398,440

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 construction and contracting services for large scale power generation, transformation and transmission projects of fossil-fuel power, wind farm and solar power in China and overseas, as well as undertaking other types of construction projects, such as municipal engineering, industrial and civil construction projects ("Construction and contracting");
- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel 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"); and
- Trading of petroleum, coal, metal and chemical products ("Trading").

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

4. REVENUE AND SEGMENT INFORMATION (continued)

“Investment and other businesses” comprises a number of businesses, including manufacturing and sale of equipment, sales of towers, developing and sale of properties, wind power project, maintenance operation and other business operations, and none of these units has ever individually met the quantitative thresholds for determining a reportable segment.

Segment revenue and results

For the six months ended June 30, 2017 (Unaudited)

	Construction and contracting RMB'000	Survey, design and consulting RMB'000	Trading RMB'000	Segment Total RMB'000	Investment and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue							
External segment revenue	2,645,949	230,488	169,357	3,045,794	194,735	—	3,240,529
Inter-segment revenue	—	—	—	—	3,565	(3,565)	—
Consolidated revenue	2,645,949	230,488	169,357	3,045,794	198,300	(3,565)	3,240,529
Segment results							
Segment results	344,105	120,679	(24,234)	440,550	37,735	—	478,285
Unallocated items							
Other income							9,425
Other expense							(5,203)
Other gains and losses							(4,455)
Administrative expenses							(84,762)
Finance income							43,971
Finance costs							(120,249)
Profit before tax							317,012

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended June 30, 2016 (Unaudited)

	Construction and contracting	Survey, design and consulting	Trading	Segment Total	Investment and other businesses	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue							
External segment revenue	2,232,222	241,866	1,350,233	3,824,321	574,119	—	4,398,440
Inter-segment revenue	—	—	—	—	7,852	(7,852)	—
Consolidated revenue	2,232,222	241,866	1,350,233	3,824,321	581,971	(7,852)	4,398,440
Segment results	253,217	109,562	34,773	397,552	81,478	—	479,030
Unallocated items							
Other income							6,408
Other expense							(4,446)
Other gains and losses							(6,181)
Administrative expenses							(116,642)
Finance income							14,363
Finance costs							(58,876)
Profit before tax							313,656

Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on customer's location of the operations for the six months ended June 30, 2017 (June 30, 2016: over 90%).

The Group's non-current assets are all located in PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

4. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major customers

Revenue from customers for the six months ended June 30, 2017 individually contributing over 10% of the Group's revenue is as follows:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A [#]	733,259	559,456
Customer B [*]	N/A (note)	567,607

Note: The corresponding revenues from each customer did not contribute over 10% of the total revenue of the Group for the relevant period.

[#] Mainly from the construction and contracting segment.

^{*} From the trading segment.

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 June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income	3,599	5,028
Sales of scrap materials	3,648	757
Others	3,473	623
Total	10,720	6,408

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	976	3,196
Impairment recognised in respect of:		
– Trade receivables	(22,822)	(9,925)
– Other receivables	266	–
Others	17,125	548
Total	(4,455)	(6,181)

7. FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	43,971	14,363
Interest expenses on:		
Bank and other borrowings	111,414	50,839
Defined benefit obligations	8,835	8,037
Total finance costs	120,249	58,876

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current PRC corporate income tax	68,125	79,721
Deferred tax	5,312	(6,671)
	73,437	73,050

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% primarily due to their status as entities engaging in technology development or development projects in the western part of China, the entities within the Group are subject to corporate income tax at a rate of 25%.

A subsidiary was entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years from 2012, based on Guoshuifa [2009] No. 80 Notice on the Implementation of Preferential Tax on Key State-Supported Public Infrastructure Projects issued by State Administration of Taxation (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》(國稅發[2009]80號)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

9. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' and supervisors' emoluments	503	394
Other staff costs:		
Salaries and other benefits	305,589	328,861
Contributions to retirement plans	71,831	67,862
Total employee benefit expenses	377,923	396,723
Depreciation:		
— Property, plant and equipment	57,141	57,137
— Investment properties	286	345
	57,427	57,482
Amortization of intangible assets:		
— included in administrative expense	1,377	1,196
— included in cost of sales	1,262	1,119
	2,639	2,315
Amortization of prepaid lease payments	569	245
Auditor's remuneration	295	3,218
Cost of inventories recognized as expense	274,707	1,393,862
Contract cost recognised as expense	2,157,352	1,876,333
Cost of rendering services	109,809	117,501
Cost of properties sold	1,400	347,503
Cost of wind power generated	33,587	32,280
	2,576,855	3,767,479
Minimum lease payments under operating leases in respect of buildings	9,473	3,676
Gross rental income from investment properties	(2,512)	(2,240)
Less: Direct operating expenses incurred for investment properties that generated rental income	—	—
	(2,512)	(2,240)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the six months ended June 30, 2017 and 2016 attributable to owners of the Company and the number of ordinary shares in issue during the six months ended June 30, 2017 and 2016.

The calculation of basic earnings per share is based on the followings:

	Six months ended June 30,	
	2017	2016
	Unaudited	Unaudited
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	243,575	240,606
Number of shares		
Number of ordinary shares in issue during the period (in thousands)	2,100,000	2,100,000

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the six months ended June 30, 2017 and 2016.

11. DIVIDENDS

As disclosed in page 289 of the Prospectus, the Company estimated the Aggregate Dividend was RMB874.7 million. Pursuant to the Shareholders' resolution of the Company passed on June 26, 2017, a pre-determined Aggregate Dividend of RMB874.7 million was approved, in which RMB690.3 million is used to offset the Company's receivable from IM Energy Group of the transfer consideration.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the additions of certain machinery, vehicles, electronic equipment, office equipment, others and construction in progress were amounting to RMB37.21 million (unaudited) (six months ended June 30, 2016: RMB56.94 million (unaudited)).

Certain vehicles and others with carrying amount of RMB0.30 million (unaudited) (six months ended June 30, 2016: certain machinery, vehicles and others with carrying amount of RMB0.07 million (unaudited)) were disposed of in 2017, which resulted in a net gain on disposal of RMB0.98 million (unaudited) (six months ended June 30, 2016: a net gain on disposal of RMB3.20 million (unaudited)).

13. INVESTMENTS IN JOINT VENTURES

During the period, the Group acquired a 33% interest in Zhong Hang Yue Hai Wind Power Co., Ltd. (中航粤海风力发电有限公司), and its wind power plant is in construction.

14. INVENTORIES

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Raw materials	85,254	75,124
Low value consumables and spare parts	4,821	8,824
Work in progress	26,010	12,206
Finished goods	176,720	28,704
	292,805	124,858

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

15. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses to date	11,238,242	12,358,892
Less: Progress billings received and receivables	(10,959,698)	(12,496,121)
	278,544	(137,229)
Gross amounts due from customers for construction work	519,400	265,602
Gross amounts due to customers for construction work	(240,856)	(402,831)
	278,544	(137,229)

Gross amounts due to customers for construction work above include amounts attributable to fellow subsidiaries as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Fellow subsidiaries	(775)	(17,385)

Gross amounts due from customers for construction work above include amounts due from joint ventures as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Joint ventures	11,394	—

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 June 30, 2017

16. TRADE AND BILLS RECEIVABLES

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Trade receivables	7,555,871	6,601,879
Retention money receivables	149,167	380,524
Less: allowance of doubtful debts	(375,809)	(352,571)
	7,329,229	6,629,832
Bills receivable	131,895	237,234
Total trade and bills receivables	7,461,124	6,867,066

Trade and bills receivables primarily represent receivables from construction and contracting. The credit terms granted to construction contract customers generally ranged from 30 days to 150 days. For certain construction contracts of solar power projects, the credit period was 150 days after the completion date of construction work.

The Group normally requires its trading customers to pay in advance or allows a credit period of less than 30 days to its trading customers.

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the billing date at the end of each reporting period:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
0 to 6 months	3,872,033	3,683,913
6 months to 1 year	1,136,903	1,182,936
1 year to 2 years	1,092,116	1,100,052
2 years to 3 years	774,639	287,747
3 years to 4 years	239,715	224,932
4 years to 5 years	115,687	55,092
Over 5 years	98,136	95,160
	7,329,229	6,629,832

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

16. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables that are past due but not impaired is as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Past due but not impaired		
Less than 6 months past due	2,336,447	1,809,542
6 months–1 year past due	977,337	1,070,235
1–2 years past due	818,841	371,937
2–3 years past due	259,541	180,739
3–4 years past due	187,908	73,185
4–5 years past due	89,953	40,207
Over 5 years past due	47,265	41,895
	4,717,292	3,587,740

The Group operates wind power projects. The carrying amount of corresponding tariff premium receivables, which represented the government subsidies on renewable energy for ground projects to be received from the power grid based on the existing government policies, is RMB219,289,000 as at June 30, 2017 (December 31, 2016: RMB206,885,000). The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》的通知(財建[2012]102號)) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at June 30, 2017, the operating projects relating to the above receivables have been approved for the tariff premium, and the application for settlement is in progress. The Directors are of the opinion that the approvals for settlement will be obtained in due course and the tariff premium receivables are fully recoverable considering that there are no bad debt experience with the grid companies in the past and the tariff premium is funded by the PRC government.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

16. TRADE AND BILLS RECEIVABLES (continued)

The amounts due from fellow subsidiaries and parent company included in trade receivables are analysed as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Fellow subsidiaries	565,499	559,127
Parent company	34,690	34,490
Total	600,189	593,617

The following is an analysis of the amounts due from fellow subsidiaries and parent company by age:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
0 to 6 months	19,609	37,127
6 months to 1 year	34,490	188,188
1 year to 2 years	179,570	368,302
2 years to 3 years	366,520	—
Total	600,189	593,617

The above amounts are unsecured and interest-free. The Group has not granted any credit periods to related parties.

As at June 30, 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Bills") to certain of its suppliers in order to settle the trade payables due to those suppliers with an aggregate carrying amount of RMB243,706,000 (December 31, 2016: RMB455,662,000). The Bills had a maturity of one to six months at the end of the reporting period. In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Bills and has discharged its obligations under the relevant PRC practice, rules and regulations. As such, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills receivable are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is remote. Accordingly, the Group has derecognised the carrying amounts of the Bills and the associated liabilities in their entirety prior to the maturity of the Bills.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Current Assets		
Advance to suppliers	1,360,438	778,329
Other receivables	466,165	425,071
Performance deposits (note (a))	14,377	18,682
Staff advances	49,900	44,356
Amounts due from fellow subsidiaries (note (b))	—	95,012
Amounts due from parent company (note (b))	—	67,546
Prepaid value added tax	34,340	44,030
Interest on time deposits receivable	—	368
Safety guaranty	12,793	1,748
Less: allowance of doubtful debts of other receivables	(59,219)	(61,026)
	1,878,794	1,414,116
Non-current Assets		
Other financial assets (note (c))	—	922,210

Notes:

- (a) As of June 30, 2017, other receivables consist of performance deposits of RMB14,377,000 (December 31, 2016: RMB18,682,000) in the Group's normal operating cycle. Performance deposit are expected to be recovered more than 12 months after the reporting period.
- (b) The amounts due from fellow subsidiaries and parent company included in the prepayments, deposits and other receivables are non-trade nature, unsecured, interest-free and do not have fixed repayment terms. The outstanding non-trade related balances was settled as at June 30, 2017.
- (c) As disclosed in page I-55 of the Prospectus, the other financial assets was transferred to IM Energy Group as at June 20, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. TRADE AND BILLS PAYABLES

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Trade payables	2,869,155	2,462,844
Bills payable	486,766	590,952
	3,355,921	3,053,796

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

As at June 30, 2017, retention payables of RMB124,638,000 (December 31, 2016: RMB118,245,000) 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 following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Within 1 year	2,558,154	2,274,681
1 to 2 years	480,859	399,830
2 to 3 years	113,243	133,606
More than 3 years	203,665	245,679
	3,355,921	3,053,796

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

19. OTHER PAYABLES AND ACCRUALS

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Advance from customers	504,311	638,920
Proceeds from pre-sale of properties	19,363	16,619
Other payables (note (a))	436,830	581,972
Amounts due to fellow subsidiaries (note (b))	90	14,958
Amounts due to parent company (note (b))	21,676	36,779
Amounts due to joint ventures	23,660	—
Accrued payroll and welfare	38,515	170,741
Accrued benefit for retired employees	246,862	247,214
Dividend payables	94,415	—
Non-income related tax payables	84,431	95,930
Interest payables	4,218	3,247
	1,474,371	1,806,380

Notes:

- (a) The balances of other payables mainly include retention payables, deposit payables and others.
- (b) Amounts due to fellow subsidiaries and parent company were unsecured, interest free and repayable on demand.

The amounts due to fellow subsidiaries and parent company included in other payables and accruals are analysed as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Analysed by nature:		
Trade nature	21,766	—
Non-trade nature	23,660	51,737
	45,426	51,737

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

The outstanding non-trade balance was settled as at June 30, 2017

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

20. BANK AND OTHER BORROWINGS

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Current		
Short-term bank borrowings:		
unsecured	3,730,000	1,410,000
Short-term other borrowings(note (a)):		
unsecured	300,000	100,000
Current portion of long-term bank borrowings:		
unsecured	450,500	162,500
	4,480,500	1,672,500
Non-current		
Long-term bank borrowings:		
unsecured	2,172,000	2,485,000
Carrying amount repayable based on repayment term:		
On demand or within one year	4,480,500	1,672,500
More than one year but within two years	631,500	800,500
More than two years but within five years	1,396,500	1,532,500
More than five years	144,000	152,000
	6,652,500	4,157,500
Less: Amounts due within one year shown under current liabilities	(4,480,500)	(1,672,500)
Amounts shown under non-current liabilities	2,172,000	2,485,000

Note:

- (a) The amounts due to Energy Construction Group included in other borrowings above are analysed below, and expired before April 2017. The outstanding balance was fully settled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

20. BANK AND OTHER BORROWINGS (continued)

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Energy Construction Group	—	100,000

RMB300,000,000 short-term other borrowings represents the recognised discounted bills before due date.

The bank borrowings guaranteed by parent company are analyzed below. All the guarantees by parent company were released.

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Guaranteed by Energy Construction Group	—	700,000

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

	At June 30, 2017		At December 31, 2016	
	RMB'000 (Unaudited)	%	RMB'000 (Audited)	%
Fixed rate bank borrowings	4,325,000	4.57–5.39	2,710,000	4.13–5.60
Fixed rate other borrowings	300,000	4.2	100,000	4.35
Floating rate bank borrowings	2,027,500	4.2–4.75	1,347,500	4.35–5.39
	6,652,500		4,157,500	

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

21. CAPITAL AND RESERVES

(a) Issued share capital

	At June 30, 2017	
	Number of shares	Nominal value RMB'000
Registered, issued and fully paid		
— State legal person shares of RMB1 each	2,100,000,000	2,100,000

(b) Group's reserve

Details of the Group's reserves for the six months ended June 30, 2017 and 2016 are presented in the consolidated statements of changes in equity.

22. CAPITAL COMMITMENTS

	At June 30,	At December 31,
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditures contracted but not provided for:		
Property, plant and equipment	334,931	96,409
Committed capital injection into a joint venture	3,146	22,746

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

23. 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 June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Within one year	9,886	9,886
1 to 2 years	9,062	9,886
2 to 3 years	—	4,119
	18,948	23,891

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises owned by the Energy Construction Group as at June 30, 2017. Leases of rented premises are negotiated with fixed lease terms for 1 to 2 years.

The Group as lessor

For the six months ended June 30, 2017, property rental income earned was RMB2,512,000 (six months ended June 30, 2016: RMB2,240,000).

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

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Within one year	2,512	2,939

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

24. PLEDGE OF ASSETS

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

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Bank deposits	433,639	249,802
Bills receivable	16,000	—
	449,639	249,802

25. 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 June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Construction and contracting revenue		
Fellow subsidiaries	7,714	164,940
Joint venture	167,731	—
Rental expense		
Parent company	5,076	824
Transfer of other financial assets		
Parent company	690,302	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

25. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

Note:

In the opinion of the Directors, the transaction between the Group and the related parties were based on prices mutually agreed between the parties after taking reference of the market prices.

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively “State-owned Enterprises”). During the reporting 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 15, 16, 19 and 20.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

26. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions were set out as follows:

	At June 30, 2017 RMB'000 (Unaudited)	At December 31, 2016 RMB'000 (Audited)
Dividend payables	874,730	—
Transfer of other financial assets	690,302	—
Settlement of amounts due from fellow subsidiaries and parent company of non-trade nature	133,192	—
Settlement of amounts due to fellow subsidiaries and parent company of non-trade nature	43,179	—
Deemed distribution of non-cash net assets to Energy Construction	—	153,145

27. EVENTS AFTER THE REPORTING PERIOD

The Company was listed on the Main Board of the Stock Exchange on July 18, 2017 and the stock code is 1649, the offer price is HK\$1.60 per share and the over-allotment option has been partially exercised on August 9, 2017. As at the date of this report, the total number of Shares of the Company was 2,846,860,952 Shares, comprising 821,547,048 H Shares which represent 28.86% of the total issued Shares, and 2,025,313,904 Domestic Shares which represent 71.14% of the total issued Shares.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on August 29, 2017.

Corporate Governance

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During the reporting period, the Share of the Company has not yet been listed on the Stock Exchange.

The Company has complied with the mandatory code provisions in the Corporate Governance Code since the Listing Date of July 18, 2017 and up to the date of this report. The Group has been committed to improving its standard of corporate governance, and views it as an integral part of creating value for the Company's shareholders. A modern corporate governance structure, comprising of the general meeting, the Board, the board of supervisors and the senior management of the Company, has been established by the Group reference to the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which operates independently under effective balance. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and Supervisors in the securities of the Company.

Having made specific enquiries to the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they had strictly complied with the required standard set out in the Model Code since the Listing Date of July 18, 2017 and up to the date of this report. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

The Board will examine the corporate governance practices and operations of the Group from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications or appropriate accounting or related financial management expertise in accordance with the requirements of the Listing Rules. The Company has appointed a total of six independent non-executive Directors, being Mr. Wang Wen, Mr. Su Nan, Mr. Ding Zhiyun, Mr. Yang Hong, Mr. Yue Jianhua and Ms. Lau Miu Man.

Corporate Governance

AUDIT COMMITTEE

The Audit Committee of the Company has three independent non-executive Directors, including Ms. Lau Miu Man (Chairwoman), Mr. Su Nan and Mr. Ding Zhiyun, with terms of reference in compliance with the Listing Rules. The Audit Committee has considered and reviewed the accounting principle and practice adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2017.

REVIEW OF INTERIM RESULTS

On August 29, 2017, the Audit Committee reviewed and confirmed the announcement of interim results for the six months ended June 30, 2017, the 2017 interim report and unaudited interim condensed consolidated financial information for the six months ended June 30, 2017 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other Information

1. INTEREST IN THE SHARE CAPITAL

At the date of this report, the total share capital of the Company was RMB2,846,860,952, divided into 2,025,313,904 and 821,547,048 Shares of RMB1.00 each (Domestic Shares and H Shares).

2. INTERESTS AND SHORT POSITIONS IN SHARES UNDER THE HONG KONG SECURITIES AND FUTURES ORDINANCE

During the reporting period, the Company's shares were not listed on the Stock Exchange. Therefore, interest or short position in the Shares or underlying Shares of the Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, were not applicable to the Company.

As at July 18, 2017, the securities of the Company were listed on the Stock Exchange. To the best knowledge of the Company, as of the date of this report, except for the Directors, Supervisors or chief executive of the Company, the following persons had interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our share capital:

Shareholder	Class of Shares	Nature of interest	Number of Shares to be held	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
IM Energy Group ⁽¹⁾	Domestic Shares	Beneficial interest/ interest of controlled corporation	2,025,313,904(L)	100%	71.14%
China South Industries Assets Management Co., Ltd. (南方工業資產管理有限責任公司)	H Shares	Beneficial owner	143,676,000(L)	17.49%	5.05%

Other Information

Shareholder	Class of Shares	Nature of interest	Number of Shares to be held	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
Fengpu Investment Holdings Limited (豐樸投資控股有限公司)	H shares	Beneficial owner	47,892,000(L)	5.83%	1.68%
Jizhong Hongyuan International Trading Company Limited (冀中宏遠國際貿易有限公司)	H shares	Beneficial owner	119,730,000(L)	14.57%	4.21%
Jiangsu Xinlizhou Energy Construction Investment Company Limited (江蘇新力洲能源建設投資有限公司)	H shares	Beneficial owner	110,152,000 (L)	13.41%	3.87%
Shenmu Baishun Clean Coal Distribution Company Limited (神木縣百順精煤運銷有限責任公司)	H shares	Beneficial owner	110,152,000 (L)	13.41%	3.87%
Ordos Zhendong Earthwork Engineering Co., Ltd. (鄂爾多斯市振東土石方工程有限責任公司)	H shares	Beneficial owner	110,152,000 (L)	13.41%	3.87%

Shareholder	Class of Shares	Nature of interest	Number of Shares to be held	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
Ordos Haohong Trading Co., Ltd. (鄂爾多斯市浩洪商貿有限責任公司)	H shares	Beneficial owner	110,152,000 (L)	13.41%	3.87%

(L) represented to long position; (S) represented to short position

Note:

- (1) IM Energy Group directly holds 2,015,187,334 Domestic Shares, representing 99.5% of the domestic share capital of our Company and Inner Mongolia Sulige Gas Power Generation Co., Ltd. ("IM Sulige Company"), a wholly-owned subsidiary of IM Energy Group, directly holds 10,126,570 Domestic Shares, representing 0.5% of the domestic share capital of our Company. IM Energy Group is deemed to be interested in the Domestic Shares held by IM Sulige Company under the SFO.

Save as disclosed herein, as of the date of this report, except for the Directors, Supervisors or chief executive of the Company, the Company is not aware of any person have an interest or short position in Shares or underlying shares of our Company, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register pursuant to Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

3. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

During the reporting period, since the Company's shares were not listed on the Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Division 7 and 8 of Part XV of the SFO and Section 352 of the SFO and the Model Code in the Listing Rules, were not applicable to the Company and the Directors, Supervisors and chief executive of the Company.

The Company's securities were listed on the Stock Exchange as at July 18, 2017. As of the date of this report, none of the Company's Directors, Supervisors and chief executive had interests or short positions (a) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

Other Information

4. CHANGES IN THE INFORMATION OF THE DIRECTORS AND SUPERVISORS SINCE THE DATE OF THE PROSPECTUS

Since June 30, 2017 (ie. the issuing date of Prospectus of the Company), there has been no change in the information of the Directors and Supervisors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

5. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's H shares were listed on the Main Board of the Stock Exchange on July 18, 2017. The over-allotment options were partially exercised on August 9, 2017, and the over-allotment shares were listed on the Main Board of the Stock Exchange on August 16, 2017.

Save as disclosed above, since the Listing Date to the Latest Practicable Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

6. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

As of June 30, 2017, the Company was not involved in any major proceedings or arbitrations. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

7. CONTRACT OF SIGNIFICANCE

Save for disclosed in the section headed "Significant Related Party Transactions" in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

8. INTERIM DIVIDEND

As disclosed in the Prospectus, IM Energy Group is entitled to a dividend in an amount equal to the Company's retained earnings for the period from January 1, 2016 to May 31, 2016, being the date of establishment of our Company (the "**Pre-establishment Dividend**"). In addition, pursuant to a shareholders' resolution of the Company on July 9, 2016, IM Energy Group and IM Sulige Company are entitled to a special dividend in an amount equal to the Company's retained earnings from June 1, 2016 to June 30, 2017 (the "**Special Dividend**"). Please refer to the Prospectus and note 11 to the condensed consolidated financial statements of the Company contained in the report for further information.

Other than the Pre-establishment Dividend and the Special Dividend, the Board did not propose to distribute any other interim dividend for six months ended June 30, 2017.

9. FINANCIAL REPORTING RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the financial statements as of June 30, 2017 for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

The management of the Company has provided the Board of Directors with the necessary explanation and information to facilitate the review and approval of the Company's financial statements by the Board of Directors. The Company has provided all members of the Board of Directors with updated information on the performance situation and prospects of the Company on a monthly basis.

The Directors are not aware of any significant uncertainties, that is, events or incidents that may cause significant concern on the on-going operation of the Company.

10. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of our unaudited consolidated financial statements as of June 30, 2017 are consistent with the accounting policies for the preparation of our audited consolidated financial statements for the year ended December 31, 2016.

Definitions

“Belt and Road”	a development strategy and framework, proposed by the People’s Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road”
“Board” or “Board of Directors”	the board of Directors of our Company
“CAGR”	compound annual growth rate
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“Company”, “our Company”, “we” or “us”	Inner Mongolia Energy Engineering Co., Ltd., a joint stock company with limited liability incorporated in PRC
“consolidated installed capacity”	the aggregate amount of installed capacity of our Company’s wind power project
“construction contracting”	a method of contracting a part or the whole of the project, by which the contractor performs the construction work in accordance with the construction plan and design supplied by the customers and is generally only responsible for the construction work. The project owner is generally responsible for the procurement of raw materials and controls the project timetable
“consultancy”	the entire process of the provision of consultancy services, based on independent, scientific and equitable principles, applying multi-disciplinary knowledge and experience as well as modern technology and management, for the investment decisions and implementation of construction and works by government departments and investors
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary shares in the share capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EPC”	engineering, procurement and construction
“fossil-fuel power”	the production of power through burning fossil fuel such as coal, natural gas or petroleum
“Global Offering”	has the same meaning ascribed thereto in the Prospectus
“Group” or “our Group”	the Company and its subsidiaries from time to time
“GW”	a measure of electric power equal to 1,000,000,000 watts, alternatively 1GW equals to 1,000,000 kW

Definitions

“H Share(s)”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange
“HK\$” or HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“hydropower”	the production of power through the use of the gravitational force of falling or flowing water
“IM Energy Group”	Inner Mongolia Energy Engineering (Group) Co., Ltd. (內蒙古能源建設投資(集團)有限公司), a wholly state-owned company with limited liability established in the PRC on March 28, 2014, the Controlling Shareholder and one of the promoters of our Company, and thus a connected person of our Company
“km”	kilometer, or one thousand meters
“kV”	kilovolt, or one thousand volts
“kW”	a measure of electric power equal to 1,000 watts
“kWh”	kilowatt-hour, a unit of energy. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a power generator producing one thousand watts for one hour
“Latest Practicable Date”	August 28, 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	a measure of electric power equal to 1,000,000 watts, alternatively 1MW equals 1,000 kW
“photovoltaic” or “PV”	the direct conversion of light into electricity using semiconductor devices
“Prospectus”	the prospectus of the Company dated June 30, 2017
“reporting period” or “period”	the six months ended June 30, 2017
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s) of the Company

Definitions

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Thirteenth Five-Year Plan”	the Thirteenth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》)
“total installed capacity” or “installed capacity”	the intended full-load sustained output of power plant, usually denominated in MW or GW
“%”	per cent

Corporate Information

CHINESE NAME OF THE COMPANY

內蒙古能源建設投資股份有限公司

ENGLISH NAME OF THE COMPANY

INNER MONGOLIA ENERGY ENGINEERING CO., LTD.

LEGAL REPRESENTATIVE

Mr. Lu Dangzhu

REGISTERED OFFICE

Harbor Building
29 Midwest Lane
Ordos East Street
Saihan District, Hohhot
Inner Mongolia Autonomous Region
PRC

HEAD OFFICE IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE

www.imeec.cn

STOCK CODE

1649

INVESTORS' ENQUIRIES

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BOARD OF DIRECTORS

Executive Directors

Mr. Lu Dangzhu

Mr. Liu Lisheng

Independent Non-executive Directors

Mr. Wang Wen

Mr. Su Nan

Mr. Ding Zhiyun

Mr. Yang Hong

Mr. Yue Jianhua

Ms. Lau Miu Man

THE COMMITTEES OF THE BOARD

Audit Committee

Ms. Lau Miu Man (*chairwoman*)

Mr. Su Nan

Mr. Ding Zhiyun

Remuneration Committee

Mr. Wang Wen (*Chairman*)

Mr. Lu Dangzhu

Mr. Yang Hong

Corporate Information

Nomination Committee

Mr. Lu Dangzhu (*Chairman*)

Mr. Su Nan

Mr. Yang Hong

SUPERVISORS

Ms. Qiao Yan

Mr. Guo Runcheng

Mr. Li Donghua

Mr. Wu Junlin

JOINT COMPANY SECRETARIES

Mr. Yang Feng

Mr. Wong Yat Tung

AUTHORIZED REPRESENTATIVES

Mr. Lu Dangzhu

Mr. Yang Feng

AUDITOR

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited

29-30/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

LEGAL ADVISORS

As to Hong Kong law

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H SHARE REGISTRAR

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Shops 1712–1716, 17/F

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKERS

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Xincheng Branch

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Xincheng District, Hohhot

Inner Mongolia Autonomous Region

PRC

Industrial and Commercial Bank of China

Hohhot Mandula Branch

No. 13 South Xilin Road, Hohhot

Inner Mongolia Autonomous Region

PRC