IMEEI
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 Annual Report

Corporate Profile

The Company was established on March 24, 2016. On May 31, 2016, as jointly initiated by IM Energy Group, a wholly state-owned enterprise subject to regulation by Inner Mongolia SASAC, and IM Sulige Company, a wholly-owned subsidiary of IM Energy Group, the Company was converted into a joint stock company and renamed from Inner Mongolia Keyi Energy Engineering Co., Ltd. (內蒙古科宜能源建設有限責任公司) to Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司). On July 18, 2017, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") through initial public offering and the stock code is 1649. As of December 31, 2017, 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.

The Company is a large comprehensive solutions provider in the power industry 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, Mozambique and Laos.

The Company has obtained the Top Grade Qualification in general contracting of power engineering and construction, Grade A Qualification for engineering design in the power industry, the grade one qualification for building construction engineering general contracting, grade one qualification for power engineering commissioning and the grade one qualification for steel structure engineering contracting, etc., and undertook most of the power survey, design, scientific research tasks and numerous large-scale infrastructure construction tasks in relation to power generation, power grids, new energy and housing construction. As the most powerful integrated energy construction and investment company in the Inner Mongolia Autonomous Region with the extraordinary brand influence and competitiveness, the Company has undertaken a number of major construction projects, including Shanghai Miao — Shandong Linyi, Ningxia Ningdong — Zhejiang Shaoxing, Xinjiang Zhundong — Anhui Lujiang 800-1100kV UHV power grids construction, the power grid interconnection project of central Tibet and the power maintenance work for launch of the Tianzhou-1 Cargo Spaceship, as well as the engineering survey and design business in Mongolia, Pakistan, Tajikistan and many other countries and regions.

The Company implements a development strategy that centers on integrating power industry solutions and diversifying project mix. In order to achieve the goal of becoming a leading integrated power construction and investment group in China with an international reputation, the Company plans to reinforce the leading position of its core businesses in the Inner Mongolia Autonomous Region and other provinces throughout China, extend the strength of its core businesses to related sectors and selectively expand other businesses, and proactively adapt to the reform of power industry and capture emerging business opportunities.

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Company 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.

REGISTERED OFFICE

Harbor Building
29 Midwest Lane
Ordos East Street
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Inner Mongolia Autonomous Region
PRC

HEAD OFFICE IN THE PRC

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Inner Mongolia Autonomous Region
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK INFORMATION OF THE COMPANY

Stock Category: H Share
Stock Exchange: The Stock Exchange of Hong Kong Limited
Stock Short Name: IMEEI
Stock Code: 1649

EXECUTIVE DIRECTORS

Mr. Lu Dangzhu *(Chairman)*
Mr. Liu Lisheng *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTOR

Mr. Chen Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Wen
Mr. Su Nan
Mr. Ding Zhiyun
Mr. Yang Hong
Mr. Yue Jianhua
Ms. Lau Miu Man

SUPERVISORS

Ms. Qiao Yan
Mr. Guo Runcheng
Mr. Li Donghua
Mr. Wu Junlin

AUTHORIZED REPRESENTATIVES

Mr. Lu Dangzhu
Mr. Yang Feng

STRATEGIC INVESTMENT COMMITTEE

Mr. Lu Dangzhu *(Chairman)*
Mr. Wang Wen
Mr. Ding Zhiyun

NOMINATION COMMITTEE

Mr. Lu Dangzhu *(Chairman)*
Mr. Su Nan
Mr. Yang Hong

REMUNERATION COMMITTEE

Mr. Wang Wen *(Chairman)*
Mr. Lu Dangzhu
Mr. Yang Hong

AUDIT COMMITTEE

Ms. Lau Miu Man *(Chairwoman)*
Mr. Ding Zhiyun
Mr. Su Nan

JOINT COMPANY SECRETARIES

Mr. Yang Feng
Mr. Wong Yat Tung

H SHARE REGISTRAR

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INTERNATIONAL AUDITOR

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COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Agriculture Bank of China
  Hohhot Xincheng Branch
Industrial and Commercial Bank of China
  Hohhot Mandula Branch

Financial Summary

1. SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,				
	2017 **(RMB in million)**	2016 (RMB in million)	2015 (RMB in million)	2014 (RMB in million)	Changes of 2017 over 2016 (%)
Revenue					
Survey, design and consultancy	**785.0**	567.8	522.0	500.3	38.3
Construction contracting	**5,458.3**	6,072.8	4,029.3	2,974.2	-10.1
Trading	**230.4**	2,228.1	1,481.2	—	-89.7
Power project operations and other business	**324.1**	913.4	500.8	371.4	-64.5
Total	**6,797.8**	9,782.1	6,533.3	3,845.9	-30.5
Gross profit	**1,537.1**	1,490.4	1,020.4	765.5	3.1
Profit before tax	**687.1**	760.4	381.2	264.2	-9.6
Net profit	**559.3**	617.2	302.4	203.4	-9.4
Profit for the year attributable to owners of the Company	**559.3**	617.0	302.4	203.4	-9.4
Basic and diluted earnings per share (RMB)	**0.23**	0.29	0.14	0.10	-20.7

2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At December 31				
	2017 (RMB in million)	2016 (RMB in million)	2015 (RMB in million)	2014 (RMB in million)	Changes of 2017 over 2016 (%)
Current assets	**15,085.4**	10,671.9	8,260.5	6,527.6	41.4
Non-current assets	**2,730.0**	2,854.9	1,573.3	1,532.8	-4.4
Total assets	**17,815.4**	13,526.8	9,833.8	8,060.4	31.7
Current liabilities	**11,319.3**	7,081.7	5,961.4	5,052.2	59.8
Non-current liabilities	**2,261.6**	2,980.2	849.9	839.7	-24.1
Total liabilities	**13,580.9**	10,061.9	6,811.3	5,891.8	35.0
Total equity	**4,234.5**	3,464.9	3,022.5	2,168.6	22.2
Total equity and liabilities	**17,815.4**	13,526.8	9,833.8	8,060.4	31.7

Chairman's Statement

DEAR SHAREHOLDERS:

I, on behalf of the board of directors of Inner Mongolia Energy Engineering Co., Ltd., would like to express our sincere gratitude to all shareholders for giving the Company concern and support in the past year. I am pleased to present the annual results report of the Company for 2017.

In 2017, the Company made brilliant achievements relying on continuous development of the market and intensified scientific and technological innovation as well as strengthened standard management. Throughout the year, the value of newly signed contracts in relation to survey, design and consultancy, and construction contracting amounted to RMB5,967.56 million and the Company newly entered into 599 trading business contracts; the revenue amounted to RMB6,797.8 million, representing a year-on-year decrease of 30.5%; the net profit attributable to owners of the parent company reached RMB559.3 million, representing a year-on-year decrease of 9.4%. The Company saw steady development and continuously optimized the business structure to speed up its transformation and upgrade.

With the listing of the H shares of the Company on the Main Board of the Hong Kong Stock Exchange on July 18, 2017, the Company successfully set its foot in the Hong Kong capital market and became the first state-owned enterprise directly subordinate to the central government in the Inner Mongolia Autonomous Region that conducted a complete listing. After listing, the Company further standardized its operation management, widened its financing channel and enhanced its corporate recognition and competitiveness in the market, providing a supporting platform for the implementation of internationalization strategy and boosting corporate development.

The Company proactively expanded and developed its business fields and made remarkable achievements in market development. I. leveraging on the advantage of top grade qualification, the Company actively participated in bidding for design construction and won 358 projects during the year. II. The Company vigorously developed the international market. By keeping a close eye on the dynamics of overseas key projects of the State including "Belt and Road", "China-Pakistan Economic Corridor" and "China-Mongolia-Russia Economic Corridor", the Company undertook and completed the feasibility study for the thermal power projects in countries including Laos, Mozambique, Mongolia and participated in the photovoltaic and solar thermal power projects in countries including South Africa, Greece and United Arab Emirates. Besides, the Company engaged in technical cooperation with countries such as Kenya and Chad in terms of geothermal power and heavy oil power generation and reached a cooperation intention on energy projects with countries such as Indonesia, Malaysia, Myanmar, Pakistan and Mongolia. III. In aspect of diversified industrial coordinated development, the Company developed coal, metal, chemical industry, petroleum and automobile trading business in an energetic way.

Thanks to the intensified scientific and technological innovation, the Company's core competitiveness continued to be enhanced. Throughout the year, the Company obtained over 100 items in scientific and technological innovation and increased five national high-tech enterprises. The Company proactively developed the electronic and intelligent digital platform, implemented integration of building intelligent system project and computer network project, and built the "corporate management cloud service platform" and "new energy power station big data platform", symbolizing an important stride for promoting lease of software system and cloud service transformation.

The quality of economic operation was apparently improved due to the continued reinforcement of operation management. The establishment of economic operation analysis platform promoted the in-depth implementation of refined management by organizations at all levels. The launch of capital management and centralized purchase platform guaranteed standard utilization of funds, improved fund flow efficiency and achieved transparent and normalized operation of purchase by invitation to bid. A uniform standardized management and control system was built to constantly improve the internal control management.

In 2018, the Company will expedite the implementation of the development strategy that centers on integrating our power industry solutions and diversifying our project mix, exert unremitting efforts to ensure safety, quality and stability and simultaneously promote quality improvement, cost reduction and efficiency enhancement, striving to build an excellent listed company. The reform of "three reforms" will be implemented thoroughly and innovation will be performed in terms of concept, mechanism and technology to stimulate internal impetus and enhance profitability and promote high quality development, striving to present a new performance and create new results in the new era.

The Company will enhance its overall profitability and accelerate the implementation of the "go global" strategy to making new breakthroughs in the expansion of the international market. Special campaigns for "quality improvement, cost reduction and efficiency enhancement" will be carried out to reduce the cost of capital to maintain a reasonable debt structure and debt paying ability and to reduce the cost of projects to improve projects' profitability.

The Company will advance the reform of "three systems" in a holistic way to fully stimulate the enthusiasm, proactiveness and creativity of all staff.

The Company will increase investments in scientific research and intensify efforts for tackling problems in key technologies and achievement transformation as well as increase cooperation with domestic scientific research institutions, scientific and technological enterprises and institutions of higher education, to provide technical support for innovation and creation of benefits.

Vigorous measures will be taken for the Company's fulfillment of responsibilities in terms of safety, quality and stability to fully maintain and protect corporate safety and stability. The Company will abide by safety standards, build premium brands and guarantee harmony and stability.

The year of 2018 is a critical year for the Company's further implementation of the "Thirteenth Five-year" Plan on the basis of the efforts made in the previous year. Upholding the marketing strategy of "maintaining a leading market position in Inner Mongolia, expanding across China and exploring overseas markets", the Company will join efforts to forge ahead with determination and solidly proceed with work to fully launch a new journey for high quality development from a new historical starting point so as to serve the society, reward the shareholders and benefit the employees with sound performance.

I hope that all shareholders and all parties and friends who gave the Company long-term attention will continue to provide us with assistance and support!

Lu Dangzhu
Chairman
March 28, 2018

Business Overview

1. OVERVIEW OF INDUSTRY DEVELOPMENT

Overview of the PRC Power Industry

(1) Power Supply and Demand

In 2017, the total power consumption of the whole society was 6,307.7 billion kWh, representing an increase of 6.6% over the corresponding period of last year. Among which, electricity consumption of the primary, the second and the tertiary industry amounted to 115.5 billion kWh, 4,441.3 billion kWh and 881.4 billion kWh, respectively, representing an increase of 7.3%, 5.5% and 10.7% over the corresponding period of last year, respectively; power consumption of urban and rural residents amounted to 869.5 billion kW, representing an increase of 7.8% over the corresponding period of last year; the industrial power consumption was 4,362.4 billion kWh, representing an increase of 5.5% over the corresponding period of last year; in particular, the power consumption of the light industry amounted to 749.3 billion kWh, representing an increase of 7.0% over the corresponding period of last year, while the power consumption of the heavy industry amounted to 3,613.1 billion kWh, representing an increase of 5.2% over the corresponding period of last year.

According to the statistics of the China Electricity Council, in 2017, the country's total generating capacity was 6.42 trillion kWh, up 6.5% over the corresponding period of last year. In particular, non-fossil energy power generation increased by 10.0% over the corresponding period of last year and accounted for 30.4% of the total power generation, representing an increase of 1.0 percentage point over the corresponding period of last year. The total solar power generation and wind power generation through interconnection increased by 75.4% and 26.3% respectively. The total fossil-fuel power generation increased by 5.2% year-on-year with an increase of 2.9 percentage points in terms of growth rate over the corresponding period of last year. In particular, thermal power generation registered an increase of 4.8% year-on-year with an increase of 3.6 percentage points in terms of growth rate over the corresponding period of last year, accounting for 64.5% of the total power generation output, representing a decrease of 1.0 percentage point over the corresponding period of last year.

(2) Construction of Power Sources

Growth in installed capacity slowed down. According to the statistics of China Electricity Council, in 2017, the accumulative installed capacity of power plants of 6,000 kW and above in China was 1.78 billion kW, representing an increase of 7.6% over the corresponding period of last year. Among which, the thermal power fossil-fuel power generation reached 1.11 billion kW, representing an increase of 4.3% over the corresponding period of last year, while wind power generation amounted to 160 million kW, representing an increase of 10.5% over the corresponding period of last year. The growth rate of wind power generation is much higher than the growth rate of installed capacity, displaying the gradual improvement of wind power utilization efficiency. 130 million kW was recorded for interconnected solar power generation.

(3) Construction of Power Grids

Investment in power grid continued to demonstrates favor to distribution network and rural power grid. Major progress has been made in the current stage of rural power grid transformation and upgrading. According to the statistics of the China Electricity Council, the investment in the nationwide power grid construction reached RMB531.5 billion in 2017, of which, the proportion of investment in 110KV and below power grid accounted for 53.2% of the total power grid investment. Phased and significant advancement was made in the new-round rural power grid transformation and the task of "upgrading the power grid in key villages to ensure the supply of power to all electric pump sets on rural flatlands" as stipulated in the Guidelines for the Launch of New Round Rural Power Grid Upgrading during the Thirteenth Five-year Plan Period (Guo Ban Fa [2016] No. 9) (《關於「十三五」期間實施新一輪農村電網改造升級工程的意見》(國辦發[2016]9號)) was successfully completed.

With a number of UHV AC and DC projects having been put into operation, the country's ability to optimize resources allocation has been enhanced. Based on the statistics of the China Electric Power Enterprise Federation, a total of "two crosses and six straight" UHV power transmission projects were completed in 2017. In particular, the UHV AC/DC project under the National Air Pollution Prevention Action Plan was completed in all aspect. Domestic trans-regional power transmission and inter-provincial electricity reached 423.5 billion kWh and 1.13 trillion kWh, respectively, representing an increase of 12.1% and 12.7% over the corresponding period of last year, respectively.

(4) Investment in Power Construction

In 2017, major domestic power companies registered RMB801.4 billion of investment in power engineering construction, down by 9.3% over the corresponding period of last year. Among which, the investment in power sources amounted to RMB270 billion, representing a year-on-year decrease of 20.8%; the investment in power grid construction totaled RMB531.5 billion, representing a year-on-year decrease of 2.2%. In the concluded investment in the construction of power source, RMB74 billion and RMB64.3 billion was attributable to fossil-fuel power and wind power, respectively, representing a decrease 33.9% and 30.6%, respectively.

Overview of Power Industry in Inner Mongolia

(1) Power Supply and Demand

Inner Mongolia stands as one of the important power supplying provinces in China. According to the statistics of Inner Mongolia Electric Power Association, in 2017, Inner Mongolia recorded 154,618.60 million kWh of outbound power transmission, representing an increase of 13.92%. Besides, power consumption in Inner Mongolia keeps growing rapidly. From January to December 2017, the power consumption in the Inner Mongolia amounted to 289,187.14 million kWh, representing an increase of 11.01% over the corresponding period of last year.

Inner Mongolia Autonomous Region is also one of the biggest power-producing provinces in China. In 2017, on-grid supply and sales of power of the whole region reached 180,269.92 million kWh and 170,806.86 million kWh, up by 15.5% for both, respectively.

(2) Construction of Power Sources

According to the statistics of Inner Mongolia Electric Power Industry Association, as of December 31, 2017, the installed capacity of power plants with 6,000 kW and above in the region was 118,095,100 kW, representing an increase of 7.1% over the corresponding period of last year. Among which, the installed capacity of hydropower, fossil-fuel power, wind power and solar power reached 2,381,400 kW, 81,621,500 kW, 26,694,400 kW and 7,397,800 KW, respectively. The Company expects that, with the completion of the cross-region power transmission channels and installation base for power transmission, the installed capacity of Inner Mongolia Autonomous Region will maintain a rapid growth over the next five years, which is above the national average.

(3) Wind Power and Photovoltaic Construction Market in Inner Mongolia Autonomous Region

According to the statistics of Inner Mongolia Electric Power Industry Association, in 2017, newly installed capacity of wind power and solar power in Inner Mongolia Autonomous Region amounted to 1,137,300 KW and 1,041,100 KW, respectively, which was 9.0% and 27.4% lower than that of 2016, respectively. The Implementation Guidance on the 13th Five-Year Plan for the Development of Renewable Energy (《關於可再生能源發展的「十三五」規劃實施指導意見》) issued by the National Energy Administration in July 2017, together with the Implementation Plan for Addressing the Issue of Idle Capacity in Water, Wind and Solar Power (《解決棄水棄風棄光問題實施方案》) jointly issued by the National Development and Reform Commission and the National Energy Administration in November 2017, has figured out the development scale of photovoltaic power plants for 2017-2020 on the one hand, and pointed out the directions for solving the consumption problem of idle new energies power on the other hand. In March 2018, the State Energy Administration of the PRC published the Circular on the Wind Power Investment Monitoring and Pre-warning Results 2018 which adjusted Inner Mongolia from red pre-warning area to orange pre-warning area for wind power investment. It is believed that the wind power and photovoltaic markets in Inner Mongolia will be further developed as benefiting from the continuous policy support, the speeded up UHV construction, the year-on-year increase of power consumption in the whole society and other factors alike.

General situation of trade industry

The regulatory focus of the coal industry in 2017 has been gradually adjusted from "de-capacity and capacity-curtailment" in 2016 to "guaranteeing supply and stabilizing coal prices". From a long-term perspective, large-scale coal enterprises are more willing to stabilize the market as the coal price is demonstrating a steady trend in progressive manner. In order to establish a long-term mechanism for promoting the secular healthy development of the coal industry and enhance the stability of coal supply and emergency support capabilities, the NDRC has drafted the Guiding Opinions on the Establishment and Improvement of the Minimum Inventory and Maximum Stock System of Coal (Trial) (《關於建立健全煤炭最低庫存和最高庫存制度的指導意見(試行)》) and the Assessment Methods for the Minimum and Maximum Inventory System of Coal (Trial) (《煤炭最低庫存和最高庫存制度考核辦法(試行)》), which resulting in the primary balance of coal supply and demand in 2017.

In 2017, the average international oil price was US$55 per barrel, which was significantly higher than that in 2015 and 2016. Domestic gasoline and diesel prices were adjusted frequently due to the fluctuations in international oil prices. In 2017, China's crude oil output continued to decline, dropping to 192 million tons. However, driven by the expedite growth in domestic refining capacity, oil consumption registered higher-than-expected increase, reaching 588 million tons.

In terms of metals, a review of 2017 unveils the varying increases in the prices of industrial metals such as copper, aluminum, lead, and zinc under the influence posed by the moderate recovery in global demand, supply-side structural reform and capacity limitation for environmental protection purpose. In 2017, the price of copper continued its upward trend amidst vibration starting from the fourth quarter of 2016. During the year, the non-ferrous metal industry saw substantial year-on-year revenue and profit growth.

2. BUSINESS OVERVIEW

The following table sets forth the details of the value of new contracts of the Company in 2017:

Currency: RMB Unit: million

	New contract amounts		
Categories of the business segments:	**2017**	2016	Percentage of change
Survey, design and consultancy business	**729.65**	590.14	23.6%
Among which: Fossil-fuel power	**101.34**	105.62	-4.1%
New energy	**316.74**	107.19	195.5%
Wind power	**43.83**	61.98	-29.3%
Solar power	**272.91**	45.21	503.6%
Power transmission and transformation	**307.63**	367.34	-16.3%
Non-electricity and others	**3.94**	9.99	-60.6%
Construction contracting business	**5,237.91**	9,462.54	-44.6%
Among which: Fossil-fuel power	**320.41**	306.77	4.4%
New energy	**2,318.20**	6,441.73	-64.0%
Wind power	**1,274.50**	2,540.76	-49.8%
Solar power	**1,043.70**	3,900.97	-73.2%
Power transmission and transformation	**2,051.50**	2,434.01	-15.7%
Non-electricity and others	**547.80**	280.03	95.6%
Total	**5,967.56**	10,052.68	-40.6%

Business Overview

We are a large comprehensive power industry solutions provider in China, focusing on power grid and new energy projects. We provide 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. In 2017, the Company's total new contract value of survey, design and consultancy business and construction contracting business reached RMB5,967.56 million, representing a decrease of 40.6% over the corresponding period of last year. In particular, the total new contract value of survey, design and consultancy business and construction contracting business amounted to RMB729.65 million and RMB5,237.91 million, respectively, and the proportion attributed by survey, design and consultancy business and construction contracting business was 12.2% and 87.8%, respectively.

2.1 Survey, Design and Consultancy Business

Our survey, design and consultancy business, one of our core businesses, covers various services throughout the stages of preliminary discussion, definition and implementation, including master planning, proposal studies, environmental impact assessment, feasibility studies, project application report, basic engineering, detailed engineering and project management. We provide design and engineering services mainly to power grids, wind power, solar power and fossil-fuel power companies in China and abroad. In 2017, revenue of the survey, design and consultancy business segment was RMB784.97 million, representing an increase of 38.3% over the corresponding period of last year. Total new contract value reached RMB729.65 million, representing an increase of 23.6% over the corresponding period of last year. In particular, new contract value of fossil-fuel power, wind power, solar power, transformation and transmission projects as well as other business were RMB101.34 million, RMB43.83 million, RMB272.91 million, RMB307.63 million and RMB3.94 million, respectively, each contributing 14%, 6%, 37%, 42% and 1%, respectively.

Under the backdrop of national energy restructuring, investment in the construction of power sources and power grid witnessed glide in 2017, and competition in the survey, design and consultancy business was becoming fiercer. On the basis of consolidating the market in the autonomous region, the Company actively explored outbound and overseas markets and established strategic partnership with well-known domestic large-scale equipment manufacturers and construction companies to jointly identify overseas projects with low risk and high yields, during the course of which, the Company undertook the construction of the 2 * 350MW coal-fired power station of Tete, Mozambique and the 1 * 220MW efficient clean power station in Phonsavan, Xiang Khouang, Laos.

In 2017, relying on its own technological advantages, the Company has undertaken a number of power transmission and transformation projects with poor weather conditions, complicated topographic and geological conditions, huge design difficulties requiring sophisticated technologies, which includes the Huaidong-Eastern China ± 1,100kV UHV DC Transmission Lines and Wuda North 500Kv Power transmission and transformation project, etc., enhancing its competitiveness in the market of power grid design.

The Company insists on taking science and technology innovation as a powerful driving force to lead the development of the enterprise and continuously improves the overall capability of scientific and technological innovation, through which it has obtained a number of patents and proprietary technologies. At the same time, diversification of industries has helped extending the industry chain of power design and tapping the relevant market in-depth. Sectors and markets of municipal, environmental protection, surveying and mapping, informatization were opened up in an orderly manner.

2.2 Construction Contracting Business

Our construction contracting business, one of our core businesses, mainly involves the provision of services for construction projects of power grids, power sources, industrial and civil buildings and other infrastructure in China and abroad. In 2017, revenue of the construction contracting business segment was RMB5,458.284 million, representing a decrease of 10.1% over the corresponding period of last year. Total new contract value reached RMB5,237.91 million, representing a decrease of 44.6% over the corresponding period of last year. In particular, new contract value of fossil-fuel power, wind power, solar power, transformation and transmission projects as well as non-electricity and other business were RMB320.41 million, RMB1,274.50 million, RMB1,043.70 million, RMB2,051.50 million and RMB547.80 million, respectively, each contributing 6.1%, 24.3%, 19.9%, 39.2% and 10.5%, respectively.

Under the backdrop of national energy restructuring, the number of additional wind power and photovoltaic projects in Inner Mongolia dropped sharply in 2017 as compared to that of 2016, and competition in the construction contracting market was becoming more fierce; the UHV construction project of the State Grid that has been included in the national plan and commenced construction is basically drawing to a close; most of power grid investment was diverted to distribution network as well as the rural power grid; competition in distribution network construction contracting market was fierce as a result of the low access threshold. Faced with all these challenges, the Company strengthened its internal management and risk control to guard against funding risks and took a more cautious attitude in undertaking projects to ensure the quality of contracted projects. Due to the above factors, in 2017, the value of new contracts, especially those of new energy and power transmission and transformation projects, dropped off.

Confronted with the severe market situation, the Company 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）while securing its market position in the western Inner Mongolia market, successfully completed the Shanghai Miao -Linyi, Shandong ±800kV UHV DC transmission line project and the power grid interconnection project of central Tibet, acquiring the eight split large cross-section conductor spreading technology and the construction technology for transformation and transmission projects with the highest altitude and the most complicated natural conditions in the world, engineering construction level increased significantly therefore.

As affected by domestic regulatory policies concerning coal-fired power and the decrease in power source investment, the Company, in an extremely unfavorable fossil-fuel power market, made more efforts to further the market development and rallied to overcome obstacles in 2017. As a result, new contract value of fossil-fuel power projects recorded an increase of 4.4% over the corresponding period of last year, and the undertaking contract for Baotou Xinhengfeng 2*350MW power generation unit project was entered into.

New contract value of non-electricity and other business under the construction contracting business sector recorded a year-on-year increase of 95.6%, covering fields of municipal and environment protection, and the structure of contracted projects is tending towards diversification.

2.3 Trading Business

We started our trading business in June 2015 on a trial basis. We trade commodities which primarily include petroleum products, coal and chemical raw materials. In 2017, the Company entered into 599 new contracts in respect of trading business, including 288 procurement contracts and 311 sales contracts, and generating a sales revenue of RMB230.4 million, down by 89.7% year-on-year. In 2017, the Company further enhanced its trading scale and profitability under strict control over risks, and actively and effectively expanded its business, which played an important role in the implementation of the diversified development strategic of the Company.

In the trading business of the Company, the Company may act as a principal or agent as stated in the prospectus of the Company published on June 30, 2017. When the Company acts as principal, the sales price of the commodities would be recognized in full as revenue of the Company. In contrast, when the Company acts as agent, the Company would only recognize the trading revenue on a net basis ((i.e. sales price netting the purchase price) and such amount would only be recorded as “Other income” instead of “Revenue” and thus “Gross profit” in the consolidated statement of profit or loss and other comprehensive income of the Company, but would make no impact on the net profit of the Company for the year ended 31 December 2017.

2.4 Power Project Operation and Other Businesses

The Company invest in and operate a variety of power projects and selectively commit our capital to those projects that meet our investment criteria. The Company also engage in operation maintenance and overhaul services for power plants, property development and power equipment manufacturing.

Power projects operation. Adhering to the concept of green development, the Company vigorously implemented the new energy strategy by adopting the modes of construction investment, asset acquisition and joint operation, thereby facilitating the large-scale and clustering operation and development of new energy power projects. As at December 31, 2017, the installed capacity of new energy project in operation was 259MW, which comprises of Hengrun Wind Power Project (恒潤風電項目) with an installed capacity of 199MW, Urad Front Banner Photovoltaic Projects (烏拉特前旗光伏項目) with an installed capacity of 50MW and Alxa Right Banner Photovoltaic Project with an installed capacity of 10MW. In 2017, Hengrun Wind Power recorded annual power output of 379 million kWh, annual on-grid power of 373.06 million kWh, with the annual equipment utilization hours reaching 1,914 hours; Urad Front Banner Photovoltaic Projects recorded annual power output of 81.76 million kWh, annual on-grid power of 81.35 million kWh, with the annual equipment utilization hours reaching 1,635 hours; Alxa Right Banner Photovoltaic Project recorded annual power output of 17.95 million kWh, annual on-grid power of 17.11 million kWh, with the annual equipment utilization hours reaching 1,795 hours. In 2017, the revenue of the power projects operation segment was RMB149.26 million, representing an increase of 8.5% over the corresponding period of last year.

Other businesses. The Company substantially expanded operation maintenance and overhaul services for power plants while engaging in property development and power equipment manufacturing. In 2017, the revenue of other businesses segment of the Company was RMB174.9 million, representing a decrease of 77.5% over the corresponding period of last year.

2.5 Corporate Management

The Company has been adhering to law-based corporate governance in effort to optimize the corporate governance structure and clearly defined the rights and responsibility for all governance bodies. With the in-depth implementation of the activities of the "Year for Management and Control Improvement and Efficiency Enhancement" ("強化管控增效年"), the platform for financial information recording, capital management and centralized procurement was established, the full coverage of the general legal adviser system and the internal audit was furthered, and the management efficiency and risk control abilities were improved significantly. Besides, the Company also strengthened the corporate construction and put into practice the "Five Centralized Control" ("五個集中管控") over planning investment, procurement through bidding, financial capital, financing and operating risks, optimization of the management and control system of the Company was advanced thereby. With continuing effort being introduced to the establishment of regulations and mechanisms, the operational mechanism of personnel and daily business undergoes increasing perfection.

2.6 Scientific Research and Awards

In 2017, the Company put into effect the 13th Five-year Plan for the development of science and technology. Targeting at the goal of improving the capability of independent innovation and core competitiveness and striving to making breakthroughs in the scientific research concerning the businesses of survey, design and consultancy, construction contracting, trading, power projects operation and others, the Company got commands of a number of key technologies with independent intellectual property rights in the fields of clean energy and smart grid, offering support to relevant business development of the Company. 5 enterprises under the Company were newly added to the list of national high-tech enterprises; 7 projects obtained Prize of Science and Technology Progress Award; 6 proprietary technologies, 25 patents obtained authorization and 32 Software Copyrights; 2 projects won the Prize of Excellent Achievements of Quality Management Group Activities Award for National Project Construction; 20 projects won the Prize for Outstanding Survey and Design; 14 projects won various awards for QC achievement at different levels; 2 projects won the Excellent Project Consultancy Achievement Award of Inner Mongolia Autonomous Region and 4 projects won the Award for Outstanding Construction Methods granted by the Autonomous Region.

Business Overview

In 2017, the Company strived to construct high-quality engineering and benchmarking projects by promoting standardized project construction in full swing, comprehensively promoted the quality management in all area drawing upon the successful experiences of gained on key points. Moreover, a project won "2016-2017 National Quality Engineering Award", three projects constructed by the Company obtained the 2017 China Quality Power Project Award, one project was honored as the Chinese Star of Installation, one project won the prize for engineering quality in the "Grassland Cup" ("草原杯") hosted Inner Mongolia Autonomous and was ranked as the High-quality Model Project of the Autonomous Region.

2.7 Order/Contract Backlog

Currency: RMB Unit: million

	Outstanding contract value		
Category of business segment:	2017	2016	Percentage of change
Survey, design and consultancy business	**982.29**	1,276.93	-23.1%
Among which: Fossil-fuel power	**241.47**	338.63	-28.7%
New energy	**195.95**	252.07	-22.3%
Wind power	**135.56**	180.07	-24.7%
Solar power	**60.39**	72	-16.1%
Power transmission and transformation	**542.52**	686.23	-20.9%
Non-electricity and others	**2.35**	0	—
Construction contracting business	**5,788.34**	5,907.39	-2.0%
Among which: Fossil-fuel power	**277.95**	231.17	20.2%
New energy	**2,719.83**	3,235.53	-15.9%
Wind power	**1,819.39**	1,718.62	5.9%
Solar power	**900.44**	1,516.91	-40.6%
Power transmission and transformation	**2,544.28**	1,999.56	27.2%
Non-electricity and others	**246.29**	441.13	-44.2%
Total	**6,770.63**	7,184.32	-5.8%

As of December 31, 2017, the outstanding contract value of the survey, design and consultancy business and the constructing contracting business of the Company was RMB6,770 million, representing a decrease of 5.8% over the corresponding period of last year. Among which, the outstanding contract value of survey, design and consultancy business and construction contracting business was RMB982.29 million and RMB5,788.34 million, respectively, and the proportion contributed by survey, design and consultancy business and of construction contracting business were 14.5% and 85.5%, respectively.

3. OUTLOOK

3.1 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, pursuant to the statistics of China Electricity Council and given full consideration to macro economy, development trend of service industry and residential electricity consumption, air pollution control, electric power replacement and other factors, it is expected that the power consumption in 2018 will continue the stable and rapid growth in 2017. In light of the large amount in 2017, in the year with moderate precipitation or runoff and without extreme temperature in a large area, it is expected that the power consumption of the whole society will increase by approximately 5.5% in 2018 and the nation's additional installed capacity in 2018 increased by approximately 120 million kW, of which the additional non-fossil energies power installed was approximately 70 million kW. It is expected that the nation's power installed capacity will reach 1.90 billion kW by the end of 2018, of which non-fossil energy power generation will reach 0.76 billion kW, with the percentage in the total installed capacity up to approximately 40%. It is expected that the installed capacity of coal power will reach 1.02 billion kW, representing 53.6% of the nation's installed capacity, 1.5 percentage points lower than that at the end of 2017. According to the data of the National Energy Administration, the investment in construction and transformation of power distribution network will not be lower than RMB2 trillion in 2015–2020 and not less than RMB1.7 trillion during the "Thirteenth Five-year" period. 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.

3.2 Power industry in Inner Mongolia Autonomous Region

Pursuant to the "Thirteenth Five-year Plan of Energy Development in Inner Mongolia Autonomous Region", the proportion of installed capacity and consumption of non-fossil energies will be further increased during the "Thirteenth Five-year" period, of which the proportion of installed capacity of non-fossil energies will reach about 38% and the consumption proportion of non-fossil energies will meet national requirements. The consumption proportion of natural gas will go up to approximately 4% and the consumption proportion of coal will decrease to approximately 79%. The final consumption proportion of coal will decrease to approximately 16% and the consumption proportion of thermal coal will rise to about 55%. 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.

The Company will further leverage on the regional advantages of Inner Mongolia Autonomous Region to proactively expand the business scope and proactively establish its presence in the industries including energy conservation and environment protection, clean heating, biomass power generation, equipment manufacturing, and repair and maintenance. Business cooperation will be conducted with the preponderant enterprises in the region to speed up project approval and cultivation of new benefit growth points.

3.3 International market

2018 is a critical year for the Company to further implement the Thirteenth Five-year Plan based on the efforts made previously, and also a year for deepening reform and development, standardization of management and control, innovative management and improvement of quality and efficiency. The Company will strengthen 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 Top Grade Qualification in general contracting of power engineering, advantages in terms of whole industry chain, talent and technology, we will step up the implementation of the "go global" strategy, especially key projects in the countries covered by the "Belt and Road," "China-Mongolia-Russia Economic Corridor" and "China-Pakistan Economic Corridor" initiatives. Besides, we will further proceed with the overseas thermal power and new energy projects in Pakistan, Bangladesh, Sri Lanka, U.K. and other countries and strive to promote investment or construction of a batch of overseas projects.

Management Discussion and Analysis

1. OVERVIEW

In 2017, the Company's realized revenue was RMB6,797.8 million, representing a decrease of 30.5% over the corresponding period of last year. Total profit before tax was RMB687.1 million, representing a decrease of 9.6% over the corresponding period of last year. Net profit for the period attributable to the owners of the parent company was RMB559.3 million, representing a decrease of 9.4% over the corresponding period of last year.

2. CONSOLIDATE OPERATING RESULTS

Item	For the year ended December 31, 2017 (RMB in million)	2016 (RMB in million)	Percentage of Change %
Revenue	**6,797.8**	9,782.1	(30.5)
Cost of sales	**(5,260.7)**	(8,291.7)	(36.6)
Other income	**192.7**	72.2	166.9
Other expenses	**(14.0)**	(8.8)	59.1
Other gains and losses	**8.8**	(13.5)	165.2
Selling expenses	**(26.5)**	(15.3)	73.2
Administrative expenses	**(802.8)**	(612.6)	31.0
Finance income	**72.0**	18.1	297.8
Finance costs	**(283.5)**	(170.1)	66.7
Share of (losses) profits of joint ventures	**3.3**	0.0	—
Profit before tax	**687.1**	760.4	(9.6)
Income tax expense	**(127.8)**	(143.3)	(10.8)
Profit for the year	**559.3**	617.1	(9.4)

In 2017, the actual selling expenses of the Company amounted to RMB26.5 million, representing a year-on-year increase of 73.2% mainly due to that the Company proactively developed the market in order to cope with the drop in business volume as affected by the market conditions; the percentage of selling expenses to the revenue increased from 0.2% in 2016 to 0.4% in 2017.

In 2017, the actual administrative expenses of the Company amounted to RMB802.8 million, representing a year-on-year increase of 31.0%, mainly due to; (i) the adjustments to employees' wages and social insurance; (ii) the increase in expenditures on operating leases arising from lease of office buildings; (iii) the increase in expenditures on scientific research and development, and the percentage of administrative expenses to the revenue increased from 6.3% in 2016 to 11.8% in 2017.

In 2017, the actual finance costs of the Company amounted to RMB283.5 million, representing a year-on-year increase of 66.7%, mainly due to (i) the substantial increase in the total amount of debts to meet the fund demands for project acquisition and purchase of equipment for construction contracting business arising from the Company's optimization of its business structure; (ii) the increase in the interest rate for certain bank borrowings, and the percentage of finance costs to the revenue increase from 1.7% in 2016 to 4.2% in 2017.

In the second half of 2017, due to the intensifying market competition to attract and retain talents in the industry, the Company further increased the remuneration package to incentivize employee performance, resulting in a further increase of performance bonus of RMB34 million and safety bonus of RMB5 million recognized as administrative expenses.

In line with the increase in the trading business of the Company in the second half of 2017, the related payroll expenses which was recognised as selling and distribution expenses increased RMB3.4 million.

3. OPERATING RESULTS BY SEGMENT

Industry segments of principal businesses (For the year ended December 31)									
	2017			2016			Percentage of change (%)/ percentage points		
Industry segment	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin	Revenue	Cost of sales	Gross profit margin
	(RMB in million)		(%)	(RMB in million)		(%)	(%)	(%)	
Survey, design and consultancy	**785.0**	**240.8**	**69.3**	567.8	305.1	46.3	38.3	(21.1)	23.0
Construction contracting	**5,458.3**	**4,566.4**	**16.3**	6,072.8	5,183.0	14.7	(10.1)	(11.9)	1.6
Trading	**230.4**	**228.9**	**0.7**	2,228.1	2,195.0	1.5	(89.7)	(89.6)	(0.8)
Power project operation and other businesses	**390.3**	**290.8**	**25.5**	952.6	647.8	32.0	(59.0)	(55.1)	(6.5)
Inter-segment elimination[(1)]	**(66.2)**	**(66.2)**	**0**	(39.2)	(39.2)	0	68.9	68.9	0
Total	**6,797.8**	**5,260.7**	**22.6**	9,782.1	8,291.7	15.2	(30.5)	(36.6)	7.4

Note:

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

The total revenue of the Group decreased by 30.5% from RMB9,782.1 million in 2016 to RMB6,797.8 million in 2017. The decrease was mainly due to the decline in trading business and power project operation and other businesses as affected by adjustment to national policies and market conditions.

The cost of sales of the Company decreased by 36.6% from RMB8,291.7 million in 2016 to RMB5,260.7 million in 2017, mainly due to (i) the decrease in revenue; (ii) transfer of certain personnel for scientific research and development and enhancement of the utilisation ratio of existing human resources.

The gross profit of the Company was RMB1,490.4 million and RMB1,537.1 million in 2016 and 2017, respectively, and the gross profit margin increased from 15.2% to 22.6%, in the same period mainly attributable to the Company's intensified research and development, enhancement of utilisation efficiency of human resources and reinforcement of project cost management.

3.1 Survey, design and consultancy business

This business generates revenue primarily from provision of survey and design services for domestic thermal power, wind power, solar power and other power generation projects and grid projects. The Company also generates revenue from providing a wide range of consulting services in respect of supervision, assessment and consultancy on power industry.

In 2016 and 2017, segment revenue before inter-segment elimination of survey, design and consulting services business of the Company increased by 38.3% from RMB567.8 million in 2016 to RMB785.0 million in 2017, mainly due to (i) the remarkable enhancement of competitiveness and contract performance efficiency due to the Company's intensified research and development; (ii) undertaking the solar power generation design projects benefited from government's encouragement policies.

Cost of sales before inter-segment elimination of survey, design and consulting services business of the Company was RMB305.1 million and RMB240.8 million in 2016 and 2017, respectively, with a year-on-year decrease of 21.1%, mainly due to the Company's transfer of certain personnel for scientific research and development, and enhancement of utilisation efficiency of the existing human resources of engineering projects and project cost management.

Gross profit before inter-segment elimination of survey, design and consulting services business of the Company was RMB262.7 million and RMB544.2 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination increased from 46.3% to 69.3% in the same period, mainly due to the (i) increase in proportion of PV projects with a high gross profit margin due to the enhanced competitiveness of the Company; (ii) enhancement of utilisation efficiency of human resources of engineering projects and project management.

3.2 Construction contracting

This business generates revenue primarily from providing construction services for domestic and overseas grid and power source construction projects, industrial and civil buildings and other infrastructure construction projects.

Revenue of the construction contracting business of the Company before inter-segment elimination decreased by 10.1% from RMB6,072.8 million in 2016 to RMB5,458.3 million in 2017, primarily due to (i) the decrease in business volume caused by the fierce competition in the construction contracting market as a result of the national adjustments to energy structure; (ii) the Company's enhanced risk management and control, improvement of quality of contracted projects and prudence attitude on undertaking businesses.

Cost of sales before inter-segment elimination of construction contracting business of the Company was RMB5,183.0 million and RMB4,566.4 million in 2016 and 2017, respectively, with a year-on-year decrease of 11.9%, generally in line with the decrease in revenue for the same period.

Gross profit before inter-segment elimination of construction contracting business of the Company was RMB889.8 million and RMB891.9 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination increased from 14.7% to 16.3% in the same period, basically maintaining stable.

3.3 Trading

Segment revenue before inter-segment elimination of trading business of the Company decreased by 89.7% from RMB2,228.1 million in 2016 to RMB230.4 million in 2017, mainly due to that the Company reduced the petroleum trading volume in order to control trading risks in light of the frequent fluctuations of petroleum price and complicated influence factors.

Cost of sales before inter-segment elimination of trading business of the Company was RMB2,195.0 million and RMB228.9 million in 2016 and 2017, respectively, with a year-on-year decrease of 89.6%, generally in line with the decrease in revenue for the same period.

Gross profit before inter-segment elimination of trading business of the Company was RMB33.1 million and RMB1.5 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination decreased from 1.5% to 0.7% in the same period, mainly due to the decrease in gross profit margin of petroleum business in the period.

3.4 Power project operation and other businesses

This business generates revenue primarily from sales of tower equipment, overhaul and maintenance of wind power generation and power projects, and real estate development.

Segment revenue before inter-segment elimination of power project operation and other businesses of the Company decreased by 59.0% from RMB952.6 million in 2016 to RMB390.3 million in 2017, mainly due to the substantial decrease in revenue from real estate development as there was no new real estate development project in 2017.

Cost of sales before inter-segment elimination of power project operation and other businesses of the Company was RMB647.8 million and RMB290.8 million in 2016 and 2017, respectively, with a year-on-year decrease of 55.1%, generally in line with the decrease in revenue for the same period.

Gross profit before inter-segment elimination of power project operation and other businesses of the Company was RMB304.8 million and RMB99.5 million in 2016 and 2017, respectively, and gross profit margin before inter-segment elimination decreased from 32.0% to 25.5% in the same period, mainly due to the decrease in sales of real estate development projects and businesses with a higher gross profit.

In particular, the Company's revenue from sales of tower was RMB143.9 million and RMB93.4 million in 2016 and 2017, respectively, with a year-on-year decrease of 35.1%, mainly due to the increase in price of raw materials and decrease in output.

The Company's revenue from wind power generation was RMB137.5 million and RMB149.3 million in 2016 and 2017, respectively, with a year-on-year increase of 8.6%, mainly due to the increase in wind power generation.

The Company's revenue from real estate development was RMB523.1 million and RMB13.0 million in 2016 and 2017, respectively, with a year-on-year decrease of 97.5%, mainly due to that there was no new real estate development project in 2017.

4. CASH FLOWS

	For the year ended December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Net (decrease)/increase in cash and cash equivalents	**2,241.9**	-622.5
Cash and cash equivalents at the beginning of the year	**1,535.5**	2,158
Cash and cash equivalents at the end of the year	**3,777.4**	1,535.5

For the twelve months ended December 31, 2017, cash and cash equivalents amounted to RMB2,241.9 million, representing an increase of RMB2,864.4 million as compared with the net amount of RMB-622.5 million used in the corresponding period of last year, primarily due to (i) the proceeds from issuance of shares of the Company ("Shares") of RMB996.2 million in the period; (ii) the increase in bank and other borrowings by RMB572.0 million; (iii) the cash inflows of RMB2,448.3 million as a result of the accelerated engineering settlement with customers and properly prolonged loan settlement cycle for suppliers, which was partially offset by (i) the increase in inventory and development of products amounting to RMB595.9 million due to the increase in business volume; (ii) the acquisition of and capital contribution to joint ventures and subsidiaries of RMB267.5 million; and (iii) the changes in secured bank deposits and time deposits amounting to RMB432.3 million in two periods.

5. INDEBTEDNESS

At December 31, 2017, the Company's total liabilities and total assets amounted to RMB13,580.9 million and RMB17,815.4 million, respectively, with a debt to asset ratio of 76.2% representing an increase of 1.8 percentage points from 74.4% for last year. The Company's total indebtedness amounted to RMB7,845.0 million, representing an increase of RMB3,687.5 million during the period from December 31, 2016 to December 31, 2017.

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

	As at December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Long-term		
Bank borrowings		
Unsecured	**1,890**	2,485
Secured	**0**	0
Other borrowings		
Secured	**0**	0
Corporate bonds(1)	**0**	0
Sub-total	**1,890**	2,485
Short-term		
Bank borrowings		
Unsecured	**5,455**	1,572.5
Secured	**500**	0
Other borrowings		
Unsecured	**0**	100
Secured	**0**	0
Corporate bonds(1)	**0**	0
Finance lease payables(2)	**0**	0
Sub-total	**5,955**	1,672.5
Total	**7,845**	4,157.5

Notes:

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

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

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

	As at December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Guaranteed by:		
Ultimate holding company	**0**	700
Third parties	**326**	366.5
Total	**326**	1,066.5

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

	As at December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Repayable on demand or within 1 year	**5,955**	1,672.5
Repayable after 1 year but within 2 years	**1,441**	800.5
Repayable after 2 years but within 3 years	**80.5**	1,451.5
Repayable after 3 years but within 4 years	**80.5**	40.5
Repayable after 4 years but within 5 years	**80.5**	40.5
Repayable after 5 years	**207.5**	152
Total	**7,845**	4,157.5

The following table sets forth the effective interest rate ranges of bank and other borrowings as of the dates indicated:

	As at December 31,	
	2017	2016
	(%)	(%)
Bank and other borrowings	**2.39–5.39**	4.13–5.6

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

	As at December 31,			
	2017		2016	
	(RMB in million)	%	(RMB in million)	%
Fixed rate bank and other borrowings	5,838	4.2–4.75	2,810	4.13–5.6
Floating rate bank and other borrowings	2,007	2.39–5.39	1,347.5	4.35–5.39
Total	7,845		4,157.5	

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms. In addition, as of December 31, 2017, the Company had RMB1.1 billion of authorized but unissued debt securities.

As of December 31, 2017 the Company had RMB879 million of unutilized and unrestricted bank facilities. As of December 31, 2017, the Company was not subject to any material restrictive terms in the borrowings.

6. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

6.1 Pledge of Assets

As of December 31, 2017, the Group's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

	As at December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Bank deposits	724.5	249.8
Total	724.5	249.8

6.2 Contingent Liabilities

As of the end of the reporting period, the Group did not have any contingent liabilities.

7. SUBSEQUENT EVENTS

On January 16, 2018, the Company convened a general meeting, at which the appointment of Mr. Chen Ming as a non-executive Director of the Company was approved by way of poll. For details, please refer to the announcement of the Company dated January 16, 2018.

On February 12, 2018, The Company and IM Huadian entered into a joint venture agreement, pursuant to which the Company and IM Huadian have agreed to set up the Joint Venture in which the Company and IM Huadian will hold 49% and 51% equity interest, respectively. By way of forming the Joint Venture with IM Huadian, the Company can cooperate with IM Huadian in development of Helin Power Station. Helin Power Station is located in Helinge'er New District, a development district under construction. Helin Power Station is a new project under the central government policy of "replacement of low capacity by high capacity". Two 66 MW supercritical indirect air-cooling units will be installed for the phase I of the project. For details, please refer to the announcements of the Company dated February 12 and March 1, 2018.

Save as disclosed above, there is no other subsequent event that should be brought to the attention of shareholders of the Company ("Shareholders").

8. RISK

8.1 Macroeconomic 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.

8.2 Industrial 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.

8.3 Profit Risk

The Group is exposed to the fair value interest rate risk arising from fixed rate bank deposits and fixed rate bank and other borrowings.

In addition, the Group is also exposed to the cash flow interest rate risk arising from floating rate bank and other borrowings, and cash and cash equivalents. As of December 31, 2017, the balance of the floating rate borrowings of the Group amounted to RMB2,007 million (balance as of December 31, 2016: RMB1,347.5 million).

8.4 Exchange Rate Fluctuation Risk

Most businesses of the Group are operated in China, and most of the transactions are denominated in RMB, thus the functional currency applied in the financial statements of the Group is RMB. The Group aims to further expand its overseas business, 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 Group by foreign exchange and therefore influence the financial position and operating performance of the Group. The Group 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.

8.5 Credit Risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

8.6 Liquidity 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 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.

9. NUMBER OF EMPLOYEES AND TRAINING PROGRAM

At the end of December 2017, the Group had 5,940 employees in total and possessed various sorts of quality talents, including 1,193 managers, 2,724 professional technicians, and 1,295 technical operating personnel.

In respect of education background, there were 988 employees holding a junior high school diploma or below, representing 16.63% of the total number of employees, 1,174 employees holding a senior high school diploma or technical secondary school diploma, representing 19.76% of the total number of employees, 1,161 employees holding a college degree, representing 19.55% of the total number of employees and 2,617 employees holding a bachelor's degree, a mater's degree or above, representing 44.06% of the total number of employees. In terms of age, 1,180 employees aged 50 or above, representing 19.87% of the total number of employees; 3,336 employees aged 30–50, representing 56.16% of the total number of employees, and 1,424 employees aged under 30, representing 23.97% of the total number of employees. From the perspective of professional title, 2,531 employees had obtained professional titles, representing 46.46% of the total number of employees, including 1,031 employees with a junior professional title, 797 employees with an intermediate professional title and 703 employees with a senior professional title.

The Company values technology research and development. As at the end of December, 2017, the Company had 2,557 professional engineering technicians, 12 professor-level senior engineers, 470 senior engineers, 505 engineers, 728 employees with various national registered professional qualifications and 38 experts of the region and industry.

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee's quality and professional skills continuously. In 2017, the Company completed training for 8,658 employees in 2017, including on-the-job training for 4,453 employees, continuing education training for 1,415 employees, and other trainings for 2,790 employees.

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

In the future, the Company's major investments mainly encompass the following areas: selective investment and acquisition of high quality new energy projects to improve the Company's profitability. The Company plans to increase investment in solar power projects, wind power generation projects, biomass energy power generation projects, waste-to-energy power generation projects and auxiliary thermal power projects for outbound power transmission lines and selectively invest in solar thermal power generation projects.

11. GEARING RATIO

As at 31 December 2017, the gearing ratio of the Company is 185.3%, representing a rise of 65.3 percentage points as compared to 120.0% at 31 December 2016. Gearing ratio represents total interest-bearing debts divided by total equity at the end of the year. The increase of gearing ratio was primarily due to the substantial increase in the total amount of debts to meet the capital demands for project acquisition and purchase of equipment for construction contracting business arising from the Company's optimization of its business structure.

12. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On November 29, 2017, IM No. 3 Power Company, a wholly-owned subsidiary of the Group, entered into the Acquisition Agreements with the 48th Research Institute to acquire 98.87% equity interest in Wulate Qianqi Photovoltaics and 100% equity interest in Alashan Youqi New Energy for the purpose of obtaining the 50MWp photovoltaic power generation project of Wulate Qianqi Photovoltaics and the 10MWp photovoltaic power station project of Alashan Youqi New Energy. For details, please refer to the announcement of the Company dated November 29, 2017.

As the first batch of photovoltaic power projects acquired by the Company, the 50MWp photovoltaic power generation project of Wulate Qianqi Photovoltaics and the 10MWp photovoltaic power station project of Alashan Youqi New Energy are located in areas with abundant solar energy resources. The projects have completed their preliminary formalities; the construction process of the projects are in compliance with all legal requirements, ensuring the compliance with laws and regulations. The construction, technology and equipment plans of the projects are commercially reasonable and the operation of the projects are sustainable. Acquisition of these projects, which have relatively favourable economic benefits and strong risk resistance, aligns with the relevant investment and merger and acquisition policies and development strategies of the Company, and thus facilitates further growth of the new energy business of the Company in terms of size and integrated development. The two projects are also environmental protection projects featuring use of renewable energy, and hence are in compliance with the national industrial policies.

The 50MWp photovoltaic power generation project of Wulate Qianqi Photovoltaics had already been connected to power grid in the end of 2014. The project is also located in Type I light resources area with yearly equivalent utilization of 1,446 hours for 25 years. The standard on-grid tariff of photovoltaic power stations in China in 2014 was RMB0.90. The 10MWp photovoltaic power station project of Alashan Youqi New Energy was connected to power grid on March 6, 2015. The project is located in Type I light resources area with yearly equivalent utilization rate of 1,574 hours for 25 years. The standard on-grid tariff of photovoltaic power stations in China in 2014 was RMB0.90. The favourable geographical location and tariff secure the on-going stable operating revenue of the Company.

13. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimization of the capital structure. The Group's overall strategy remains unchanged throughout the Track Record Period.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new Shares or capital contribution, raising new debts or the redemption of existing debts.

14. CAPITAL EXPENDITURE

In the past, we incurred capital expenditures primarily for acquisitions of property, plant and equipment, as well as intangible assets (such as software). The following table sets forth the components of our capital expenditures for the periods indicated:

	For the year ended December 31,	
	2017	2016
	(RMB in million)	(RMB in million)
Property, plant and equipment	**90.6**	619.6
Prepaid land lease payment	**—**	1.6
Intangible assets	**5.6**	7.6
Acquisition of subsidiaries	**151.7**	0.0
Investment in joint ventures	**115.8**	0.0
Total	**363.7**	628.8

Profile of Directors, Supervisors and Senior Management

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

	Name	Age	Position
Board of Directors	Lu Dangzhu	56	Chairman of the Board, executive Director, general manager
	Liu Lisheng	57	Executive Director, chief financial officer
	Chen Ming[(1)]	51	Non-executive Director
	Wang Wen	64	Independent non-executive Director
	Su Nan	68	Independent non-executive Director
	Ding Zhiyun	63	Independent non-executive Director
	Yang Hong	64	Independent non-executive Director
	Yue Jianhua	64	Independent non-executive Director
	Lau Miu Man	46	Independent non-executive Director
Supervisory Committee	Qiao Yan	54	Chairwoman of the Supervisory Committee and shareholder representative supervisor
	Guo Runcheng	58	Shareholder representative supervisor
	Li Donghua	52	Employee representative supervisor
	Wu Junlin	50	Employee representative supervisor
Senior Management	Lu Dangzhu	56	Chairman of the Board, executive Director, general manager
	Han Guoqing	58	Deputy general manager
	Hong Shumeng	56	Deputy general manager
	Wang Yong	56	Deputy general manager
	Liu Lisheng	57	Executive Director, chief financial officer
	Yang Feng	43	Board secretary, joint Company secretary

Note:

(1) The Company convened a general meeting on January 16, 2018 to appoint Mr. Chen Ming as a non-executive Director. For details, please refer to the announcement published by the Company on January 16, 2018.

1. BOARD

Executive Directors

Mr. Lu Dangzhu (魯當柱) is an executive Director, the chairman of the Board and the general manager of our Company. Mr. Lu has more than 20 years of management experience in the energy construction industry. Mr. Lu's primary work experience prior to joining our Company includes: serving as the deputy head and the head of No. 1 land construction site of the Feng County Headquarters of Inner Mongolia No. 2 Power Construction Engineering Co., Ltd. (內蒙古第二電力建設工程有限責任公司) ("IM No. 2 Power Company") successively from March 1991 to January 1995; the deputy chief engineer and the deputy project manager of the Feng County Headquarters of IM No. 2 Power Company from January 1995 to May 1996; the deputy manager of IM No. 2 Power Company from May 1996 to December 1999; the manager of Inner Mongolia Kangyuan Engineering Construction Supervision Co., Ltd. (內蒙古康遠工程建設監理有限責任公司) from December 1999 to June 2003; the manager of IM No. 1 Power Company from June 2003 to December 2006; the chief economist of IM Power Group from December 2006 to January 2014, during such period he concurrently served as the deputy general manager of IM Power Group from September 2008 to January 2014. Mr. Lu was appointed as the chairman of the board of directors of IM Energy Group by the Government of Inner Mongolia Autonomous Region in January 2014, which became effective upon the establishment of IM Energy Group in March 2014.

Mr. Lu obtained a bachelor's degree in engineering with a major in hydraulic engineering for agriculture and animal husbandry from Inner Mongolia Agriculture and Animal Husbandry College (內蒙古農牧學院) (currently known as Inner Mongolia Agricultural University (內蒙古農業大學)) in July 1985, and an executive master of business administration degree from Huazhong University of Science and Technology (華中科技大學) in December 2007. Mr. Lu obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in March 1998.

Mr. Liu Lisheng (劉利生) is an executive Director and the chief financial officer of our Company. Mr. Liu's primary work experience prior to joining our Company includes: holding various roles in the Audit Office of Inner Mongolia Autonomous Region (內蒙古自治區審計廳), including a staff member of enterprise audit division, the deputy principal staff member of the central enterprise audit division, the principal staff member of the commerce and trade enterprise audit division, the deputy head of the industry and transportation enterprise audit division, the deputy head of the administration and institution audit division, the researcher of the administration and institution audit division, the head of hearing division, the head of agriculture and resources reservation audit division, and the head of economy and trade audit division successively from July 1984 to May 2014; and the chief accountant of IM Energy Group from May 2014 to August 2016.

Mr. Liu obtained a bachelor's degree in economics with a major in industrial economy from the industrial economy department of Inner Mongolia College of Finance and Economics (內蒙古財經學院) (currently known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in July 1984. Mr. Liu obtained the qualification of deputy senior auditor from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in September 2002. Mr. Liu was awarded the title of advanced individual of the whole autonomous region for administration in accordance with the law by the People's Government of Inner Mongolia Autonomous Region in March 2005.

Non-executive Director

Mr. Chen Ming (陳明) is a non-executive Director of our Company. Mr. Chen Ming's primary work experience prior to joining our Company includes: serving as the division chief of finance division of 5017 Arsenal (5017 廠) from July 1989 to March 2000; the deputy general manager and chief accountant of 107 Arsenal (107 廠) from September 2000 to April 2003; the division chief of finance and audit division of Southwest Ordnance Industry Bureau from April 2003 to July 2005; the assistant to the president of China Chang'an Automobile Group Co., Ltd. from July 2005 to May 2006; the deputy director of finance division of China South Industries Group Corporation from May 2006 to April 2008; the secretary of party committee and general manager of China South Industries Group Finance Co., Ltd. from April 2008 to July 2011; and the deputy general manager of China South Industries Assets Management Co., Ltd. since July 2011.

Mr. Chen obtained a bachelor's degree in economics with a major in industrial finance and accounting from the department of industrial economics of Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in July 1989 and a local master's degree in business administration from the School of Economics and Business Administration of Chongqing University in June 2005. Mr. Chen was awarded the title of senior accountant by the Department of Personnel of Chongqing (重慶人事廳) in December 1999.

Independent Non-executive Directors

Mr. Wang Wen (王溫) is an independent non-executive Director of our Company. Mr. Wang's primary work experience prior to joining our Company includes: serving as the section chief of Hohhot Environmental Protection Agency (呼和浩特市環保局) from December 1980 to September 1986; holding various roles in Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) (currently known as Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和信息化委員會), including the principal staff member of the environmental protection division and the energy division, the deputy head of the energy division, the head of the education and training division and the head of the training division successively from September 1986 to August 2003; the head of work division of the supervisory committee and the chairman of the supervisory committee of Inner Mongolia SASAC from August 2003 to December 2013; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Wang is currently the chairman of the Remuneration Committee of our Company, primarily responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members of our Company, and devising and reviewing the remuneration policy and specific remuneration packages for the same.

Mr. Wang obtained an academic diploma in climate from Nanjing Institute of Meteorology (南京氣象學院) (currently known as Nanjing University of Information Science & Technology (南京信息工程大學)) in January 1978.

Mr. Yang Hong (楊泓) is an independent non-executive Director of our Company. Mr. Yang's primary work experience prior to joining our Company includes: serving as a technician, the vice president and the president of Linhe Power Supply Bureau (臨河供電局) successively from May 1979 to August 1991; the deputy general manager, the head of the electricity consumption division and the vice president of Electricity Power Bureau of Bayannur (巴彥淖爾電業局) successively from August 1991 to March 1994; the vice president of Wuhai Electricity Power Bureau (烏海電業局) from March 1994 to June 2000; the president of Electricity Power Bureau of Bayannur (巴彥淖爾電業局) from June 2000 to May 2004; the president of Baotou Power Supply Bureau (包頭供電局) from May 2004 to December 2006; the chief engineer of IM Power Group from December 2006 to December 2013 during such period he concurrently served as the deputy general manager of IM Power Group from September 2008 to December 2013; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Yang is currently a committee member of the Remuneration Committee of our Company, primarily responsible for formulating the appraisal standards and conducting appraisal for the Directors and senior management members of our Company, and devising and reviewing the remuneration policy and specific remuneration packages for the same. He is also a committee member of the Nomination Committee of our Company, primarily responsible for formulating selection standards and identifying and examining candidates for Directors and senior management members of our Company, and providing advice and recommendations for election of the same.

Mr. Yang obtained a secondary education diploma from Inner Mongolia Electric Engineering School (內蒙古電校) in November 1977, an academic diploma of post-secondary education diploma (full-time) and a bachelor's degree in power system and automation from North China Electric Power Joint Staff University (華北電業聯合職工大學) in July 1998 and June 1999, respectively, a master's degree in business administration (engineering) from economics and management school of the graduate college of Northern Jiaotong University (北方交通大學) (currently known as Beijing Jiaotong University (北京交通大學)) in July 2002 and a master's degree in project management from North China Electric Power University (華北電力大學) in June 2006. Mr. Yang obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) and the State Power Corporation (國家電力公司), respectively in October 1999, and the qualification of professor-level senior engineer from Inner Mongolia Autonomous Region Human Resources and Social Security Bureau (內蒙古自治區人力資源和社會保障廳) in December 2011. Mr. Yang was awarded the title of excellent young electrical engineer of the 1980s by China Electricity Council (中國電力企業聯合會) in May 1990.

Mr. Ding Zhiyun (丁志雲) is an independent non-executive Director of our Company. Mr. Ding's primary work experience prior to joining our Company includes: holding various roles in Baotou Steel Company (包頭鋼鐵公司), including a staff member, the deputy head and the head of the dispatch division of the general dispatch office, the deputy head and the head of the general dispatch office successively from August 1974 to June 1998; the assistant to the general manager of Baotou Iron & Steel (Group) Co., Ltd. (包頭鋼鐵(集團)公司) from June 1998 to April 2002, during which period he concurrently served as the head of the general dispatch office from June 1998 to September 1998, and the head of the production division from September 1998 to April 2002; the deputy general manager of Baotou Iron & Steel (Group) Co., Ltd. (包頭鋼鐵(集團)公司) from April 2002 to December 2013; the director and general manager of Baogang Mining Co., Ltd. (包鋼礦業公司) from August 2008 to May 2010; the deputy inspector of Baotou Iron & Steel (Group) Co., Ltd (包頭鋼鐵(集團)公司) from December 2013 to May 2015; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Ding is currently a committee member of the Audit Committee of our Company, primarily responsible for the communications between the Company's internal team and external auditors of our Company, supervising and inspecting their work, as well as the risk management of our Company.

Mr. Ding obtained an academic diploma of post-secondary education in steel-making from Baotou Institute of Steel and Iron Technology (包頭鋼鐵學校) (currently known as Inner Mongolia University of Science & Technology (內蒙古科技大學)) in August 1974, a bachelor's degree (three-year) in industrial management from the department of mineral engineering of Baotou Iron and Steel Institute (包頭鋼鐵學院) in July 1989, a bachelor's degree in economic management from the Open College of the Central Party School of C.P.C. (中央黨校函授學院) in December 1998, a master's degree in engineering management from the school of business administration of China University of Petroleum (中國石油大學) in October 2000 and a master's degree in business administration from Lincoln University in October 2000. Mr. Ding obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 2001 and was awarded the prize of metallurgic scientific technology for the year of 2001 by China Iron & Steel Association (中國鋼鐵工業協會) and The Chinese Society for Metals (中國金屬學會) in July 2002.

Mr. Su Nan (甦南) is an independent non-executive Director of our Company. Mr. Su's primary work experience prior to joining our Company includes: serving as the secretary, the deputy head of the general office and the head of the technical cadre department of the Human Resources Bureau of Hohhot (呼和浩特市人事局) successively from March 1977 to June 1984; the deputy secretary-general of Municipal Committee of Hohhot (呼和浩特市市委) from April 1984 to August 1986; the secretary-general of the Government of Hohhot (呼和浩特市人民政府) from August 1986 to December 1991; the deputy general manager of Inner Mongolia Local Railway Corporation (內蒙古地方鐵路總公司) (currently known as Inner Mongolia Jitong Railway (Group) Co., Ltd. (內蒙古集通鐵路(集團)有限責任公司)) from December 1991 to May 1995; the executive deputy chairman of the board and the first deputy chairman of the board of Inner Mongolia Jitong Railway Co., Ltd. (內蒙古集通鐵路總公司) (currently known as Inner Mongolia Jitong Railway (Group) Co., Ltd. (內蒙古集通鐵路(集團)有限責任公司)) from May 1995 to December 2008; and an external director of IM Energy Group since June 2014, who is independent of IM Energy Group. Mr. Su is currently a committee member of the Nomination Committee of our Company, primarily responsible for formulating selection standards and identifying and examining candidates for Directors and senior management members of our Company, and providing advice and recommendations for election of the same. He is also a committee member of the Audit Committee of our Company, primarily responsible for the communications between internal and external auditors of our Company, supervising and inspecting their work, as well as the risk management of our Company.

Mr. Su studied machinery weaving at Tianjin Institute of Textile Science and Technology (天津紡織工學院) (currently known as Tianjin Polytechnic University (天津工業大學)) from July 1973 to January 1977.

Mr. Yue Jianhua (岳建華) is an independent non-executive Director of the Company. Before joining the Company, he worked as a technician, engineer and deputy director of the thermal chamber of the Inner Mongolia Power Testing Research Institute (內蒙古電力試驗研究所) during the period from December 1976 to 1990; and worked as a director, deputy chief engineer and chief engineer of the Inner Mongolia Power Testing Research Institute during the period from 1991 to September 1996. He was the vice president of production and chief engineer of the Inner Mongolia Power Research Institute (內蒙古電力科學研究院) from September 1996 to May 2004. He was the deputy chief engineer of IM Power Group from May 2004 to August 2014.

Mr. Yue graduated from North China Electric Power College in December 1976 and obtained his bachelor's degree in thermal measurement and automation control. He received his master's degree in thermal energy and power from North China Electric Power University in July 1996. Mr. Yue was recognized as a senior engineer and a professor-level senior engineer by the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in January 1993 and 1999, respectively, and was entitled to the national special allowance from March 1993.

Ms. Lau Miu Man (樓妙敏) is an independent non-executive Director of our Company. Ms. Lau is a certified public accountant (practising), and has more than 20 years of professional experience in finance, accounting and auditing. She provided services of auditing, business advisory, due diligence review, mergers and acquisition transactions and internal control review for listed companies, state-owned enterprises and foreign investment enterprises. Ms. Lau worked in Ho and Ho & Company, Certified Public Accountants (何錫麟會計師事務所) from January 1994 to July 2005. She was a director of Shinewing (HK) CPA Limited (信永中和會計師事務所有限公司) from August 2005 to December 2007. She served as the chief financial officer of China Renji Medical Group Ltd. (中國仁濟醫療集團有限公司) (stock code: 00648.HK) from December 2007 to March 2011. She also acted as an independent non-executive director of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司) (stock code: 00579.HK) from November 2010 to December 2016.

Ms. Lau graduated from Monash University in Australia in 1993 and obtained a bachelor's degree in economics with a major in accounting. She has been a fellow member of Hong Kong Institute of Certified Public Accountants and Certified Practising Accountants Australia since 1997.

2. SUPERVISORY COMMITTEE

Ms. Qiao Yan (喬燕) is a shareholder representative Supervisor and the chairwoman of the Supervisory Committee of our Company. Ms. Qiao's primary work experience prior to joining our Company includes: serving as a deputy principal staff member of the second textile division, a deputy principal staff member of the economy and trade division and the principal staff member of the economy and trade division of the Textile Industry Bureau of Inner Mongolia Autonomous Region (內蒙古自治區輕紡工業廳) successively from November 1986 to May 2000; the principal staff member and the deputy head of the enterprise reform division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) (currently known as Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和信息化委員會)) successively from May 2000 to August 2003; the deputy head and the head of the property management division and the head of the enterprises distribution of Inner Mongolia SASAC successively from August 2003 to November 2015; the deputy inspector of Inner Mongolia SASAC since October 2015; and the chairwoman of the board of supervisors of IM Energy Group since November 2015.

Ms. Qiao obtained a bachelor's degree in engineering with a major in plastic moulding processes from the chemical engineering department of Tianjin Institute of Light Industry (天津輕工業學院) (currently known as Tianjin University of Science & Technology (天津科技大學)) in July 1985 and a bachelor's degree in management with a major in business administration (second bachelor's degree) from the management engineering department of Inner Mongolia University of Technology (內蒙古工業大學) in July 1999. Ms. Qiao obtained the qualification of senior economist from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in July 1999 and the qualification of senior professional manager from China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) in March 2006.

Mr. Guo Runcheng (郭潤成) is a shareholder representative Supervisor of our Company. Mr. Guo's primary work experience prior to joining our Company includes: serving as a staff member, the deputy principal staff member and the principal staff member of the finance and economy division, the trade division, the production division and the general division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) successively from August 1984 to May 1998; the deputy head and an inspector of the general division of Inner Mongolia Autonomous Region Economic and Trade Commission (內蒙古自治區經濟貿易委員會) (now Inner Mongolia Autonomous Region Economic and Information Technology Commission (內蒙古自治區經濟和信息技術委員會)) from May 1998 to August 2003; an inspector of the policy, regulation, planning and development division of Inner Mongolia SASAC from August 2003 to April 2007; a supervisor of Inner Mongolia SASAC from April 2007 to November 2015; and a supervisor of IM Energy Group since November 2015.

Mr. Guo obtained a bachelor's degree in economics from Inner Mongolia College of Finance and Economics (內蒙古財經學院) (currently known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in August 1984.

Mr. Li Donghua (李東華) is an employee representative Supervisor of our Company. Mr. Li's primary work experience prior to joining our Company includes: serving as the manager of the engineering department of Inner Mongolia Indoors Decoration Sets Corporation (內蒙古室內裝飾成套用品公司) from May 1991 to May 1997; the principal staff member and the deputy office head of the Bureau of Retired Professionals of the C.P.C. Commission of Inner Mongolia Autonomous Region (內蒙古自治區黨委老幹部局) from May 1997 to February 2003; the head of the cadre's sanatorium of directly subordinate organization of Inner Mongolia (內蒙古直屬機關幹部休養所) from February 2003 to September 2009; the head of the social affairs division and head of the life affairs division of the Bureau of Retired Professionals of the C.P.C. Commission of Inner Mongolia Autonomous Region (內蒙古自治區黨委老幹部局) from September 2009 to November 2014; and the head of the human resources department of IM Energy Group since November 2014.

Mr. Li obtained a bachelor's degree in engineering with a major in textile machinery from the department of mechanical engineering of Tianjin Institute of Textile Science and Technology (天津紡織工學院) (currently known as Tianjin Polytechnic University (天津工業大學)) in July 1989, and a bachelor's degree in management with a major in management engineering (second bachelor's degree) from the management engineering department of Inner Mongolia University of Technology (內蒙古工業大學) in July 1998.

Mr. Wu Junlin (武俊林) is an employee representative Supervisor of our Company. Mr. Wu's primary work experience prior to joining our Company includes: serving as a staff member, the deputy head of the boiler construction site, the head of quality and technology department and the deputy chief engineer of IM No. 1 Power Company successively from July 1993 to July 2004; the assistant to general manager and the manager of Huadian Baotou Project (華電包頭項目部) of IM No. 1 Power Company successively from July 2004 to June 2008; the chief engineer of IM No. 1 Power Company from June 2008 to July 2010; the deputy general manager of IM No. 1 Power Company from July 2010 to July 2014; the deputy head and the head of the market operation department of IM Energy Group from July 2014 to January 2016; the head of the operation and management department of IM Energy Group since January 2016; the assistant to the general manager of IM Energy Group since June 2016; and the manager of IM Power Company since June 2016.

Mr. Wu obtained a bachelor's degree in engineering with a major in power machinery and application from the department of power engineering of Inner Mongolia Engineering College (內蒙古工學院) (currently known as Inner Mongolia Polytechnic University (內蒙古工業大學)) in July 1993. Mr. Wu obtained the qualification of senior engineer from Senior Professional Technology Qualification Committee of State Power Corporation (國家電力公司高級專業技術資格評審委員會) in December 2004 and the registered qualification of first-class constructor from the Ministry of Human Resources and Ministry of Construction of the PRC (中華人民共和國人事部和建設部) in January 2009.

3. SENIOR MANAGEMENT

Mr. Lu Dangzhu (魯當柱) is an executive Director, the chairman of the Board and the general manager of our Company. See "— Board — Executive Directors" above for the biographical details of Mr. Lu.

Mr. Han Guoqing (韓國慶) is a deputy general manager of our Company. Mr. Han's primary work experience prior to joining our Company includes: serving as a cadre, the deputy head and the head of the planning division and the chief economist of Electricity Bureau of Xinlinggol League (錫林郭勒盟電業局) successively from April 1987 to July 1992; a deputy factory manager of Xinlinhot No. 2 Power Plant (錫林浩特二電廠) (currently known as Xinlingol Mengxi Thermal Power Co., Ltd. (錫林郭勒蒙錫熱電有限責任公司) from July 1992 to February 1993; a deputy factory manager of Zhenglan Power Plant of Inner Mongolia (內蒙古正藍發電廠) from February 1993 to October 1993; the deputy head and the head of the general office of Inner Mongolia Electricity Bureau (內蒙古電管局) successively from October 1993 to July 1998; the head of the general office and the deputy chief economist of IM Power Group successively from July 1998 to May 2014; the general manager of IM Transition & Transformation Company from December 2006 to May 2014; and the deputy general manager of IM Energy Group from May 2014 to August 2016.

Mr. Han obtained a post-secondary education diploma in industry and enterprise management from Qingcheng College (內蒙古青城大學) (currently known as Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) (內蒙古豐州職業學院(青城分院))) in April 1987, a bachelor's degree in management with a major in administrative management (self-taught) from Inner Mongolia University (內蒙古大學) in July 2004, and an executive master of business administration degree from Tianjin University (天津大學) in June 2008. Mr. Han obtained the qualification of senior economist and the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in September 1995 and December 2007, respectively. Mr. Han was awarded the title of Hohhot model worker (outstanding worker) by the Government of Hohhot in April 2010.

Mr. Hong Shumeng (洪樹蒙) is a deputy general manager of our Company. Mr. Hong's primary work experience prior to joining our Company includes: serving as a staff member, the group leader, the deputy head and the head of the machinery affairs office of IM Survey & Design Institute successively from August 1981 to February 1994; the vice president and the president of IM Survey & Design Institute successively from February 1994 to May 2014; the deputy chief engineer of IM Power Group from December 2006 to May 2014; the deputy general manager of IM Energy Group from May 2014 to August 2016; and the chief engineer of IM Energy Group from September 2014 to August 2016.

Mr. Hong obtained a diploma in power plant thermal dynamic installation engineering from Harbin Power School (哈爾濱電力學校) (currently known as Harbin Electric Power Vocational Technology College (哈爾濱電子職業技術學院)) in August 1981, a bachelor's degree in engineering with a major in power dynamics from the department of thermal power engineering (correspondence) of the power engineering school of North China Electric Power College (華北電力學院) (currently known as North China Electric Power University (華北電力大學)) in July 1989 and an executive master of business administration degree from Tianjin University (天津大學) in March 2007. Mr. Hong obtained the qualification of construction supervising engineer and cost engineer from the Ministry of Human Resources and the Ministry of Construction of the PRC (中華人民共和國人事部和建設部) in May 2000 and October 2002, respectively, the license of registered consultant engineer (investment) from the National Development and Reform Commission of the PRC (中華人民共和國發展和計劃委員會) in March 2003, the qualification of first-class constructor from the Ministry of Human Resources and Ministry of Construction of the PRC (中華人民共和國人事部和建設部) in February

2005, the qualification of professor-level senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in June 2006 and the qualification of International Certified Professional Manager (國際註冊職業經理人) from China Expert Science and Technology Economy Information Center of Ministry of Human Resources (人事部中國專家科技經濟資訊中心), China Examination Guidance Center for International Qualification Certificate (國際職業資格證書中國考試指導中心) and China International Certified Professional Manager Association (中國國際註冊執業經理人協會) in August 2006. Mr. Hong was awarded the title of model worker (outstanding worker) by the Government of Inner Mongolia Autonomous Region in April 2005, the title of talent for the year of 2012 by the Human Resources Coordination Team of Inner Mongolia Autonomous Region (內蒙古自治區人才工作協調小組) in May 2013, the title of outstanding entrepreneur of Inner Mongolia Autonomous Region by Inner Mongolia Autonomous Region Enterprise Association (內蒙古自治區企業聯合會) and Inner Mongolia Autonomous Region Entrepreneur Association (內蒙古自治區企業家協會) in August 2013, and the prize of Inner Mongolia Autonomous Region Scientific and Technological Progress for the year of 2007 and the year of 2014 in October 2009 and December 2014, respectively.

Mr. Wang Yong (王勇) is a deputy general manager of our Company. Mr. Wang's primary work experience prior to joining our Company includes: serving as the section chief of the dispatching station of Wuhai Electricity Bureau (烏海電業局), the head of Hainan power supply station, the chief engineer and the head of the repairing and testing station of Wuhai Electricity Bureau (烏海電業局) successively from December 1984 to February 1995; the deputy head of Baotou Power Supply Bureau (包頭供電局) from February 1995 to December 2003; the head of infrastructure construction department and a deputy chief engineer of IM Power Group from December 2003 to May 2014; and the deputy general manager of IM Energy Group from May 2014 to August 2016.

Mr. Wang obtained a bachelor's degree in engineering with a major in industrial automation from the department of mechanics of Inner Mongolia Engineering College (內蒙古工學院) (currently known as Inner Mongolia University of Technology (內蒙古工業大學)) in July 1983. Mr. Wang obtained the qualification of senior engineer from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in December 1993.

Mr. Liu Lisheng (劉利生) is an executive Director and the chief financial officer of our Company. See "— Board — Executive Directors" above for the biographical details of Mr. Liu.

Mr. Yang Feng (楊楓) is the Board secretary and the joint company secretary of our Company. He currently also serves as the head of the finance securities department of our Company. Mr. Yang's primary work experience prior to joining our Company includes: serving as the assistant to the president and general manager of the capital and finance department of Zhungeer Coal and Industry Co., Ltd. (准格爾旗煤炭工業公司) (currently known as Inner Mongolia Yidong Resource Group Co., Ltd. (內蒙古伊東資源集團股份有限公司)) from December 1996 to August 2015; the deputy head of finance department of IM Products Company from August 2015 to January 2016; and the division head of the finance department of IM Energy Group from January 2016 to July 2016.

Mr. Yang obtained an academic diploma of post-secondary education in finance and accounting from the Engineering College for Staff of Inner Mongolia No. 1 Machinery Factory (內蒙古第一機械製造廠職工工學院) in July 1995. Mr. Yang obtained the qualifications of intermediate accountant and senior accountant from the Department of Human Resources of Inner Mongolia Autonomous Region (內蒙古自治區人事廳) in May 2003 and December 2007, respectively.

Report of the Board

1. PRINCIPAL ACTIVITIES

The Company is a large comprehensive solutions provider in the power industry 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, Mozambique and Laos.

2. BUSINESS REVIEW

In 2017, the Company proactively developed the business fields and made remarkable achievements in market development. Leveraging on the advantage of top grade qualification, it actively participated in the bid for design construction. In addition, the Company vigorously developed the international market, undertook and completed a number of international businesses, and reached a cooperation intention on energy projects with multiple countries. In aspect of diversified industrial coordinated development, the Company developed coal, metal, chemical industry, petroleum and automobile trading business in an energetic way. Thanks to the intensified scientific and technological innovation, the Company's core competitiveness was constantly enhanced. The quality of economic operation was apparently improved due to the continued reinforcement of operation management.

Details of the business development, future development and outlook of the Company in 2017 are set out in the "Business Overview" of this annual report.

Details of the analysis of operation performance of the Company, key financial performance indicators, significant events subsequent to the reporting period, major risks and details of employees for the year of 2017 are set out in the "Management Discussion and Analysis" of this annual report.

Details of the relationship with major customers and suppliers of the Company for the year of 2017 are set out in the "Report of the Board" of this annual report.

Details of environmental policy and performance and the compliance with the relevant laws and regulations which have a significant impact on the Company for the year of 2017 are set out in the "Corporate Governance Report" of this annual report.

3. FINANCIAL PERFORMANCE

Profit of the Company for the year ended December 31, 2017 and financial position of the Company at the end of the Reporting Period are set out in the "Consolidated Statement of Profit or Loss and Other Comprehensive Income" and the "Consolidated Statement of Financial Position" of this annual report.

4. DIVIDEND

On May 22, 2017, the Group proposed distribution of dividends with an aggregate amount of RMB874,730,000, of which RMB688,362,000 would be distributed as the dividends of the Company and the remaining would be distributed as the dividends of subsidiaries.

Pursuant to the shareholders' resolution of the Company passed on June 26, 2017, the dividend was approved, of which RMB778,702,000 was paid by cash and the rest was settled with the amount due from parent company during the year ended December 31, 2017.

The Board of the Company proposed distribution of final dividend for the year ("2017 Final Dividend") at RMB0.01472 (tax inclusive) per share and in an aggregate amount of RMB41,906,000 (tax inclusive) to shareholders whose names appear on the register of shareholders of the Company as at July 3, 2018, which is subject to approval at the annual general meeting to be convened on June 21, 2018. The dividend will be paid on August 27, 2018.

5. PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Company are set out in note 15 to the"Consolidated Financial Statements" of this annual report.

6. SHARE CAPITAL

As of the end of the Reporting Period, the Company had a total of 2,846,860,952 shares, including 2,025,313,904 domestic shares, accounted for 71.14% of the total share capital, and 821,547,048 H shares (inclusive of the 37,343,048 shares converted from the reduction of the State-owned shares held by the National Council for Social Security Fund), accounted for 28.86% of the total share capital. Details of the share capital of the Company as of December 31, 2017 are set out in note 33 to the "Consolidated Financial Statements" of this annual report.

Based on the available public data and to the best knowledge of Directors, as at the end of the reporting period and the Report Date, the Company has complied with the requirements on public float under the Listing Rules.

7. RESERVE

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

8. DISTRIBUTABLE RESERVE

Distributable reserve of the Company as at December 31, 2017 is set out in note 45 to the "Consolidated Financial Statements" of this annual report.

9. USE OF NET PROCEEDS FROM THE LISTING

According to the prospectus of the Company dated 30 June 2017 ("Prospectus"), the Company intended to use the proceeds for the purposes and in the proportions set out below:

- approximately 55% to be used for developing and constructing our pipelines construction contracting projects;
- approximately 15% to be used for purchasing additional construction equipment and machinery for our construction contracting business, primarily truck-mounted cranes and crawler cranes;
- approximately 20% to be used for partially or fully repaying two RMB200.0 million loans from Agricultural Bank of China (Hohhot Xincheng branch, each of which has an annual interest rate of 4.35% and matured in January 2018); and
- approximately 10% to be used for working capital and general corporate purposes.

As at December 31, 2017, the Company completed the initial public offering and exercised over-allotment option, raising net proceeds of approximately HK$1,149.85 million in total (equivalent to approximately RMB996.16 million adopting the exchange rate prevailing on the date when completing the initial public offering and exercising over-allotment option). The exchange gain or loss arising from domestic settlement of exchange for proceeds according to the requirements of the SAFE amounted to RMB21.30 million. The net proceeds were applied as expenses in aggregate of RMB662.06 million according to the use of proceeds as set out in the Prospectus and the balance was RMB313.08 million, of which (i) the proceeds used for developing and constructing pipelines construction contracting projects have been used up; (ii) the proceeds used for purchasing additional construction equipment and machinery for construction contracting business, primarily truck-mounted cranes and crawler cranes amounted to RMB nil; (iii) the proceeds used for partially or fully repaying loans from Agricultural Bank of China amounted to RMB nil; and (iv) the proceeds used for working capital and general corporate purposes have been used up.

As at the date of disclosure of this announcement, the proceeds used for partially or fully repaying loans from Agricultural Bank of China have been used up; while the proceeds used for purchasing additional construction equipment and machinery for construction contracting business, primarily truck-mounted cranes and crawler cranes have not be used up.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2017, the sales revenue from the five largest customers of the Company accounted for approximately 27%, 7%, 5%, 4% and 3% of the total revenue of the Company respectively, totally representing 46% of the total revenue of the Company.

For the year ended December 31, 2017, the purchase amount from the five largest suppliers of the Company accounted for approximately 9%, 6%, 5%, 3% and 2% of the aggregate amount of goods and subcontracting purchase of the Company respectively, totally representing 25% of the total cost of the Company.

None of the Directors, supervisors and their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the share capital of the Company), has any interest in the above five largest customers or five largest suppliers. The Company does not constitute a dependence on minority customers and suppliers.

11. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The details of the principal subsidiaries, joint ventures and associates of the Company for the year ended December 31, 2017 are set out in notes 19 and 43 to the "Consolidated Financial Statements" of this annual report, respectively.

12. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Date of appointment
Lu Dangzhu	Chairman of the Board, executive Director	May 30, 2016
Liu Lisheng	Executive Director	February 24, 2017
Wang Wen	Independent non-executive Director	May 30, 2016
Su Nan	Independent non-executive Director	May 30, 2016
Ding Zhiyun	Independent non-executive Director	May 30, 2016
Yang Hong	Independent non-executive Director	May 30, 2016
Yue Jianhua	Independent non-executive Director	May 22, 2017
Lau Miu Man	Independent non-executive Director	July 9, 2016

Note: Mr. Chen Ming was appointed as a non-executive Director at the general meeting convened by the Company on January 16, 2018. For details, please refer to the announcement published by the Company on January 16, 2018.

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

Name	Position	Date of appointment
Qiao Yan	Chairwoman of the Supervisory Committee and shareholder representative supervisor	May 30, 2016
Guo Runcheng	shareholder representative supervisor	May 30, 2016
Li Donghua	employee representative supervisor	May 30, 2016
Wu Junlin	employee representative supervisor	May 30, 2016

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

Name	Position	Date of appointment
Lu Dangzhu	Chairman of the Board, executive Director	May 30, 2016
	general manager	August 9, 2016
Han Guoqing	Deputy general manager	May 30, 2016
Hong Shumeng	Deputy general manager	May 30, 2016
Wang Yong	Deputy general manager	May 30, 2016
Liu Lisheng	Executive Director	February 24, 2017
	chief financial officer	May 30, 2016
Yang Feng	Board secretary	August 26, 2016

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

The independent non-executive Directors of the Company are appointed for a period of three years. The Company has received annual confirmations of independence from Mr. Wang Wen, Mr. Yang Hong, Mr. Ding Zhiyun, Mr. Su Nan, Mr. Yue Jianhua and Ms. Lau Miu Man, and as at the date of this report, the Company still considers them to be independent.

13. INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

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

14 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT' EMOLUMENTS

Unit: RMB

Personnel	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Sub-total
Directors					
Lu Dangzhu	—	126,521.92	342,540.00	14,878.08	483,940.00
Wang Wen	80,000.00	—	—	—	80,000.00
Su Nan	80,000.00	—	—	—	80,000.00
Ding Zhiyun	80,000.00	—	—	—	80,000.00
Yang Hong	80,000.00	—	—	—	80,000.00
Lau Miu Man	225,000.00	—	—	—	225,000.00
Liu Lisheng	—	28,095.48	191,650.00	3,719.52	223,465.00
Yue Jianhua	53,000.00	—	—	—	53,000.00
Chen Ming	—	—	—	—	—
Supervisors					
Qiao Yan	—	—	—	—	—
Guo Runcheng	—	—	—	—	—
Li Donghua	—	24,566.48	203,040.00	—	227,606.48
Wu Junlin	—	203,678.72	244,254.00	14,878.08	462,810.80
Senior management					
Lu Dangzhu	—	126,521.92	342,540.00	14,878.08	483,940.00
Han Guoqing	—	112,741.92	284,392.00	14,878.08	412,012.00
Hong Shumeng	—	113,341.92	285,712.00	14,878.08	413,932.00
Wang Yong	—	112,381.92	284,752.00	14,878.08	412,012.00
Liu Lisheng	—	28,095.48	191,650.00	3,719.52	223,465.00
Yang Feng	—	60,144.52	190,960.00	13,044.48	264,149.00

During the Reporting Period, the emoluments of the senior management by bands are as follows:

Band (RMB)	Number of senior management
0~100,000	0
100,000~300,000	2
300,000~500,000	4

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

As of December 31, 2017, none of the Company, controlling shareholders of the Company or the companies under the same controlling shareholders with the Company was a party to any arrangement to entitle the Company's Directors, supervisors or their respective minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

16. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company. Mr. Lu Dangzhu and Mr. Liu Lisheng entered into a service contract as an executive director on June 22, 2017, respectively, Mr. Chen Ming entered into a service contract as a non-executive director on January 16, 2018, and Mr. Wang Wen, Mr. Yang Hong, Mr. Ding Zhiyun, Mr. Su Nan, Mr. Yue Jianhua and Ms. Lau Miu Man entered into a service contract as an independent non-executive Director with the Company on June 22, 2017, respectively, for a fixed term of three years commencing from the date of appointment, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Each of the supervisors has entered into a contract with the Company in respect of, among others, compliance of the relevant laws and regulations, observance of the Articles of Association and provision on arbitration. Ms. Qiao Yan, Mr. Guo Runcheng, Mr. Li Donghua and Mr. Wu Junlin entered into a service contract as a supervisor with the Company on June 22, 2017, respectively,

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

17. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2017, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

18. APPROVED INDEMNITY PROVISIONS

The Company has purchased the responsibility insurances for Directors, supervisors and senior management for an insurance period from June 26, 2017 to June 25, 2018 in an amount of US$10 million in accordance with Provision A.1.8 of the Corporate Governance Code. Except for such insurances, the Company has no valid indemnity provisions (as defined in Companies (Directors' Report) Regulation of the Chapter 622D of Hong Kong Laws) approved during the Reporting Period and at the time of approval of this report.

19. MANAGEMENT CONTRACTS

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

20. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The shares of the Company were listed on the Stock Exchange on July 18, 2017. To the best knowledge of the Company, as of December 31, 2017, 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:

Shareholders	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in relevant class of shares	Approximate percentage of shareholding in the Company's total share capital
IM Energy Group[1]	Domestic Shares	Beneficial owner/ Interest of controlled corporation	2,025,313,904(L)	100%	71.14%
National Council for Social Security Fund	H shares	Beneficial owner	37,343,048 (L)	4.55%	1.31%
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%

Shareholders	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in relevant class of shares	Approximate percentage of shareholding in the Company's total share capital
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%
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) represents to long position; (S) represents 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, the Company is not aware of that the Directors, Supervisors and chief executive of the Company 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.

21. INTEREST OF DIRECTORS IN COMPETING BUSINESSES

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

Name of Director	The Company	IM Energy Group
Lu Dangzhu	Executive Director, chairman of the Board, general manager	Executive director, chairman of the board of directors

22. COMPETING BUSINESSES

22.1 Retained Businesses

The retained businesses of IM Energy Group include photovoltaic power generation and gas-fired power generation, while the businesses of the Company include survey, design and consultancy, construction contracting, trading, power project operation and other four businesses, of which power project operation is not our core business. At present, the power generation businesses of the Company include wind power generation and photovoltaic power generation. The power generation quota for different power sources, i.e. wind power, photovoltaic power and gas-fired power, is separately determined by relevant governmental authorities and thus would not compete with or be affected by each other and there is little possibility of potential competition.

During the Reporting Period, IM Energy Group recorded 0 coal sale under the Amended Coal Underwriting Agreements, and thus has no competition with the Company in respect of coal trading business.

22.2 NON-COMPETITION UNDERTAKING

In order to limit the potential competition between IM Energy Group and the Group, IM Keyi Company and IM Energy Group entered into a non-competition agreement on April 25, 2016 (the"Non-competition Agreement"), and IM Energy Group and our Company further entered into a non-competition deed with the Group on June 22, 2017 (the "Non-competition Deed", together with the Non-competition Agreement, the "Non-competition Undertaking"), pursuant to the Non-competition Deed, IM Energy Group shall not, and shall procure its associates (except for any members of the Group) will not, engage in any business which directly or indirectly competes with the businesses of our Company (the "Restrained Businesses") within the period that (i) the H Shares of the Group are listed on the Stock Exchange, and (ii) IM Energy Group and its associates are entitled to exercise no less than 30% voting power of our Company or are deemed to be the Controlling Shareholder of the Group.

The "Non-competition Undertaking" endows the Company with (i) Option for New Business Opportunities: IM Energy Group has undertaken in the Non-competition Undertaking that if IM Energy Group and its associates (except for any members of the Group) become aware of, notice, are recommended or provided with, a new business opportunity which will directly or indirectly compete or may compete with the Restrained Businesses, including but not limited to the opportunities which are the same with or similar to the Restrained Businesses (the "New Business Opportunities"), IM Energy Group shall and shall procure its associates (except for any members of the Group) to refer or recommend the New Business Opportunities to the Group subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties; (ii) Pre-emptive Rights: IM Energy Group has undertaken that if IM Energy Group and/or its associates (except for any members of our Company) intend(s) to transfer, sell, lease or license for loyalties to a third party any businesses engaged by IM Energy Group and/or its associates (except for any members of our Company) which competes or potentially competes with the Restrained Businesses or any other businesses which would cause direct or indirect competition with the Restrained Businesses, it shall offer our Company the pre-emptive right in terms of such opportunity with the equal terms subject to relevant laws, requirements or prior legally binding contractual arrangements with third parties; (iii) Option for Purchase: On the condition that no relevant laws and regulations are breached and prior legally binding agreements with third parties are complied with, our Company is entitled to acquire any businesses operated by IM Energy Group and/or its associates (except for any members of our Company) which compete or potentially compete with the Restrained Businesses (including the Retained Business) or any businesses or any interests of IM Energy Group and/or its associates (except for any members of our Company) which are gained through the New Business Opportunities (the "Option for Purchase"). Our Company is entitled to exercise the Option for Purchase at any time, and IM Energy Group and/or its associates (except for any members of our Company) shall offer the Option for Purchase to our Company based on the condition that the commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiations between the parties in line with normal commercial practice of our Company which is fair, reasonable and in compliance with the interests of our Company as a whole, as in accordance with the negotiations with IM Energy Group and its associates.

In the year ended December 31, 2017, IM Energy Group has confirmed to the Company in writing that it has fulfilled the agreements under the "Non-competition Undertaking" to prevent horizontal competition. Details are as follows:

Great Wall Power Plant Project

The 2×1000MW air-cooled coal-fired ultra-supercritical generation units engineering project of Great Wall Power Plant (the "Great Wall Power Plant Project") is one of the auxiliary power projects for the UHV DC transmission project from Shanghai Miao to Shandong. China Huaneng Group Co., Ltd. commenced the preliminary work for the project in 2013. In April 2014, the Northern United Power Co., Ltd. (the "Northern Electric Company") established the preparation office for the Great Wall Power Plant Project to fully propel the preliminary work for the project. The National Energy Administration issued the Reply on the Matters Concerning Plan on Construction of Auxiliary Power in the Coal and Electricity Base in Erdos, Inner Mongolia for the Transmission Lines from Shanghai Miao to Shandong (Guo Neng Dian Li [2016] No. 126) on April 28, 2016 and the National Development and Reform Commission of the Inner Mongolia Autonomous Region published the Notice on the Matters Regarding the Implementation Plan for the Auxiliary Coal Power Project for the Transmission Lines from Shanghai Miao to Shandong (Nei Fa Gai Neng Yuan Zi [2016] No. 563) on May 17 to include the 2×1000MW projects of the Great Wall Power Plant in the plan on construction of auxiliary power for the transmission lines from Shanghai Miao to Shandong.

In order to strengthen cooperation and promote project approval, Northern Electric Company, together with Xinwen Mining Group Co., Ltd. and IM Energy Group, incorporated Huaneng Inner Mongolia Great Wall Power Generation Co., Ltd. (華能內蒙古長城發電有限公司) at Etuoke Qianqi, of which Northern Electric Company and Xinwen Mining Group Co., Ltd. hold 57% and 10% equity interests, respectively. IM Energy Group intends to acquire the remaining 33% equity interests.

On July 26, 2017, IM Energy Group provided a written notice of Letter on Establishment of Huaneng Inner Mongolia Great Wall Power Generation Co., Ltd. (華能內蒙古長城發電有限公司) which sets out all reasonable and necessary information; upon review of the offer notice and relevant information by the independent non-executive directors of the Company, on July 28, 2017, the Company issued a written notice of Reply to the Letter of Inner Mongolia Energy Engineering (Group) Co., Ltd. to IM Energy Group and considered that the project was subject to approval by the National Development and Reform Commission of the Inner Mongolia Autonomous Region. Therefore, there were great potential risks and the Company would temporarily not acquire the project.

In light of the optimization and adjustment of the overall development and operation strategy of China Huaneng Group Co., Ltd., upon approval by China Huaneng Group Co., Ltd., Northern Electric Company decided to abandon investment in the project construction as the principal investor. In accordance with the relevant provisions under the Company Law and the Articles of Association, the shareholdings held by the parties of Great Wall Power Plant, i.e. 57% by Northern Electric Company, 33% by IM Energy Group and 10% by Xinwen Mining Group Co., Ltd., were adjusted to 10%, 80% and 10%, respectively, and thus the principal investor of the project was changed into IM Energy Group.

On January 29, 2018, IM Energy Group issued a written notice of Letter on Acquisition of Equity Interests in Huaneng Inner Mongolia Great Wall Power Generation Co., Ltd. (華能內蒙古長城發電有限公司) to the Company and proposed to acquisition of the project. The letter sets out all the reasonable and necessary information; upon review of the offer notice and relevant information by the independent non-executive directors of the Company, on January 31, 2018, the Company issued a written notice of Reply to the Letter of Inner Mongolia Energy Engineering (Group) Co., Ltd. to IM Energy Group and considered that IM Energy Group had not completed acquisition of equity interests in the project and the shareholding structure of the project company was not clear. Therefore, as there were still risks with the equity acquisition, no assets evaluation report had been issued for the project and the concrete amount of investment was still not confirmed, the Company did not object the acquisition of the project by IM Energy Group. However, as the project may have good economic and social benefits, the Company did not waive the right to acquire the project.

Huachen Power Generation Project

Huachen Guyang Hongnijing 100MW Wind Power Project ("Huachen Power Generation Project") was constructed with the investment of Inner Mongolia Huachen New Energy Co., Ltd. under Inner Mongolia Huamao New Energy Co., Ltd. The construction commenced on June 28, 2016. On December 10, 2016, the first unit was connected to the power grid and started power generation. On August 9, 2017, all the 50 wind turbines were connected to the power grid and started power generation.

Inner Mongolia Huachen New Energy Co., Ltd. has obtained the Electric Power Business License for the project and entered into an Electricity Purchase and Sales Contract with Inner Mongolia Power (Group) Co., Ltd.; the on-grid tariff of the project is RMB0.49 per kWh.

The project, with good resources conditions, was constructed following the procedures in line with relevant national policies. The legal and compliance documents of the project are complete for the project. During the construction, Inner Mongolia Power Survey & Design Institute Co., Ltd. implemented control throughout the process, to ensure good construction quality and equipment operation, which has given rise to good economic and social benefits. IM Energy Group proposed to acquire the 100% equity interests in Inner Mongolia Huachen New Energy Co., Ltd.

On October 23, 2017, IM Energy Group issued a written notice titled Letter on Acquisition of 100% Equity Interests in Inner Mongolia Huachen New Energy Co., Ltd., which sets out all reasonable and necessary information, to the Company; upon review of the offer notice and relevant data by the independent non-executive Directors of the Company, on October 30, 2017, the Company issued a written notice titled Reply to the Letter of Inner Mongolia Energy Engineering (Group) Co., Ltd. stating that (i) the project is in the stage of shift from production to operation and there are many uncertainties with its revenue; (ii) the Certificate of State-owned Land Use Rights has not been obtained for the project and there are problems with declaration and payment of land use tax and farmland occupation tax; (iii) the FIRR of project capital is not in line with the Company's basic requirements on investment and acquisition, and the payback period is long, resulting in greater investment risks. Therefore, the Company has decided not to proceed with the acquisition of 100% Equity Interests in Inner Mongolia Huachen New Energy Co., Ltd.

For the competing businesses of the Company, IM Energy Group, the controlling shareholder of the Company, has issued a written undertaking to confirm that it has followed the corporate governance measures to monitor and mitigate potential competition in the section headed Relationship with the Controlling Shareholder in the Prospectus of the Company and complied with the provisions and undertaking under the Non-competition Deed.

For the competing businesses of the Company, the independent non-executive Directors have issued a written confirmation that (i) upon investigation, IM Energy Group has complied with the "Non-competition Undertaking"; and (ii) the Option for New Business Opportunities, Pre-emptive Rights and Option for Purchase granted by IM Energy Group, all the reasonable and necessary information has been reviewed with the decision and the basis therefor provided.

23 CONNECTED TRANSACTIONS

23.1 Connected Transactions

The Company entered into the following connected transactions in 2017.

On 16 October 2017, IM No.1 Power Company and IM Energy Group entered into the Construction Contract in relation to, among others, construction of the Kindergarten Project.

IM No.1 Power Company shall act as the contractor and be responsible for project initiation and filing, proceeding construction procedures, construction and completing completion acceptance of the Kindergarten Project. After completing the acceptance of the Kindergarten Project, IM No.1 Power Company shall transfer the Kindergarten Project as a whole to IM Energy Group, as well as completing necessary procedures for the transfer. The total budget of the Kindergarten Project is RMB75 million payable by installments depending on the progress of the Kindergarten Project. After the completion of this Construction Project, the actual total amount of payment will be adjusted according to the actual amount of work incurred. IM Energy Group shall pay IM No.1 Power Company the actual amount as the consideration for construction of the Kindergarten Project by IM No.1 Power Company.

Construction services are part of the ordinary course of business of the Company. The Company thus has the capability to undertake the Kindergarten Project and this project would add to its business portfolio.

As at October 16, 2017, IM Energy Group is the controlling shareholder of the Company holding approximately 71.14% equity interest in the Company and therefore is a connected person of the Company. IM No.1 Power Company is a wholly-owned subsidiary of the Company. Therefore, the transaction contemplated under the Construction Contract constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in relation to the abovementioned connected transaction is more than 0.1% but less than 5%, the transaction contemplated under the Construction Contract is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the abovementioned connected transaction, please refer to the announcement of the Company dated October 16, 2017.

23.2 Continuing Connected Transactions

Property Lease Framework Agreement

On June 22, 2017, the Group entered into a property lease framework agreement with IM Energy Group, pursuant to which the Group may lease certain properties from IM Energy Group and/or its associates. The properties leased by the Group have a total gross floor area of 54,207.1 sq.m., mainly located in Inner Mongolia Autonomous Region, the PRC, and are mainly used for offices. The Property Lease Framework Agreement is valid for a term of three years commencing from the Listing Date (July 18, 2017) and is renewable upon mutual agreement of both parties. The relevant subsidiaries or associates of both parties will enter into separate leases which set out the specific terms and conditions according to the principles and conditions provided in the Property Lease Framework Agreement.

During the Reorganization, the relevant properties that the Group has been occupying have not been injected to the Group and remained under the management of IM Energy Group. As relocation of our offices, warehouses and plants to other premises will result in unnecessary business interruption as well as relevant expenses, we entered into the above transaction to ensure smooth operations and save costs.

The abovementioned transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors expect, be more than 0.1% but less than 5% on an annual basis. By virtue of Rule 14A.76(2)(a) of the Listing Rules, the transaction will be subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement.

The annual caps of rental are as follows:

(RMB million)

	2017	2018	2019
Total rental	**9.89**	9.89	9.89

Note: The above annual caps are exclusive of utility charges, heating fees, costs for maintenance and repair and other miscellaneous expenses incurred by the Group.

For the year ended December 31, 2017, the total rental amounted to RMB9.89 million.

For details of the above connected transaction, please refer to the section headed Connected Transactions in the Prospectus published by the Company on June 30, 2017.

Coal Underwriting Transfer and Provision of Custodial Service Agreement

On May 22, 2017, IM Products Company, IM Energy Group, IM Mengxing, IM Mengxing's controlling shareholder and our Company entered into an agreement ("Coal Underwriting Transfer and Provision of Custodial Service Agreement"), pursuant to which, among others, (i) IM Products Company shall transfer all of its rights and obligations under the Amended Coal Underwriting Agreements to IM Energy Group; and (ii) IM Energy Group undertakes to appoint IM Products Company as a custodian in respect of the Amended Coal Underwriting Agreements for a term of three years commencing June 20, 2017. As a custodian, IM Products Company shall (a) manage and supervise the performance of the Amended Coal Underwriting Agreements and (b) coordinate and assist with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements, for example by facilitating the logistics regarding the execution of the coal sale and purchase transactions. IM Energy Group shall find its own customers and IM Products Company's role is merely to facilitate the logistics regarding the execution of the coal sale and purchase transactions. In return, IM Products Company shall charge a custodian fee equal to 0.7% of the revenue generated from the sale of coal managed by IM Products Company. IM Products Company shall not have any obligations to make any payment or supply any coal under such custodian arrangements and shall not be subject to any liabilities or penalties in relation to its services in coordinating and assisting with the sale of coal purchased by IM Energy Group under the Amended Coal Underwriting Agreements. Upon the expiry of the three year terms, IM Energy Group undertakes that, provided that our Company and IM Products Company have obtained all necessary approvals (including, where necessary, approval by the independent shareholders of our Company under the Listing Rules), IM Energy Group will agree to continue with appointing IM Products Company to provide custodial service and will enter into separate written agreement.

Our Directors are of the view that, notwithstanding that the competition between our Group and the IM Energy Group is extremely limited, our Group would be placed in a better position to avoid potential competition from IM Energy Group and safeguard the interest of our Group and our Shareholders by monitoring the operation of underwriting of the coal under the Amended Coal Underwriting Agreements undertaken by IM Energy Group through the provision of custodial service. The provision of custodial services by IM Products Company will enable IM Products Company to evaluate the customers sourced by IM Energy Group and the coal trades carried out by IM Energy Group with such customers, in order for IM Products Company to monitor IM Energy Group's compliance with its Non-competition Undertaking, determine if such dealings would result in any competition with our Group's coal trading business in breach of the Non-competition Undertaking and take appropriate steps to avoid any such competition.

The abovementioned transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors expect, be more than 0.1% but less than 5% on an annual basis. By virtue of Rule 14A.76(2)(a) of the Listing Rules, the transaction will be subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement.

The annual caps of custodian fee are as follows:

(RMB million)

	2017	2018	2019
Total custodian fees	**13.3**	13.3	13.3

For the year ended December 31, 2017, as IM Energy Group did not conduct these coal transactions the total custodian fees amounted to nil.

For details of the above connected transaction, please refer to the section headed Connected Transactions in the Prospectus published by the Company on June 30, 2017.

Photovoltaic Power Station EPC Agreement

In 2015, IM Survey & Design Institute, a wholly-owned subsidiary of the Company, entered into a photovoltaic power station EPC agreement (the "Photovoltaic Power Station EPC Agreement") with IM Hengda Company, a wholly-owned subsidiary of IM Energy Group, pursuant to which IM Survey & Design Institute undertook the EPC work in respect of the photovoltaic power station owned by IM Hengda Company. The total contract value of the Photovoltaic Power Station EPC Agreement is approximately RMB799.0 million.

IM Hengda Company invited public tender for its photovoltaic power station EPC project. After carrying out relevant evaluation procedures and considering various factors, including the technical experiences, equipments, facilities, professional qualification, business reputation, project management skills, tender price and other relevant factors of all the tenderers, IM Hengda Company selected IM Survey & Design Institute as the general contractor, mainly for the purposes of ensuring the on-schedule completion of construction of its photovoltaic power station, benefiting from its professional experience, as well as achieving greater value by virtue of the large scale of EPC operation of IM Survey & Design Institute. In addition, the prices and terms offered by IM Survey & Design Institute are no less favorable than those offered to Independent Third Parties and are in line with local market conditions. As such, the transaction under the Photovoltaic Power Station EPC Agreement is profitable and is in the interests of our Group and our Shareholders as a whole.

The abovementioned transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors expect, be more than 5% on an annual basis. By virtue of Rule 14A.76(2)(a) of the Listing Rules, the transaction will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

The annual caps of contract value to be completed are as follows:

(RMB million)

	2017	2018	2019
Total contract value to be completed	**641.0**	Nil	Nil

For the year ended December 31, 2017, the total contract value completed amounted to RMB24 million.

For details of the above connected transaction, please refer to the section headed Connected Transactions in the Prospectus published by the Company on June 30, 2017.

For the above non-exempt continuing connected transactions of the Group, the independent non-executive Directors have reviewed relevant agreements and the transactions contemplated thereunder, and confirmed that relevant transactions were:

(i) entered into during our ordinary and usual course of business;

(ii) conducted on normal commercial terms or better; and

(iii) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and issued a letter to the Board, stating that nothing has come to its attention that may cause it to believe that such transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the pricing policy of the Group if the transactions involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and

(iv) the actual annual amounts have exceeded the relevant caps as previously disclosed in the announcements of the Company.

23.3 Others

Except for the above connected transactions, the Group did not entered into any other connected transactions or continuing connected transactions which shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For the related party transactions under note 39 to the audited financial statements (which are also connected transactions under Chapter 14A of the Hong Kong Listing Rules), the Company has made disclosures in accordance with the Hong Kong Listing Rules.

24. REPURCHASE, SALE AND REDEMPTION OF THE 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 Report Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

25. EQUITY-LINKED AGREEMENT

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

26. ARRANGEMENT FOR PRE-EMPTIVE RIGHT

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

27. BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company are set out in note 31 to the "Consolidated Financial Statements" of this annual report.

28. REMUNERATION AND EQUITY-INCENTIVE POLICY

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

Pursuant to the relevant requirements of the SASAC of the autonomous region, the Company determines the remuneration of the directors based on the remuneration standard of the listed state-owned peers in the industry, the remuneration of the chairman of the Board based on the remuneration standard stipulated by the SASAC of the autonomous region, the remuneration of the executive directors who are also senior management based on the results of their performance appraisal and the remuneration management conducted in accordance with the relevant requirements of the SASAC of the autonomous region.

During the Reporting Period, the Company temporarily did not implement any equity-incentive policy.

29. STAFF RETIREMENT BENEFITS

Details of the staff retirement benefits of the Company are set out in note 32 to the "Consolidated Financial Statements" of this annual report.

30. DONATIONS

For the year ended December 31, 2017, the aggregate charitable and other donations made by the Company amounted to RMB90,000.

31. COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards in corporate governance. The approach to apply and implement the principles and provisions of the corporate governance code is set out in the "Corporate Governance Report".

32. INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have been appointed as the international and domestic auditor respectively by the Company as to the financial statements of the Company from the listing stage to the end of the reporting period.

The Company has prepared its 2017 financial report based on the International Financial Reporting Standards. Deloitte Touche Tohmatsu have audited such financial report, and has issued its audit report without any qualification. The Audit Committee of the Board of the Company has reviewed the results and financial reports of the Company for the year ended December 31, 2017.

33. FINAL DIVIDEND INCOME TAX WITHHOLDING AND PAYMENT

Enterprise income tax withholding and payment of non-resident enterprise shareholders

In accordance with "the Enterprise Income Tax Law of the People's Republic of China" (the "Enterprise Income Tax Law") and its implementation regulations and "The Notice on the Issues Concerning Enterprise Income Tax Withholding and Payment of Dividends Paid to Overseas Non-resident Enterprise Shareholders of H shares by Resident Enterprise in the PRC" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函 [2008]897 號)) issued by the State Administration of Taxation of the PRC, the Company shall be obligated to withhold and pay 10% enterprise income tax before it distributes the final dividends to nonresident enterprise shareholders as listed on the Company's register of members of H shares (the "Register of Members of H Shares") on July 3, 2018 (the "Record Date"). Any H shares registered in the name of non-individual shareholders are deemed as held by the non-resident enterprise shareholders. As such, the enterprise income tax shall be deducted from the dividend thereof. The non-resident enterprise shareholders shall apply to relevant tax authorities for refund in according to applicable tax arrangements (if any).

After the legal opinion is provided by the resident enterprise shareholders within the stipulated time frame and upon the Company's confirmation of such opinion, the Company will not withhold and pay any enterprise income tax when it distributes the final dividends to resident enterprise shareholders of H shares as listed on the Company's Register of Members of H Shares on the Record Date. If any resident enterprise (the same meanings as defined in the Enterprise Income Tax Law) listed on the Register of Members of H Shares which is duly incorporated in the PRC or under the laws of a foreign country (region) but with a PRC-based de facto management body, does not desire the Company to withhold and pay the aforesaid 10% enterprise income tax, a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that verifies its resident enterprise status shall be lodged at the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, June 27, 2018.

Individual income tax withholding and payment of overseas resident individual shareholders

"The Notice on the Issues Concerning Tax on the Earnings from Transfer of Stocks (Stock Rights) and on the Income Tax from Dividends Received by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners" (Guo Shui Fa [1993] No. 045) (《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》(國稅發[1993] 045號)) (the "93 Notice") issued by the State Administration of Taxation of the PRC, where individual foreigners holding H Shares are exempted from paying individual income tax for dividends (bonuses) obtained from companies incorporated in the PRC that issue H Shares, was repealed under "The Announcement on the List of Fully and Partially Invalidated and Repealed Tax Regulatory Documents" (《關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告》) issued by the State Administration of Taxation of the PRC on January 4, 2011. On June 28, 2011, the State Administration of Taxation of the PRC issued "The Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011] 348號)) (the "2011 Notice"). The 2011 Notice has clarified the issues concerning the collection of individual income tax arising from H share dividends received by individual foreigners following the repeal of the 93 Notice.

Due to the recent change in the tax regulations of the PRC as mentioned above, a company, as the withholding agents, should withhold and pay the individual income tax for the overseas resident individual shareholders on the dividends income (bonus) of the shares issued in Hong Kong by the mainland enterprises with non-foreign investment under the item of "interests, dividend and bonus income" in accordance with the laws. After the Company's consultation with competent tax authorities, they confirmed that the Company should withhold and pay the individual income tax for the dividends or bonus income received by the overseas resident individual shareholders of the Company. However, the overseas resident individual shareholders holding the shares of the Company may be entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the country(ies) in which they are domiciled and the PRC, and the tax arrangements between the mainland China and Hong Kong (Macau). As such, the Company will withhold and pay individual income tax for H share individual shareholders in accordance with the following rules:

- for the H share individual shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of such shareholders in the distribution of final dividend, while such shareholders may apply for rebate of the additional payment to the tax authorities in accordance with the actual tax rate under such tax treaties;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for the H share individual shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders in the distribution of final dividend.

If a H share individual shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated by the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should file a timely authorisation letter together with the reporting materials relating to him/her being a resident of the related country or region, to Computershare Hong Kong Investor Services Limited, the Company's H Share Registrar in Hong Kong by no later than 4:30 p.m. on Wednesday, June 27, 2018. The materials will be submitted to the competent tax authority by the Company, for subsequent taxation handling.

Non-resident enterprise shareholders or overseas resident individual shareholders of the Company may seek advice from their tax advisor in relation to the tax impact of the mainland China, Hong Kong and other countries (regions) involved in owning and disposing of H shares of the Company if they have any doubts on the above arrangements.

34. ENVIRONMENTAL POLICY AND PERFORMANCE OF THE COMPANY

The Company shoulders the responsibility of protection and improvement of living and ecological environment, promotion of green development and construction of a beautiful China. It proactively implementation of the green operation management philosophy of "Effective Energy Conservation, Pursuit of Frugality (節能有道，節儉有德)" throughout production and operation management of the Company to fully propel green governance, green office, green purchase, green operation and green construction and build green ecological projects to integrate environmental protection with corporate development. The Company intends to include environmental protection into the Company's overall development plan, standardize corporate behaviors and continuously improve the environmental management and institutional system. With clear division of objective responsibilities, the Company has strengthened training and publicity and constantly enhanced staff's awareness of responsibility and environmental protection. While carrying supervision and inspection, the Company has also conducted strict responsibility assessment and improved the emergent environmental event management system to form a long standing mechanism for green development. Based on the actual business conditions of the Company, emission reduction measures were implemented and the industrial structure was continuously optimized to increase the proportion of renewable energy sources and promote the collaboration between different business segments in respect of environmental protection. More funds were invested in environmental protection to proactively promote green management and green construction and for innovation and popularization of new technologies and new processes featuring energy conservation, emission reduction and low carbon to continuously improve the utilization efficiency of energy and resources, with an aim to reduce the emission during its operation, conserve the use of resources and promote environmental protection in the place of its operations. The Company has complied with the environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) so as to achieve higher environmental performance. During the Reporting Period, the Company fulfilled its social responsibility in respect of environmental protection and did not have any events of non-compliance with environmental laws and regulations. For details, please refer to the section headed "Environmental, Social and Governance Report" set out in this annual report.

Report of the Supervisory Committee

1. BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

As of December 31, 2017, the Supervisory Committee consists of 4 members, namely Ms. Qiao Yan, Mr. Guo Runcheng, Mr. Li Donghua and Mr. Wu Junlin, among whom Ms. Qiao Yan is the chairwoman of the Supervisory Committee, Mr. Li Donghua and Mr. Wu Junlin are employee representative supervisors. The term of office of supervisors is three years. Supervisors can be re-appointed upon re-election after the term of office expires.

2. MEETINGS OF THE SUPERVISORY COMMITTEE

In 2017, the Supervisory Committee convened 3 meetings.

The 2017 first meeting of the first session of the Supervisory Committee was held on May 22, 2017. Qiao Yan, Guo Runcheng, Li Donghua and Wu Junlin attended the meeting, with Ms. Qiao Yan, the chairwoman of the Supervisory Committee, being the hostess of the meeting. The Resolution on Profit Distribution Plan was considered and approved at the meeting by voting.

The 2017 second meeting of the first session of the Supervisory Committee was held on June 22, 2017. Qiao Yan, Guo Runcheng, Li Donghua and Wu Junlin attended the meeting, with Ms. Qiao Yan, the chairwoman of the Supervisory Committee, being the hostess of the meeting. Two resolutions were considered and approved at the meeting by voting, comprising the Resolution on Approval of the H Share Prospectus and Relevant Documents of Inner Mongolia Energy Engineering Co., Ltd. and the Resolution on Approval of Arrangement for Global Offering of H Shares of Inner Mongolia Energy Engineering Co., Ltd.

The 2017 third meeting of the first session of the Supervisory Committee was held on August 29, 2017. Qiao Yan, Guo Runcheng, Li Donghua and Wu Junlin attended the meeting, with Ms. Qiao Yan, the chairwoman of the Supervisory Committee, being the hostess of the meeting. Three resolutions were considered and approved at the meeting by voting, comprising the Resolution on Consideration and Approval of the Unaudited Financial Statements of the Company for the Six Months ended June 30, 2017, the Resolution on Consideration and Approval of the Interim Results Announcement of the Group for the Six Months ended June 30, 2017, and the Resolution on Consideration and Approval of the Draft Interim Report of the Group for the Six Months ended June 30, 2017.

3. SUPERVISORY COMMITTEE'S PRESENCE ON OTHER MEETINGS

On February 24, 2017, the Supervisory Committee attended the 2017 first extraordinary general meeting of the Company; on May 22, 2017, the Supervisory Committee attended the 2017 second extraordinary general meeting of the Company; on June 26, 2017, the Supervisory Committee attended the 2017 third extraordinary general meeting of the Company.

The Supervisory Committee attended 6 Board meetings and listened to 47 resolutions which were considered by the Board, involving the interim results report.

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

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

5. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON OPERATION OF THE COMPANY

5.1 Independent opinions on the financial position of the Company

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

5.2 Independent opinions on disclosure of information by the Company

During the Reporting Period, the Supervisory Committee attended the general meeting and the Board meeting of 2017 and listened to the report about information disclosure. The Supervisory Committee believed that the information disclosure procedures were in strict compliance with Information Disclosure Management System (《信息披露管理制度》) of the Company and complied with the regulatory requirements of the place in which the Company listed.

5.3 Independent opinions on the connected transactions of the Company

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

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

During the Reporting Period, the Supervisory Committee conducted supervision on the management and use of proceeds of the Company. The Supervisory Committee believed that the Company managed and used the proceeds in strict compliance with the Listing Rules and relevant requirements under the Prospectus.

6. WORKING PLAN

In 2018, the Supervisory Committee will strictly comply with the relevant requirements under the Company Law, Securities Law, Listing Rules and Articles of Association to further perfect the corporate governance structure of the Company as a legal person and improve the standard of corporate governance. The Supervisory Committee will continually strengthen the implementation of supervision and conduct effective supervision with focus on procuring the implementation of the resolutions passed at the general meeting and the Board meeting, major operational decisions of the Company and financial inspection. It will step up its efforts in supervision of major events and disclosure of information so as to safeguard the interests of the Company and the Shareholders.

Corporate Governance Report

1. CORPORATE GOVERNANCE STRUCTURE

The Company operates in strict compliance with the Company Law, the Securities Law and other relevant laws and regulations as well as normative documents, the Articles of Association, and relevant requirements of the Hong Kong Stock Exchange in relation to corporate information disclosure and investors' relations management and services. A modern corporate governance structure, comprising of the general meeting, the Board, the Supervisory Committee and the senior management, has been established by the Company. The Company has perfected policy systems, management measures and working procedures. During the Reporting Period, each of the internal governance departments operated independently and effectively with their respective duties and obligations being fully fulfilled.

2. COMPLIANCE WITH THE CODE PROVISIONS OF 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 shares of the Company were listed on the Stock Exchange.

The Company has complied with the mandatory code provisions in the Corporate Governance Code (except code provision A.2.1)[1] since the Listing Date of July 18, 2017 and up to December 31, 2017. The Company 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 Company 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.

3. COMPLIANCE WITH CODE PROVISIONS OF THE MODEL CODE BY THE DIRECTORS AND SUPERVISORS

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.

(1) Mr. Lu Dangzhu is the chairman of the Board and the general manager of our Company. In view of Mr. Lu's experience, personal profile and his roles in our Group, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. Lu, in addition to acting as the chairman of the Board, continues to act as the general manager of our Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman of the Board and the general manager is necessary.

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 December 31, 2017. 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 the interests of the Company's shareholders.

4. SHAREHOLDERS

4.1 Rights of Shareholders

According to the Articles of Association, shareholders have the following rights:

I. to receive dividends and other distributions in proportion to the shareholdings;

II. to request, convene, preside, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat in proportion to the number of shares held in accordance with laws;

III. to carry out supervisory management over business operations of the Company, and to present proposals or to raise enquires;

IV. to transfer, grant or pledge shares held by him/her in accordance with laws, administrative regulations and provisions of Articles of Association;

V. to obtain relevant information in accordance with the provisions of Articles of Association, including:

1. to obtain a copy of these articles, subject to payment of a reasonable cost;

2. to inspect for free or inspect and copy, subject to payment of a reasonable charge:

(1) copy of all parts of the register of shareholders;

(2) personal particulars of each of our directors, supervisors, general manager and other senior management members, including:

(a) present name and alias and any former name and alias;

(b) principal residential address (domicile);

(c) nationality;

(d) primary and all other part-time occupations and positions;

(e) identity document and its number.

(3) reports on the state of the issued share capital of the Company;

(4) latest audited financial statements of the Company and reports of the board of directors, auditors and board of supervisors;

(5) special resolutions of the Company;

(6) reports (with a breakdown of domestic shares and foreign shares) showing the quantity and par value, aggregate costs incurred, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last financial year; latest audited financial statements of the Company;

(7) minutes of shareholders' general meetings;

(8) register of corporate bonds, minutes of shareholders' general meetings, special resolutions of shareholders' general meetings, resolutions of the board of directors and resolutions of the supervisory committee of the Company; and

(9) copy of the latest annual report filed with the State Administration for Industry & Commerce of the People's Republic of China or other competent authorities.

The Company may refuse any inspecting or copying request which involves commercial secrets and insider information on the Company and privacy of relevant personnel. Email of the Company: info@imeec.cn.

VI. to participate in the distribution of the residual assets of the Company in proportion to the number of shares held in the event of termination or liquidation of the Company;

VII. to request the Company to repurchase its shares held by the dissident shareholders when they cast votes against the proposal for merger or division at the shareholders' general meeting of the Company;

VIII. shareholders individually or jointly holding 3% or more of the Company's shares can make a provisional motion in writing to the board of directors 10 days before the date of the shareholders' general meeting; and

IX. any other rights conferred by laws, administrative regulations, departmental rules or Articles of Association.

4.2 Shareholders' General Meeting

In accordance with the Articles of Association, the shareholders' general meeting is the organ of authority of the Company and exercise management and supervision function over the Company through the Board and Supervisory Committee. The Company convenes and holds the general meeting strictly according to the relevant laws and regulations and the Articles of Association, ensuring that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the Reporting Period, the Company convened 3 general meetings. Details are as follows:

On February 24, 2017, the 2017 first extraordinary general meeting was convened on-site and 2 Shareholders holding an aggregate of 2.1 billion Shares, representing 100% of the Company's total share capital, attended the meeting.

On May 22, 2017, the 2017 second extraordinary general meeting was convened on-site and 2 Shareholders holding an aggregate of 2.1 billion Shares, representing 100% of the Company's total share capital, attended the meeting.

On June 26, 2017, the 2017 third extraordinary general meeting was convened on-site and 2 Shareholders holding an aggregate of 2.1 billion Shares, representing 100% of the Company's total share capital, attended the meeting.

Relevant resolutions include the "Resolution on Executive Directors of Inner Mongolia Energy Engineering Co., Ltd.", the "Resolution on Independent Non-executive Directors of Inner Mongolia Energy Engineering Co., Ltd.", the "Resolution on Entering into of Agreement in relation to Coal Underwriting Arrangement" and the "Resolution on Profit Distribution Plan". The chairman of the meetings has explained the detailed procedure for voting by poll to the Shareholders at the general meetings. The convening, notifying, holding and voting procedures of the meetings are in compliance with the relevant provisions of the Company Law and the Articles of Association.

5. THE BOARD

5.1 Composition of the Board

As at the date of issuing the reporting, the Board of the Company composed of 9 directors, including 2 executive Directors, namely Mr. Lu Dangzhu and Mr. Liu Lisheng; 1 non-executive Director, namely Mr. Chen Ming; 6 independent non-executive Directors, namely Mr. Wang Wen, Mr. Su Nan, Mr. Ding Zhiyun, Mr. Yang Hong, Mr. Yue Jianhua and Ms. Lau Miu Man. All the Directors do not have any financial, business, family or other material relationship with each other. The number of the independent non-executive Directors represents no less than one-third of the total number of members of the Board and the number and composition are in compliance with relevant laws, regulations and requirements for listed companies.

The Board shall be accountable to the Shareholders' general meeting. The Board is responsible for developing the management system of the Company and monitoring the decisions on business and financial strategies, results and other important matters of the Company. The Board has delegated the powers and duties in relation to management of the Company to the management. In addition, the Board has also designated the audit committee, the nomination committee, the remuneration committee, and the strategic development committee to fulfill their respective duties. Details of such committees are set out in this report.

The Board is rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the non-executive Director is equipped with rich enterprise management experience, and the independent non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and power.

Election, change and removal of Directors

According to the Articles of Association of the Company, the Directors shall be elected or replaced at the general meeting and shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. A Director, before his or her term of office expires, shall not be dismissed by the general meeting without any cause. The term of a Director shall start from the date on which the said Director assumes office to the expiry of the current session of the Board.

A Director may be removed by an ordinary resolution at a general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim which may be made under any contract will not be affected).

Chairman and general manager

Mr. Lu Dangzhu serves as the chairman of the Board of the Company and exercises his duties to preside over the general meetings, convene and preside over the meetings of Board. He is fully responsible for the work of the Board and participates in the preparation and implementation of business and operating strategy of the Company through the Board to make significant decisions on the business and operation of the Company. Mr. Lu Dangzhu is also the general manager of the Company[2] and is fully responsible for management, production and operation of the Company. Mr. Lu Dangzhu, the chairman of the Board, concurrently serves as the general manager, which is favorable for better implementation of the Board's decision, further standardization of corporate management and prompt convening of a meeting of the Board according to the circumstances during execution of decisions to seek for opinions from the Directors, give play to the advantages of collective decision making and adapt to new market changes.

During the Reporting Period, the Chairman held one meeting with non-executive Directors (including independent non-executive Directors) and without executive Directors.

5.2 Board Meetings

In 2017, the Company held six Board meetings in total. A total of 47 resolutions were considered and passed at the meetings, including the 2017 interim results report and announcement.

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

Name	Attendance of Board meeting			Attendance of General Meeting		
	Number of meetings eligible to attend	Number of meetings attended in person	Attendance rate	Number of meetings eligible to attend	Number of meetings attended in person	Attendance rate
Lu Dangzhu	6	6	100%	3	3	100%
Liu Lisheng	6	6	100%	3	3	100%
Wang Wen	6	6	100%	3	3	100%
Su Nan	6	6	100%	3	3	100%
Ding Zhiyun	6	6	100%	3	3	100%
Yang Hong	6	6	100%	3	3	100%
Lau Miu Man	6	6	100%	3	3	100%
Yue Jianhua	6	6	100%	3	3	100%

(2) Mr. Lu Dangzhu is the chairman of the Board and the general manager of our Company. In view of Mr. Lu's experience, personal profile and his roles in our Group, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. Lu, in addition to acting as the chairman of the Board, continues to act as the general manager of our Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman of the Board and the general manager is necessary.

The Board regularly holds meetings at least four times a year. The Board meetings shall be convened by the Chairman. All the Directors shall be informed in writing 14 days in advance.

5.3 The Board and the Management

There are no relationships between each of the Directors, Supervisors and senior management of the Company, including financial, business, family or other material relationships.

The chairman of the Board and the general manager of the Company are held by the same person. The Board and the management are responsible for, and discharge their duties in strict compliance with the requirements under the Articles of Association, the Rules of Procedure of the Board of the Company, the Bylaws for General Manager of the Company and relevant regulations.

The Board

The Company's board of directors shall exercise the following functions and powers: to convene the Shareholders' general meetings, make a proposal or propose a resolution at the Shareholders' general meeting for approval and report its work to the Shareholders' general meetings; to implement resolutions of the Shareholders' general meeting; to decide on the business plans and investment plans of the Company; to formulate the plans for annual financial budgets and final accounts of the Company; to formulate the plans for profit distribution and making up losses of the Company; to formulate proposals for the increase or reduction of registered capital and the issue of shares, corporate bonds or other securities and the listing project of the Company; to formulate plans for major assets acquisition and disposal, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company; to decide on the establishment of the internal management organization of the Company; to approve the matters in relation to investment, acquisition or disposal of assets, financing and connected transaction as required by the Listing Rules of the Hong Kong Stock Exchange; to exercise other functions and powers conferred by the laws, regulations, the Listing Rules of the Hong Kong Stock Exchange, these articles or at shareholders' general meetings.

There are currently 4 special committees established under the Board, being the nomination committee, the remuneration committee, the audit committee, and the strategic investment committee. Each of the special committees has their rules of procedure and shall be accountable to the Board. Under the centralized leadership of the Board, the special committees shall provide recommendations, opinions and advice for the decision to be made by the Board. The special committees may engage intermediary organizations to provide independent professional advice, and the relevant expenses shall be borne by the Company.

Management

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

The general manager shall exercise the following functions and powers: to be in charge of the production, operation and management of the Company, and to report to the board of directors; to organize the implementation of the resolutions of the board of directors, the annual business plans and investment plans of the Company; to prepare the annual financial budgets and final accounts of the Company, and make suggestions to the board of directors; to formulate the basic management system and plan for establishment of internal management organization of the Company; to formulate the specific rules and regulations of the Company; to request the board of directors to appoint or remove other senior management, such as the deputy general manager and chief financial officer; to appoint or remove management personnel and general staff other than those required to be appointed or removed by the Company's board of directors; to decide on other matters of the Company within the scope of authorization granted by the board of directors; to decide on matters relating to investment, acquisition, disposal or financing that are not required to be resolved by the board of directors or the Shareholders' general meeting.

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

5.4 Continuous professional training of the Directors

According to the training records of the Company in 2017, the relevant trainings for the Board are as follows:

Name	Corporate Governance (Times)	Compliance (Times)	Operation (Times)	Finance (Times)
Lu Dangzhu	1	5	1	1
Liu Lisheng	1	5	1	1
Wang Wen	1	5	1	1
Su Nan	1	5	1	1
Ding Zhiyun	1	5	1	1
Yang Hong	1	5	1	1
Lau Miu Man	1	5	1	1
Yue Jianhua	1	5	1	1

5.5 Special Committees under the Board

The establishment of the nomination committee, the remuneration committee and audit committee of the Company was approved at the second meeting of the first session of the Board held on July 9, 2016 and the establishment of the strategic investment committee of the Company was approved at the eleventh meeting of the first session of the Board on November 28, 2017.

Nomination committee

According to the requirements of the Articles of Association, the Board set up the nomination committee. Governed by the Terms of Reference of the Nomination Committee, the major duties of the nomination committee are to review the structure, size, composition and relevant qualifications of the board of directors at least once annually, make recommendations on any adjustment to the board of directors pursuant to the development strategy of the Company, and formulate a diversity policy for the board of directors; to examine the candidates for directors, general manager and secretary to the board of directors and provide recommendations; to evaluate the overall skill, expertise and experience of directors and senior management and assess the independence of the independent non-executive directors; to propose the human resources retention scheme and provide recommendations to the Company.

At the end of the Reporting Period, the nomination committee consisted of Mr. Lu Dangzhu (executive Director), Mr. Yang Hong (independent non-executive Director) and Mr. Su Nan (independent non-executive Director). Lu Dangzhu is the chairman of the nomination committee. During the Reporting Period, the nomination committee convened 3 meetings to consider and approve three resolutions, including the “Resolution on Executive Directors of the Company”, the “Resolution on Independent Non-executive Directors of the Company” and the “Resolution on Proposed Addition of Non-executive Directors”.

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Lu Dangzhu	3	3	0
Su Nan	3	3	0
Yang Hong	3	3	0

Remuneration Committee

According to the requirements of the Articles of Association, the Board set up the remuneration committee. Governed by the Terms of Reference of the Remuneration Committee, the major duties of the remuneration committee are to determine the specific remuneration packages of executive directors and senior management; to make recommendations to the Board of directors regarding the remuneration policy and structure for directors and senior management of the Company and on the establishment of formal and transparent procedures for developing the remuneration policy; to formulate management measures on the performance evaluation of senior management of the Company, make evaluation plans and determine evaluation objectives.

At the end of the Reporting Period, the remuneration committee consisted of Mr. Wang Wen (independent non-executive Director), Mr. Lu Dangzhu (executive Director) and Mr. Yang Hong (independent non-executive Director). Wang Wen is the chairman of the remuneration committee. During the Reporting Period, the remuneration committee convened 2 meetings to consider two resolutions, including the "2017 Work Plan of Remuneration Committee" and "the Resolution on the Reform Plan for Three Systems of the Company".

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Wang Wen	2	2	0
Lu Dangzhu	2	2	0
Yang Hong	2	2	0

Audit Committee

According to the requirements of the Articles of Association, the Board set up the audit committee. Governed by the Terms of Reference of the Audit Committee, the major duties of the audit committee are to, on behalf of the board of directors, conduct independent assessment and supervision on the compliance, legality and efficiency of the operation of the Company, specifically to make proposals to the board of directors regarding appointment, reappointment and dismissal of external auditors, approve the remuneration and terms of engagement of the external auditors, and deal with all matters of the resignation or dismissal of external auditors; to review and monitor the independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards; to formulate and implement policies relating to the engagement of external auditors for non-audit services; to examine the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company; to examine the financial control, internal control and risk management system of the Company; to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective risk management and internal control system; to review major investigation findings on risk management and internal control and the management's response to these findings on its own initiative or as delegated by the board of directors; to deal with other matters as authorized by the Board of directors and as required by the relevant laws and regulations.

At the end of the Reporting Period, the Audit Committee consisted of Ms. Lau Miu Man (independent non-executive Director), Mr. Ding Zhiyun (independent non-executive Director) and Mr. Su Nan (independent non-executive Director). Lau Miu Man is the chairwoman of the Audit Committee. During the Reporting Period, the Audit Committee convened 2 meetings to consider and approve three resolutions, including the "Review and Discussion of the Interim Results Announcement of the Company", the "Review and Discussion of Interim Report of the Company" and the "Resolution on Re-appointment of Deloitte Touche Tohmatsu".

Committee Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Lau Miu Man	2	2	0
Ding Zhiyun	2	2	0
Su Nan	2	2	0

On March 28, 2018, the Audit Committee considered and approved 6 resolutions including the "Draft of 2017 Audited Consolidated Financial Statements", the "Draft of 2017 Annual Results Announcement" and the "Draft of 2017 Annual Report".

Strategic Investment Committee

According to development demands of the Company, the Board of the Company set up the Strategic Investment Committee. Governed by the Terms of Reference of the Strategic Investment Committee, the major duties of the Strategic Investment Committee are to conduct research on the mid- to long-term development strategies, adjustment to the industry structure, major organization adjustment, substantial business restructuring plans, significant investment and financing plans, significant projects of capital management and assets operation of the Company, and make recommendation to the Board as regard to these matters.

At the end of the Reporting Period, the strategic investment committee consisted of Mr. Lu Dangzhu (executive Director), Mr. Wang Wen (independent non-executive Director) and Mr. Ding Zhiyun (independent non-executive Director). Lu Dangzhu is the chairman of the strategic investment committee.

For details, please refer to the announcements of the Company dated November 28 and December 29, 2017.

5.6 Diversification Policy for the Board

In order to achieve diversification of the Board, the Company has formulated the Diversification Policy for the Board according to the relevant provisions of the Listing Rules of the Hong Kong Stock Exchange. It is expressly provided in the Policy that the Board shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, culture and educational background, professional experience, skills, knowledge and/or service period. The Company will also consider its own business model and other specific needs, as well as the balance between executive and non-executive Directors from time to time.

The Diversification Policy for the Board of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversified Board to achieve strategic objectives and sustainable development. During the Reporting Period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the incumbent 9 Directors, 1 of them is female, and one director ordinarily residing in Hong Kong. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board of the Company is able to effectively make independent judgments and scientific decision in when studying and considering material issues.

5.7 Corporate Governance Functions

The Board is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 of the Corporate Governance Code. During the Reporting Period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of Directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and practices.

6. SUPERVISORY COMMITTEE

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

As of December 31, 2017, the Supervisory Committee consisted of Ms. Qiao Yan, Mr. Guo Runcheng, Mr. Li Donghua and Mr. Wu Junlin, among whom Mr. Li Donghua and Mr. Wu Junlin are employee representative Supervisors.

In 2017, the Supervisory Committee convened 3 meetings to consider and approve the interim results announcement, the interim report and other resolutions.

Member	Number of attendance	Number of attendance in person	Number of attendance by proxy
Qiao Yan	3	3	0
Guo Runcheng	3	3	0
Li Donghua	3	3	0
Wu Junlin	3	3	0

7. JOINT COMPANY SECRETARIES

Mr. Yang Feng is one of the joint company secretaries of the Company, while Mr. Wong Yat Tung, manager of SW Corporate Services Group Limited, is the joint company secretary meeting the relevant qualification requirements of Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the smooth communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary. The main contact in the Company for Mr. Wong Yat Tung is Mr. Yang Feng.

During the Reporting Period, both Mr. Yang Feng and Mr. Wong Yat Tung complied with the requirements of Rule 3.29 of Hong Kong Listing Rules and received not less than 15 hours of professional training.

8. INTERNAL CONTROL AND RISK MANAGEMENT

In compliance with the related requirements under the Basic Principles for Internal Control of Enterprises (《企業內部控制基本規範》) and its ancillary guidelines and the Corporate Governance Code, the Company prepared the Internal Control Manual and formulated the internal control and risk management policy and established a relatively complete risk management-oriented and process control centered internal control system. The internal control focus is determined through screening and sorting risk points; the efficiency of internal control is enhanced through optimization of process and improvement of system; and the execution of internal control is improved through intensified supervision and inspection.

The Board of the Company is responsible for the internal control and risk management systems and assumes the responsibility for review of the effectiveness of such systems. The Board is in charge of establishment, maintenance and improvement of internal control and risk management systems and regularly (at least once a year) reviews the Company's internal control and risk management systems in terms of all important aspects requiring monitoring including financial monitoring, operation monitoring and compliance monitoring to assess and confirm the effectiveness and make improvements based thereon. The Board opines that such systems aim at management instead of elimination of the risks of failure of achieving business objectives and can only make the reasonable but not absolute guarantee that there is no material misrepresentation or loss. The audit committee is set up under the Board to assist the Board in examination of the formulation and execution of internal control and risk management systems and in assessing whether the internal control and risk management systems are effective. The management of the Company assesses the internal control and risk management system, and makes regular reports on assessment to the audit committee including assessment of advantages and disadvantages of systems and suggested measures therefor. The audit committee of the Company is responsible for inspection, evaluation and supervision of internal control and risk management and control. The legal affairs department, supervision department and other functional departments are responsible for improvement and governance of internal control and risk management in daily business operations. In accordance with the internal control and risk management systems, the Company organizes all departments at the headquarters and subsidiaries to conduct screening and sorting of risk points at least once a year, carries out risk identification and analysis for business activities to assess material business risk from the perspectives of probability and impact and develops measures for prevention, management and control. The risk is controlled at a reasonable level through the supervision, inspection and continuous improvement of internal control system.

In 2017, the inspection and evaluation of internal control and risk management conducted by the Company covered the headquarters and subsidiaries and all business fields including power construction, installation, survey and design, EPC projects, trading, and investment and operation. The Board and Audit Committee did not find any matters with material effects on the financial position or operating results of the Company. Upon review and assessment of the Company's internal control and risk management systems, the Board and Audit Committee were of the view that the internal control and risk management system is sufficient and effective on the whole including sufficient resources, proper employees' qualifications and experience, and training courses for employees, as well as sufficient budget for accounting, internal audit and financial report functions.

The Group has prepared the Inside Information Management System and reminds Directors and employees to properly observe relevant provision on inside information on a regular basis. The Group has implemented appropriate procedures and internal control for treatment and publication of inside information to ensure that the existing and future investors of the Company and the public to access to the appropriate information of the Group in a timely and synchronous way.

After assessment and examination, the Board of the Company has confirmed that the Company has a perfect internal control and risk management system in effective operation, which provides guarantee for the attainment of the Company's strategic objectives.

9. AUDITORS' REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international and the domestic auditors, respectively, for the financial statements of the Company for the Year 2017.

For the year ended December 31, 2017, the cost of audit in relation to the financial reports of the Company paid to the external auditors was RMB4.64 million.

Except for audit services, external auditors did not provide any other services to the Company. The Company also did not pay remuneration for non-audit services to external auditors.

10. REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, the details of the remuneration of the senior management as disclosed by pay grade are set out in the note 14 of the "Report of the Board" of this annual report.

11. INFORMATION DISCLOSURE

The chairman of the Company is the first responsible person for the disclosure management of the Company's information. During the Reporting Period, the Company continued to enhance the construction and standardized operation management of the modern corporation system, earnestly studied the laws and regulations governing the securities in the PRC or overseas, established the System of Information Disclosure Management of Inner Mongolia Energy Engineering Co., Ltd. in line with the requirements on listed companies, intensified the administrative mechanism for inside information and approval procedures for reporting material matters, increased the standard and quality of information disclosure and management, protected the legitimate rights of shareholders, creditors and other stakeholders. During the Reporting Period, the Company made timely and effective disclosure on the discloseable information, earnestly published information disclosure and uploaded the disclosure to the websites of the Stock Exchange and the Company within the specified time pursuant to the requirements of the Listing Rules.

12. ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

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

The statement of the auditors of the Company about their reporting responsibilities is set out in the "Independent Auditor's Report" of this annual report.

13. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association which was effective since the Company's listing on July 18, 2017 has been published on the websites of the Company and the Stock Exchange. As of the date of the publishing the report, no amendment has been made.

14. INVESTOR RELATIONS

The Company considers that the communication with investors has great significance and attaches attention to provision of accurate and timely information to investors, and maintains communication with each other by effective channels, thus reinforcing the knowledge of each other and improving the transparency of information disclosure, to ultimately maximize corporate value and interests of shareholders.

The Company regulates the investor relations by formulating the Measures for Management of Investor Relations of Inner Mongolia Energy Engineering Co., Ltd., and has set up the relevant department for investors relations to maintain an effective communication channel with investors.

The Company publishes the Company's information in due course. The latest development, announcements and press in relation to the Company are available on the websites as designated by the Stock Exchange and the Company's website (http://www.imeec.cn/) for investors.

In the future, the Company will continue to improve the communication with investors and provide better service to investors by further expanding activities in relation to investors' relations.

Environmental, Social and Governance Report

INTRODUCTION

Inner Mongolia Energy Engineering Co., Ltd. (hereinafter referred to as the "IMEEI" or the "Company") was committed to the enterprise mission of integrating out energy industry solutions, to the enterprise version of being a leading and internationally renowned comprehensive electric power construction and investment group, to the core value of devotion, teamwork, creation and sharing, to the enterprise spirit of innovation and concentric win with sincere heart.

The Company paid high attention to fulfilling social responsibility and creating enterprise culture since its establishment. By continuous explorations and practices for operating and management, the Company formed its own ideas of enterprise responsibility with rich contents. The ideas are not only shown in project construction service & operating and management, but also in staff development, environment improvement and community care. The Company will, pursuant to Environmental, Social and Governance (the "ESG") subjects of the Hong Kong Stock Exchange, disclose major performance to the stakeholders on the basis of its own situations.

This is the ESG Report issued by IMEEI for the financial year of 2017, which is pursuant to the ESG information disclosure requirements of Hong Kong Stock Exchange. Unless otherwise specified, the scope of the Report shall be in consistence with the annual report.

Information in this Report comes from the original records and data of the company in its actual operation.

I. ESG MANAGEMENT SYSTEM

From the date of listing, IMEEI learned more about the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as the "ESG Guide") of the Hong Kong Stock Exchange, and thought the junction between ESG compliance requirements and its ideas of social responsibility. IMEEI employed external expert team to explain professional knowledge of ESG, rapidly improving the Company's overall awareness of ESG compliance requirements. On this basis, the Company constantly improved contents of ideas of social responsibility and enterprise culture, better guiding and improving the Company's performance with respect to social responsibility in the process of future development and management. Ideas of IMEEI responsibility includes but not limited to:

Contributing society with specialty and benefits

Social responsibility is not only an important practice for enterprise development, but also a social obligation that the state-owned enterprises should fulfill. IMEEI adhered to fulfilling social responsibility and environmental responsibility earnestly while creating benefits in professional field, making contributions and establishing an enterprise brand.

Create a green culture

Always adhere to the implementation of green management, development of circular economy concept of environmental protection

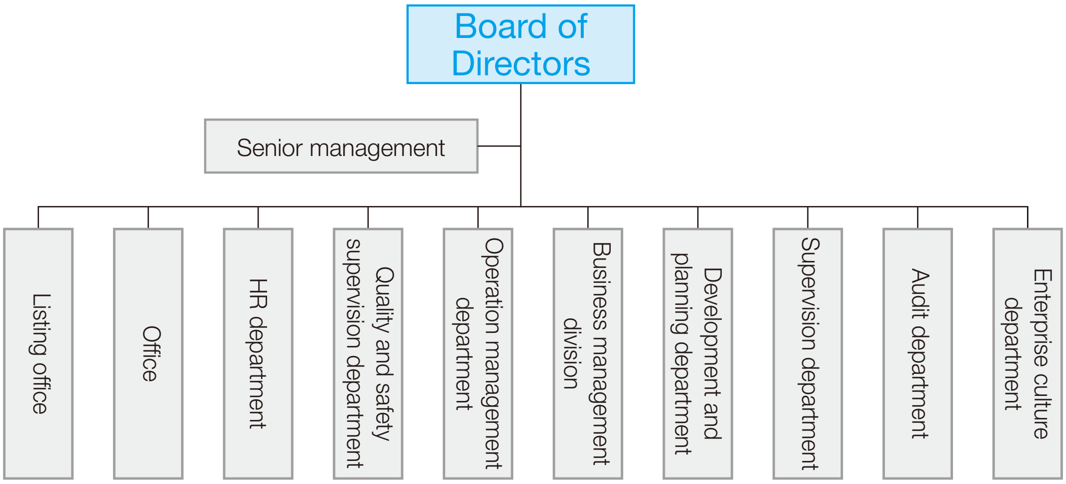
Adhere to the publicity of green concept in the management and production service, promoting the Company to be built as a "green and sustainable development" enterprise by means of energy conservation and emission reduction, technological transformation, scientific and technological innovation.

Responsibility culture

Always adhere to active performance of their duties, attitude of self-worth contribution

Actively make staff know well of their responsibility consciousness and encourage them to assume responsibility culture, to make responsibility stimulate potential of the employee, and to form overall joined force to achieve high performance.

Moreover, the Company carried out analysis and comparison of current management system and ESG compliance requirements, and further combed each department's responsibility with respect to ESG, and gradually set up its own organizational structure of ESG management, helping the Company do well in implementation of ESG management responsibility.



The Company was fully aware of the necessity of keeping good communication with stakeholders in the process of establishing organizational structure of ESG management and implementation of ESG management responsibility. Thus, the Company gradually combed and confirmed communication channels of stakeholders for the purpose of effectively conveying expectations and demands of each other. Major stakeholders and their communication channels include but not limited to:

Summary of communication channels and focused subject matters of IMEEI stakeholders		
Stakeholders	**Communication channels**	**Focused subject matters**
Shareholders and investors	Stakeholders conference, corporate annual report	• Profitability • Management strategy • Transparency of information disclosure
Government and supervision agency	Major conference, policy advisory, event reporting Inspection from supervision agency, correspondence, information disclosure	• Compliance operations • Corporate governance • Environmental management
Customers	Customer visit, customer satisfaction survey, customer complaint hotline	• Service quality • Privacy protection
Employees	Employee satisfaction survey, staff activity, staff training, internal training	• Employee salary and welfare • Development and training opportunity • Healthy work environment
Suppliers	Supplier investigation, communication conference	• Fair cooperation • Performance
Partners	Strategic cooperation and negotiation, communication	• Fair cooperation • Performance • Joint development
Community and the public	Public welfare activity, community interaction, enterprise employment advertising and internship opportunity	• Corporate social responsibility • Community relations • Employment promotion • Community investment and public welfare activity

Furthermore, the Company concluded major subject matters with respect to ESG management in accordance with contents and the stakeholders' feedback results of communication in actual operating, mainly centering on compliance operations, service responsibility, employee management. The Report will give a response according to the result.

II. RESPONSIBILITY TO THE COUNTRY: ADHERING TO COMPLIANCE OPERATIONS, HELPING ECONOMIC GROWTH

Pursuant to national laws and regulations consciously, IMEEI operated and paid taxes in time, fully cooperated with relevant government departments for the purpose of supervision and inspection, set up primary targets of service strategy for our country and autonomous regions, supporting national economy construction and development, and fulfilled its obligations for implementation of maintenance and appreciation of national assets.

The Company primarily provides services in relation to survey, design and consultancy, construction contracting, trading and new energy resources power projects. For supply of the services stated above, the Company identified and been in accordance with national, regional and industrial major laws and regulations, including but not limited to *Provisions on Safety and Production Management of Construction Projects, Regulations on the Reporting, Investigation and Disposal of Production Safety Accidents, Provisions on Five Implementations of Corporate Safety and Production Responsibility System, Fire Control Law of the People's Republic of China and Regulations on Safety Supervision and Administration of Power Engineering Construction*, etc. Meanwhile, the Company earnestly implemented a series of management systems and regulations with respect to safety and production, quality inspection, fire control, traffic safety, environmental protection, including but not limited to Provisions on IMEEI Safety and Production Management, Provisions on IMEEI Construction Quality, Provisions on Implementation of IMEEI Safety and Production Risk Deposit and Regulations on IMEEI Safety and Production Supervision and Management, etc. In 217, IMEEI did not find any major violations against project services and production & operation.

2.1 Service Assurance

As a service enterprise, IMEEI was deeply aware of the importance of service quality to corporate survival and development, and always remembered the obligations or responsibilities a state-owned enterprise should fulfill to support national economy construction. In terms of guaranteeing service quality, the Company constantly improved the department construction of organizational structure for the purpose of defining job responsibilities for departments' cooperation on the one hand; on the other hand, the Company paid high attention to establish systematic management, strictly carried out service management systems and policy requirements for the purpose of implementation of fine management of service quality, facilitating sound development of the Company, achieving its long-term objectives. Furthermore, the Company encouraged all units to obtain certificates in relation to quality management system, environmental management system, occupational health & safety management system. Some subsidiaries (e.g. Inner Mongolia Power Survey & Design Institute, Inner Mongolia Transition & Transformation Company) now have obtained certificates stated above.

In practical construction and operation management, the Company was always committed to the core of improving project performance, to the principle of "safety first, quality first", and established a sound service quality management system in terms of infrastructure construction management, production management, technological management, bidding management and information management, advanced delicacy management in an all-around way, effectively improving the competitiveness of the project after commissioning.

Infrastructure management	Fully illustrate general requirements and objectives (including occupational health, safety and environmental objectives, quality objectives, duration targets and cost targets) of engineering construction, management responsibility, management contents & division of labor, assessment, etc.
Production management	Detail the contents of responsibility management by classification (PV, thermal power, etc.) such as in-process quality control, technological upgrading, production training, overhaul and maintenance involved in management, guaranteeing good operation of the project.
Technological management	Fully illustrate management requirements with respect to management responsibility, project approval, project procedure and funds management, project acceptance, post project evaluation, Intellectual Property, rewards for science and technology project.
Tender management	Make strict control of procurement behaviors in management by means of formulation of procurement management measures, bidding management measures, and measures for e-commerce platform management. Moreover, the Company has definite requirements and principles in relation to the Supplier Qualification.
Information management	Implement enterprise information confidentiality management by means of definite requirements with respect to management responsibility, O & M authorization of system information (including increase/modification of user account, termination of account access, password change, management of account safety, etc.).

With the persistent efforts of the staff, the Company's service quality was widely recognized. In 2017, the Company increased 5 national high and new technology enterprises; achieved 7 science and technology progress awards, 6 proprietary technologies, 25 patent authorizations, 32 Software Copyrights, 2 outstanding achievements of quality control group activity of national engineering construction, 20 survey & design awards, 14 various kinds of QC achievements, 2 consultancy achievement rewards of municipal excellent engineering, 4 municipal construction methods. The Company's a project won "2016 ~ 2017 National Quality Engineering Award", three projects were awarded the "Prize of 2017 China Electric Power Quality Engineering", one project won "Outstanding Enterprise of Installation Award" by China Installation Association, and one project won IM "Grassland Cup" Engineering Quality Award and was regarded as municipal pilot project.

Honors are closely related to persistent efforts and strict inspection of safety supervision department of the Company. "Safety" is always the key topic of construction. In terms of guaranteeing the project safety management, thanks to the attitude of "zero tolerance" on safety risk, the Company established safety and production committee & safety and quality experts database, set up double prevention mechanisms with respect to safety and quality management system, management and control of safety risk classification & identification and disposal of hazards to guarantee safety inspection of the project and secondary units monthly, and safe operations of the project site as well based on all-around inspection. The company also set up important factors of safety risk examination for fare of occurrence of seasonal safety accidents. Moreover, safety and quality supervision department will carry out risk assessment and follow-up rectification timely in case of founding potential risks, realizing closed-loop management, and effectively avoiding occurrence of safety accidents.

In addition, the Company undertook measures for the implementation of safety and production risk deposit in terms of implementation of safety responsibility, fully demonstrating the principle of risk sharing, benefit sharing, amply rewards and heavy penalties, and guaranteeing to achieve safety and production objectives in an all-around way. On the basis of the principle of "supervisor in charge", the Company will pay different amount of safety and production risk deposit on the basis of job responsibilities of units with an appraisal period of a whole year. Concrete appraisal contents include: personal slight injury, serious injury and fatal accidents; fire, traffic accidents, mechanical equipment damage accidents, occupational hazard and environmental pollution event and other accidents confirmed by the Company. Certificate holding rate of the Company's safety managers now is 100%, and the Company encourages safety managers to obtain the qualification certificate of Certified Safety Professional, with a reward of RMB1, 000 for those safety managers obtained the certificate stated above monthly.

Good practices in relation to project safety management was approved by the government. The Company is participating in the preparation of Safety Management Guideline of Power Construction Engineering designated by NEA and assign experts to engage in the expert team appointed by NEA with respect to major safety accidents survey, giving technical support to nationwide power field accidents investigation. In November, 2016, the Company assigned people to take part in the investigation of extraordinarily serious accident happened in Fengcheng Power Plant on November 24, and successfully finished the field investigation, playing an important role in finding out the accident causes, and receiving high appraisal and fully approval of the investigation team established by the State Council.

In the future, IMEEI is planning to adopt digital and informational management model against its safety and production management, gradually achieve management targets of real-time monitoring, instant notification, real-time rectification and real-time submission, and implement responsibility of safety and production supervision fundamentally. In 2017, the Company did not occur any ordinary or major accidents.

2.2 Information Protection

The Company constantly forged ahead in market competition depending on its professional strength. In terms of guaranteeing its core competitiveness, it was profoundly aware that extremely valuable intangible assets (such as self-identification information, patent rights and copyrights, customer information, etc.) are very important to enterprise development. In terms of customer relationship management, legitimate rights and interests between software providers and the Company, safeguarding information security, IMEEI formulated and implemented User Account and Access Management Regulations on IMEEI Information System, Management Regulations on IMEEI Software Legalization and IMEEI Visual Identity System, and administrated relevant technological achievements and patents obtained in accordance with Patent Law of the People's Republic of China and Management Regulations on IMEEI Technology Innovation prepared by the Company itself.

For the Company's internal information system, User Account and Access Management Regulations on IMEEI Information System was expressly stipulated that information system administrator shall not add, revise or delete user account and access at random, periodically examine user application of the system, prevent illegal user from login in viciously so as to guarantee the system safety; in order to guarantee the safety of user account and access, the system administrator shall notify the user for application division or give user account and access to designated people of the application division stated above; in case of account information disclosure, the user shall give a notice to the system administrator and department head as early (not exceeding 24h) as possible, so that the system administrator can find solutions for such problems stated above.

2.3 Supplier Management

Being fully aware that Suppliers play an important part in the process of provision of good services for customers, IMEEI can reduce operational risks effectively by means of the Supplier's environmental management and social risk management. The Company expressly illustrated requirements of Supplier's qualification while screening them, mainly including: credit maintenance, capacity, compliance management, qualification, product inspection, etc.

Product inspection

- Test report of products must be issued by the national authorized agency.
- It is required to provide certificates (valid production license, production license for special equipment, license for manufacturing measuring instruments, China Compulsion Certification (3C)) of the subject matter in accordance with national laws and regulations, department rules and regulations.

Reputation maintenance

Have good business reputation and financial situations.

Capability

Have enough assets and capability to fulfill the contract effectively, and must be the manufacturer of the purchased goods.

Qualification

- Have valid ISO9000 certificate or other equal QAS certificates.
- Qualification and capacity of design, manufacturing, quality control and experience management in terms of professional skills, equipment, staffing, performance and experience.

Compliance management

Be free of unlawful behaviors or be ordered to close up or bankruptcy, or restructuring, taking over and freezing assets in recent three years.

The Company shall also manage Contractors involved in project construction in accordance with its relevant systems and polices in relation to environmental protection, safety and production, quality inspection, occupational health, etc. Moreover, the Company signed Independent Safety Agreement with Contractors for the purpose of overall management and control of social risks between Suppliers and the Company. In addition, IMEEI distributed safety and production input to the Contractors on the basis of the principle of joint development with Contractors, expecting to improve safety and production management level of the whole industry with cooperators.

III. RESPONSIBILITY TO EMPLOYEES: HUMAN-ORIENTED, DEEP CONCERN FOR EMPLOYEES

IMEEI always believed that employees are basic foundation for the enterprise development. Therefore, the Company paid highly attention to guaranteeing employees' rights and interests, health, welfares, strengthening humanistic concern for employees, enriching employees' spare time, improving employees' happiness. Furthermore, the Company always emphasized on deepening democratic management of the enterprise, facilitating disclosure of factory affairs, guaranteeing the employees' right to know, participation right and supervision right, enhancing the establishment of a harmonious enterprise in an all-around way.

In terms of employee management, the Company formulated and strictly implemented relevant rules and regulations in strict accordance with Labor Law of the People's Republic of China, *Labor Contract Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Rights and Interests of Women* and local laws and regulations, mainly including labor and employment management system, employees' recruitment and offer system, regulations on management of employee's resignation, code of professional ethics for employees, staff behavior management system, regulations on attendance management, regulations on employee training, regulations on performance evaluation, etc. HR systems have illustrated recruitment, employment, staff wages, promotion, work-hour management, vacations, equal opportunities, and diversity, anti-discrimination and employee welfares. On the basis of guaranteeing the effectively implement of HR management systems, the Company was strictly in accordance with the recruitment process to review information of the candidate and entrant, explain job responsibilities, ensuring all candidates and entrants to be aware of their own job duties. The Company was adhered to prohibiting hiring child labor and forced labor. In 2017, the Company did not occur any major events against laws and regulations on HR management.

3.1 Staffing

The Company, located in autonomous region for ethnic minorities, was always adhered to the concept of recruiting talents with diversified background,, ensuring all employees enjoy the fair, equitable and prejudice-free treatment and work environment regardless of staff nationality, gender, territory, skill, education background, industry experience and other quality differences. Depending on diversified service system, the Company provided diversified employment platform for talents on the principle of "person-post matching, simplification and efficiency". The Company owned thousands of talents from different places of the country since the establishment of the Company and its subordinated units, laying a good foundation to diversified corporate culture construction.

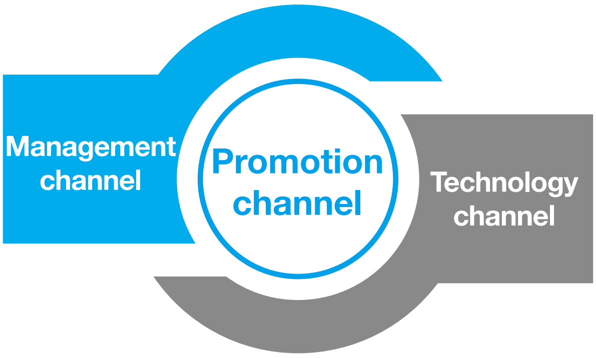
3.2 Employee Development

Two aspects that are taken into consideration by IMEEI in relation to employee development are mainly shown as follows, i.e., to implement diversified trainings and multi-channel promotion opportunities.

The Company was adhered to the training principle of "employee training served for enterprise strategic objectives" and "emphasis on quantity and quality & focusing on actual effects", achieving final goals of improving ideological and ethical standards, professional skills, competence, performance and organization efficiency of employees, and facilitating individual development in an all-around way & sustainable development of the Company. According to training contents, the Company's activity can be divided into: knowledge training, skill training and qualification training, helping the Company achieve final training targets by mans of internal and external training and self-training.

Knowledge training	Skill training	Qualification training
• To constantly carry out new knowledge training with respect to specialty, making employees have basic knowledge necessary to completion of their own works and new knowledge required for challenges.	• To continuously undertake trainings in relation to job responsibilities, operation instructions and professional skills of on-the-job employees for the purpose of flexible application and improvement of post skills in practice on the basis of mastering theories	• To constantly conduct trainings in terms of corporate culture, value, psychology, human relations, sociology, establishing mutual trust relationship between the Company and employees

In the process of the employee's constantly practices and self-fulfillment, the Company set up fair and multi-channel promotion, providing high-level platform and opportunity for the employee's career and personal development. Employee promotion is mainly relied on performance evaluation results and ordinary performance. HR department will periodically carry out evaluation of employee performance at all levels, and communicate with the employee's department head, confirm final employee promoted subject to assessments and feedback results, and submit the employee promoted in question to the Company's leader for approval. According to the personality, specialty and interests of employees, the Company set up management channel and technology channel for staff, giving post/wage promotion opportunities for employees accordingly.



3.3 Health and Safety

To provide a safe, healthy and comfortable environment for employees is one of the key foundations for achieving sustainable development of the Company. Subject to department classification, the Company and its subordinated units have prepared management systems with respect to employees' safety, including many aspects such as occupational health, safety and production, safety training, fire safety & maintenance of offices and equipments. Meanwhile, in strict accordance with national and local laws and regulations & industry standards such as Safe Production Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, Special Equipment Safety Law of the People's Republic of China, etc. for the purpose of concern and protection of employee safety and health in an all-around way, laying a foundation for the Company's sustainable development. In 2017, the Company did not occur any major events against health and safety.

3.4 Employee Welfare

In terms of employee welfare management, IMEEI paid highly attention to the happiness in employee's work and life, improving the happiness for employees by sharing enterprise value. On the one hand, the Company formulated employee benefit rules which illustrated employees' welfares and wages, safeguarding the employees' rights and interests; on the other hand, the Company encouraged and organized all kinds of activities to enrich employee's life in his spare time, constantly improve Company's cohesive force, achieving final goal of improving employee's happiness and creating comfortable work environment.

Welfares prepared by the Company and its subordinated units include: physical examination for employees every year, health subsidies paid to female workers every month, communication and office allowance, transportation fee for family visit, funeral expenses, consolation money for hospitalization, financial support for poor employees, pension for retired people, and other welfares subject to relevant laws and regulation and policies.

Moreover, the Company paid social insurance for employees in compliance with Labor Law of the People's Republic of China, and the supplementary medical insurance and supplementary pension insurance (annuity). What's more, the Company gave employees high-temperature allowance and heating subsidy in accordance with national or municipal relevant polices in summer and winter, respectively.

3.5 Integrity Management

Integrity of state-owned enterprise is a guiding concept that the Company was always adhered to. The Company formulated rules and regulations such as Economic Responsibility Auditing Methods, Implementation of Audit of Financial Revenues, Implementation of Construction Project Audit, etc. in combination of its actual situations pursuant to Several Provisions on Honest and Clean Conduct of the Leadership Members of State-Owned Enterprises, Regulations on Economic Responsibility Audit of Main Leaders of Party and Government & State-Owned Enterprise, Audit Law of the People's Republic of China and other laws and regulations so as to implement the integrity management from top to bottom, guaranteeing effective examination and prevention of corruption in relation to assets management, engineering construction and corporate leaders fulfilling their duties, etc.

In the process of auditing, auditors have paid attention to the performance of economic responsibility, use of funds, assets management, engineering construction and legality and compliance of the corporate management, and the corruption & bribery behaviors as well, and took clean conduct of corporate leaders and employees as audit focuses for review. Meanwhile, the Company disclosed contact information of division director and senior management to all employees, set up communication channel such as suggestion box so that employees can disclose or anonymously report corruption (if any) by telephone, letter, mail, etc. The Company's discipline inspection commission investigated and disposed such event in time in case of finding out any corruption phenomenon, reported relevant handling results of such event to the Company's senior management and government regulators, and disposed such event after receiving handling suggestions in time. Moreover, the Company's discipline inspection commission actively cooperated with municipal discipline inspection commission for inspection, strictly investigated and disposed such event received, and periodically reported handling results of such event to superior leaders, and the Company did not occur any major events in relation to management corruption in 2017.

IV. RESPONSIBILITY TO ENVIRONMENT: FOCUS ON ENERGY CONSERVATION AND CONSUMPTION REDUCTION, PRACTICE OF GREEN AND ENVIRONMENTAL PROTECTION

In fulfillment of responsibilities for the environment, IMEEC attaches importance to the publicity of green development, energy conservation and environmental protection and enhancement all employees' awareness of energy conservation and environmental protection to promote the Company to achieve "green" and "sustainable" development. In addition, the Company continuously increases investment in environmental protection, controls emission of pollutants and stresses transformation of energy-saving technology and reduction of resources consumption while insisting on provision of clean energy.

In order to implement and continuously strengthen the Company's management of environmental protection (including conservation of water and soil, ecological protection, comprehensive utilization, etc.), the Company firstly identifies and strictly complies with the *Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution, Law of the People's Republic of China on Prevention and Control of Water Pollution* and other environmental protection regulations. In addition, for the identified laws and regulations, the Company prepared an environmental protection management system which has clear requirements on institutions and duties, supervision and management, construction project and environmental protection management during production, rewards and punishments, etc. Besides, during design for new projects, the designers will take into account of environmental protection in all details and try to incorporate the concept and elements of environmental protection in the entire projects, striving to promote sustainable energy development.

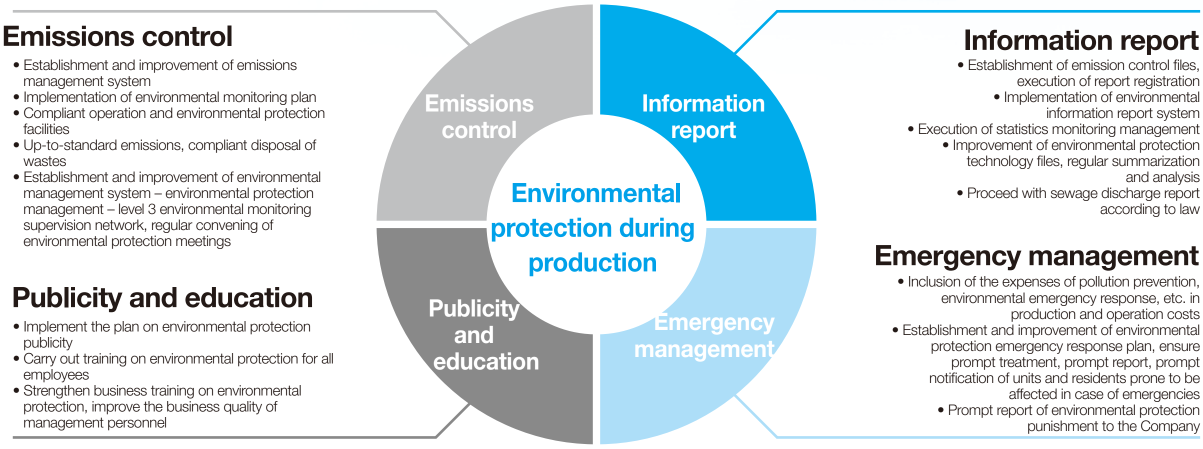
4.1 Environmental Protection for Construction Projects

During construction of contracted projects, compliant construction is the fundamental foundation and compliance in terms of construction quality, environmental protection, health and safety is of top priority. For the overall management of energy conservation and environmental protection, the Company firstly made clear the requirements to meet the overall requirements of environmental management system, environmental risk management and control of total amount of pollutants. Secondly, the development plan shall include requirements on environmental protection and it is required to earnestly complete pre-evaluation of environmental impact, procedures for application of environmental impact assessment and implementation of measures for environmental protection and energy conservation to prevent serious environmental protection accidents. In addition, the Company performs regular supervision and inspection for contractor's compliance with national environmental protection regulations and the environmental management requirements of IMEEI, and adopts the supervision system for the construction projects which require environmental supervision and prepares a supervision report on a regular basis. Besides, for the construction projects involving conservation of water and soil, the relevant construction units are required to prepare and implement the plan on conservation of water and soil and apply to the water administration department for examination and acceptance; for significant environmental protection projects (specifically environment protection transformation projects for desulfuration and denitration with the total investment of RMB20 million or above), the Company requires that it is required to apply for completion acceptance within 30 days after the projects are put into production. If the projects fail to meet the design indicators in completion acceptance, it is required to conduct prompt rectification in a timely manner and identify problems and the responsible entity to hold the project construction unit liable to the project according to law. The report on completion acceptance shall be submitted to the Company for filing.

The materials, energy and water resources required in project construction are usually allocated by the owner and IMEEI will only provide technical services of construction. The owner shall be responsible for statistics and accounting of emissions, energy consumption, etc. in the process.

4.2 Environmental Protection in Production Process

For the projects operated by the Company, it also prepared clear policies and requirements in accordance with relevant laws, regulations and technical standards with the focus placed on emission control, information report, emergency management, and publicity and education.



4.3 Environmental Protection in Office Area

In addition to construction and production operation businesses, other service and management functional departments are located in office buildings. The overall negative effects of office in office buildings on the environment are relatively less and are mainly from the exhaust gas and greenhouse gas emissions caused by use of vehicles, greenhouse gas emissions caused by use of natural gas and electricity, generation of office and domestic garbage, consumption of running water, etc. For the above environmental effects, the Company conducted transformation for energy conservation and consumption reduction from a number of aspects to improve its environmental performance mainly include debugging and transformation of energy conservation and consumption reduction for minimization management of vehicles, lighting of office buildings, refrigeration and heat supply facilities, etc., promotion of green and paperless office, transformation of water conservation equipment, etc. Due to the efforts on energy conservation and consumption reduction in many aspects, the Company achieved obvious improvement results in respect of environmental performance in office buildings. In the future, the Company will continuously implement management of energy conservation and consumption reduction and constantly optimise the measures for environmental management to enhance environmental management. In 2017, the overall environmental performance of IMEEI is as indicated by data.

Environmental Key Performance Indicators Table

The environmental data covers the office buildings of Inner Mongolia Energy Engineering Co., Ltd., Inner Mongolia Power Survey & Design Institute Co., Ltd. and Inner Mongolia Electric Power Transition & Transformation Co., Ltd. only.

Emissions

Indicators	Data of 2017
Total GHG emissions (Scope 1 and Scope 2) (tonnes)	3,516.25
GHG per floor area in office buildings (tonnes per square meter)	0.031
Direct emissions (Scope 1) (tonnes)	
Gasoline	1,272.5
Diesel	36.87
Natural gas	48.64
Indirect emissions (Scope 2) (tonnes)	
Purchased electricity	2,158.24
Hazardous wastes (tonnes)	0.88
Non-hazardous wastes (tonnes)	125.3

Notes:

1 Due to business nature of IMEEI, the significant air emissions of the Group is GHG emissions, arising mainly from electricity and fuels derived from fossil fuels.

2 The GHG inventory of IMEEI mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and is based on the "2015 Baseline Emission Factors for Regional Power Grids in China" issued by the National Development and Reform Commission of China, and the "2006 IPCC Guidelines for National Greenhouse Gas Inventories" issued by the Intergovernmental Panel on Climate Change (IPCC).

3 The hazardous wastes produced by the operation of IMEEI mainly include waste toner cartridge, waste ink cartridge, and waste fluorescent lighting lamps which are subject to recycling and disposal by the recycler.

4 The non-hazardous wastes involved by IMEEI mainly include domestic waste of office buildings and waste electronic equipment. The domestic waste of office buildings shall be subject to uniform treatment by the property management company of the office buildings and waste electronic equipment shall be subject to recycling and treatment by recyclers.

Energy and Resources Consumption

Indicators	Data of 2017
Total energy consumption (MWh)	8,427.70
Energy consumption per floor area (MWh per square meter)	0.074
Direct energy consumption (MWh)	
Gasoline	5,198.20
Diesel	140.22
Natural gas	248.75
Indirect energy consumption (MWh)	
Purchased electricity	2,840.53
Water consumption (tonnes)	84,636
Water consumption per floor area (tonnes per square meter)	0.75

Notes:

1. Total energy consumption is worked out by the data of electricity and fuel with reference to the efficiencies in the *General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2008) published by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, and the Standardization Administration of the People's Republic of China.

2 The energy consumption per floor area refers to the consumption of purchased power per square meter of office area.

3 The water consumption per floor area refers to the water consumption per square meter of office area.

4 Data of package materials is not applicable to IMEEI.

V. RESPONSIBILITY TO COMMUNITY: ENTHUSIASTIC IN SOCIAL BENEFIT, PURSUIT OF HARMONY AND JOINT PROGRESS

In the process of fulfillment of responsibilities to the community, IMEEI lays emphasis on the construction of employee volunteer team and proactively participates in public welfare activities of community to help improvement of people's livelihood and proactively repay the society. Meanwhile, as a state-owned enterprise, it is the Company's responsibility and obligation to support the deployment of national strategy and accomplish the tasks assigned by the State. For the poverty relief and assistance tasks as assigned by the State, IMEEI carried out targeted poverty alleviation, charitable donations, financial aid for poor students, pairing-assistance and other campaigns. In the process, the Company also gave play to its advantages to assist the construction of areas without access to electricity to promote local economic and social development.

In the actual investment in community, on the one hand, IMEEI focuses on understanding and evaluation of employees' appeal towards the Company and to satisfy employees' appeals in work and life through leaders of direct subordinate departments, trade union and even the senior management of the Company by leveraging on the advantages and role of the Company; on the other hand, in implementation of targeted poverty alleviation strategy of the State, the Company has established a poverty alleviation team and conducted survey on the target areas for poverty alleviation to proactively understand the real demands of residents in local community and evaluate the local actual conditions for the purpose of targeted poverty alleviation and community investment at company level.

5.1 Care for Poverty Alleviation

After communication with the village committee of Bajia Village, Shibaqing Town, Shangdu County, by the Company's poverty alleviation, on January 10, 2017, the leaders of the Company led a team to Bajia Village, Shibaqing Town, Shangdu County for targeted poverty alleviation and offered sympathy money to 39 households to let the poor families of Bajia Village feel the strong warmth in the cold winter and practically guarantee the basic livelihood of them during the Spring Festival.

Ever since 2014, the Company, based on its actual conditions, increased efforts for poverty relief and investment relying on the rich solar energy resources in Shangdu County in accordance with the targeted poverty alleviation policies of the State and autonomous region. Specially assigned personnel and relevant departments are arranged to conduct poverty relief. The Company proactively sought for getting more photovoltaic power generation quotas, striving to transform the simple "blood-transfusion type poverty alleviation" into "hemopoiesis type poverty alleviation" through the implementation of industrial poverty alleviation projects, to combine poverty alleviation with the utilization of new energy, energy conservation and emission reduction and greatly improve the production and living conditions of local residents.

Moreover, the Company organized the "Caritas One Day Donation" activity, and all the money raised was presented to the Red Cross Society of the Inner Mongolia Autonomous Region.

5.2 Care for Employees

The Company vigorously built a “trinity” work landscape integrating rights protection, service and assistance to constantly improve the assistance accuracy and proactively provides all-around assistance services for employees with four “warmth” campaigns including “assistance for poor people, assistance for those suffering from serious illnesses, assistance for poor students in golden autumn, and follow-up assistance for poor students” as the carriers.

On the one hand, the Company proactively exerted the trade union’s function of serving employees to increase efforts for overcoming difficulties and providing more assistance for employees, refine the assistance standards and enhance assistance accuracy to concentrate efforts to ensure that the assistance will be provided to the employees who are most in need of help. In 2017, the Company helped needy employees and the relief money was released to the needy employees before the Spring Festival of 2018.

On the other hand, the Company organized the campaign themed by “assistance for poor students in golden autumn” in which the subsidy standard was properly elevated. In 2017, needy employees received student subsidies. Besides, in order to relieve the financial pressure of needy employees with children studying in universities, the “follow-up assistance for poor students” was carried out for those needy employees who benefited from the “assistance for poor students in golden autumn” and additional student subsidies were released to needy employees.

Furthermore, the leaders and trade union of the Company went to the front line to comfort employees. In 2017, the leaders of the Company led a team to comfort the workers on the construction sites of key projects in the autonomous region, Anhui, Hunan, Tibet, etc. with warmth in the form of sympathy money. On this basis, the subsidiaries have constantly conducted innovation in respect of the form of comfort. For example, the IM Transition & Transformation Company sent a literature and art team to the front line; IM No. 3 Power Company presented Ankang Lecture and performance at the project department to send the greetings for festivals and further enrich employees’ cultural life.

APPENDIX: HKEX ESG GUIDE INDEX

Subject	No.	Attribute	Descriptions	Covered in this report or not
Aspect A1: Emissions	1	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Yes
	2	KPI A1.1	The types of emissions and respective emissions data.	Yes
	3	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Yes
	4	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Yes
	5	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Yes
	6	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Yes
	7	KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.	Yes

Subject	No.	Attribute	Descriptions	Covered in this report or not
Aspect A2 Use of Resources	8	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Yes
	9	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in‘000s) and intensity (e.g. per unit of production volume, per facility).	Yes
	10	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Yes
	11	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Yes
	12	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Yes
	13	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3 The Environment and Natural Resources	14	General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	Yes
	15	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Yes

Subject	No.	Attribute	Descriptions	Covered in this report or not
Aspect B1 Employment	16	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Yes
	17	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	—
	18	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	—
Aspect B2 Health and Safety	19	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Yes
	20	KPI B2.1	Number and rate of work-related fatalities.	—
	21	KPI B2.2	Lost days due to work injury.	—
	22	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Yes
Aspect B3 Development and Training	23	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Yes
	24	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	—
	25	KPI B3.2	The average training hours completed per employee by gender and employee category.	—

Subject	No.	Attribute	Descriptions	Covered in this report or not
Aspect B4 Labour Standards	26	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Yes
	27	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	—
	28	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	—
Aspect B5 Supply Chain Management	29	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Yes
	30	KPI B5.1	Number of suppliers by geographical region.	—
	31	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	—
Aspect B6 Product Responsibility	32	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Yes
	33	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	34	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	—
	35	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Yes
	36	KPI B6.4	Description of quality assurance process and recall procedures.	—
	37	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Yes

Subject	No.	Attribute	Descriptions	Covered in this report or not
Aspect B7 Anti-corruption	38	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Yes
	39	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Yes
	40	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Yes
Aspect B8 Community Investment	41	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Yes
	42	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Yes
	43	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Yes

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF INNER MONGOLIA ENERGY ENGINEERING CO., LTD.

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

Opinion

We have audited the consolidated financial statements of Inner Mongolia Energy Engineering Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 113 to 214, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by international Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters — Continued

Key audit matter	How our audit addressed the key audit matter
1. Revenue recognition from construction work **Refer to notes 5 and 6 to the consolidated financial statements**	
We identified the revenue recognition for construction work as a key audit matter due to the significant management estimates and judgements on the determination of stage of completion of incomplete contracts. For the year ended December 31, 2017, the Group recognised revenue from construction work of RMB3,933 million. Details of the estimation uncertainty of the Group's revenue from construction work and an analysis of Group's revenue are set out in notes 5 and 6 to the consolidated financial statements, respectively.	Our audit procedures in relation to revenue recognition for construction work included: • Testing the controls relevant to our audit on budget preparation and revision, and revenue recognition of the construction work; • Discussing with management and the respective project teams about the progress of selected projects; • Challenging management's estimation in determining the estimated total contract revenue and the estimated total contract costs of the construction work in progress; • Testing the actual costs incurred on construction work during the reporting period on a sample basis; and • Recalculating the percentage of completion and the corresponding revenue recognised based on the latest budgeted costs and actual costs, on a sample basis.

Key Audit Matters — Continued

Key audit matter	How our audit addressed the key audit matter
2. Impairment for trade receivable	
Refer to notes 5 and 26 to the consolidated financial statements	
We identified impairment on trade receivables as a key audit matter due to management estimates and judgements of the ability of customers to make the required payments involved. The judgements applied by management have a significant impact on the level of impairment required for trade receivables. As at December 31, 2017, the Group recognised trade receivables of RMB6,885 million, which was a significant asset of the Group as of the year end. Details of the estimation uncertainty of the impairment of receivables are set out in note 5 to the consolidated financial statements.	Our procedures in relation to impairment for trade receivable included: • Testing the controls relevant to our audit on impairment of trade receivables; • Challenging management's assumptions used in determining impairment losses; • Testing the age of the trade receivables on a sample basis; • For significant past due trade receivables, examining supporting evidence management used in calculating the estimated future cash flows; and • Testing the cash receipts subsequent to the year end on a sample basis.

Other Information

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 28, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended December 31, 2017 RMB'000	2016 RMB'000
Revenue	6	**6,797,786**	9,782,098
Cost of sales		**(5,260,698)**	(8,291,690)
Gross profit		**1,537,088**	1,490,408
Other income	7	**192,666**	72,241
Other expenses		**(14,001)**	(8,758)
Other gains and losses	8	**8,878**	(13,548)
Selling and distribution expenses		**(26,542)**	(15,270)
Administrative expenses		**(802,822)**	(612,640)
Share of profits of joint ventures		**3,317**	—
Finance income	9	**72,041**	18,076
Finance costs	9	**(283,495)**	(170,101)
Profit before tax		**687,130**	760,408
Income tax expense	10	**(127,819)**	(143,256)
Profit for the year	11	**559,311**	617,152
Other comprehensive income (expense), net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
— Remeasurement of defined benefit obligations		**126,788**	(17,298)
— Income tax relating to remeasurement of defined benefit obligations		**(1,501)**	412
Other comprehensive income (expense) for the year, net of income tax		**125,287**	(16,886)
Total comprehensive income for the year		**684,598**	600,266
Profit for the year attributable to:			
Owners of the Company		**559,292**	617,033
Non-controlling interests		**19**	119
		559,311	617,152
Total comprehensive income attributable to:			
Owners of the Company		**684,579**	600,147
Non-controlling interests		**19**	119
		684,598	600,266
Earnings per share			
— Basic and diluted (RMB)	12	**0.23**	0.29

Consolidated Statement of Financial Position

	NOTES	At December 31, 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,054,897**	1,282,383
Prepaid lease payments	16	**55,723**	54,613
Investment properties	17	**9,145**	9,717
Goodwill	22	**13,249**	—
Intangible assets	18	**137,837**	28,304
Investment in joint ventures	19	**127,805**	20,281
Available-for-sale investments	20	**1,000**	1,000
Deferred tax assets	21	**54,527**	61,313
Deposit for acquisition of an office building		**15,498**	475,043
Other financial assets	27	**—**	922,210
Trade and bills receivables	26	**260,304**	—
		2,729,985	2,854,864
CURRENT ASSETS			
Inventories	23	**115,796**	124,858
Prepaid lease payments	16	**1,285**	1,122
Properties for sale	24	**8,974**	13,791
Amounts due from customers for construction contracts	25	**673,275**	265,602
Trade and bills receivables	26	**6,871,929**	6,867,066
Prepayments, deposits and other receivables	27	**2,582,299**	1,414,116
Pledged bank deposits	28	**724,468**	249,802
Time deposits	28	**330,000**	200,000
Cash and cash equivalents	28	**3,777,385**	1,535,514
		15,085,411	10,671,871
CURRENT LIABILITIES			
Trade and bills payables	29	**4,105,291**	3,053,796
Amounts due to customers for construction contracts	25	**79,107**	402,831
Other payables and accruals	30	**1,022,136**	1,806,380
Income tax payable		**134,945**	119,827
Bank and other borrowings	31	**5,955,000**	1,672,500
Defined benefit obligations	32	**22,803**	26,373
		11,319,282	7,081,707

Consolidated Statement of Financial Position

	NOTES	At December 31, 2017 RMB'000	2016 RMB'000
NET CURRENT ASSETS		**3,766,129**	3,590,164
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,496,114**	6,445,028
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	**1,890,000**	2,485,000
Defined benefit obligations	32	**369,629**	495,155
Deferred tax liabilities	21	**2,015**	—
		2,261,644	2,980,155
NET ASSETS		**4,234,470**	3,464,873
Capital and reserves			
Issued share capital	33(a)	**2,846,861**	2,100,000
Reserves		**1,380,106**	1,360,295
		4,226,967	3,460,295
Non-controlling interests		**7,503**	4,578
TOTAL EQUITY		**4,234,470**	3,464,873

The consolidated financial statements on pages 113 to 214 were approved and authorized for issue by the board of directors on March 28, 2018.

Lu Dang Zhu
Director

Liu Li Sheng
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							
	Owner's equity RMB'000	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000 (note d)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2016	3,019,971	–	–	–	–	3,019,971	2,500	3,022,471
Total comprehensive income (note c)	245,684	–	–	–	354,463	600,147	119	600,266
Deemed distribution to owner (note a)	(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 (note b)	(3,105,832)	2,100,000	1,005,832	–	–	–	–	–
Contributed by non-controlling interests	–	–	–	–	–	–	1,800	1,800
At December 31, 2016	–	2,100,000	1,005,832	–	354,463	3,460,295	4,578	3,464,873
Total comprehensive income	–	–	–	–	684,579	684,579	19	684,598
Ordinary shares issued (note 33(a))	–	746,861	249,297	–	–	996,158	–	996,158
Share issue expenses (note 33(a))	–	–	(39,514)	–	–	(39,514)	–	(39,514)
Acquisition of non-controlling interests	–	–	179	–	–	179	(278)	(99)
Contributed by non-controlling interests	–	–	–	–	–	–	1,680	1,680
Appropriation of statutory reserve	–	–	–	71,979	(71,979)	–	–	–
Arising on the acquisition of subsidiaries (note 40)	–	–	–	–	–	–	1,504	1,504
Dividend distribution (note 13)	–	–	–	–	(874,730)	(874,730)	–	(874,730)
At December 31, 2017	–	2,846,861	1,215,794	71,979	92,333	4,226,967	7,503	4,234,470

* Representing certain amounts paid to Inner Mongolia Energy Engineering Investment (Group) Co., Ltd. ("Energy Construction Group"), the ultimate holding company of the Group, to increase the capital of its subsidiaries and regarded as other distribution to owner.

Notes:

(a) Deemed distribution to owner consists of:

	Year ended December 31, 2016 RMB'000
Distribution of assets	
— Property, plant and equipment (note 15)	96,995
— Prepaid lease payments (note 16)	54,115
— Investment properties (note 17)	2,035
	153,145

In connection with the Reorganization (as defined in note 1), certain property, plant and equipment, and prepaid lease payments and investment properties that do not have perfected titles and ownership certificates historically associated with the Core Business (as defined in note 1) that were retained by Energy Construction Group and were included in the consolidated financial statements until the date of reformation of the Company, are reflected as a deemed distribution to owner of the Company immediately prior to the completion date of conversion of the Company into a joint stock company on May 31, 2016.

(b) As further described in note 2, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as if the Group had been in existence throughout the reporting period. Upon the establishment of the Company on May 31, 2016, the net carrying amount of the assets and liabilities transferred to the Company of RMB3,105,832,000 was converted into the Company's share capital of RMB2,100,000,000, equivalent to 2,100,000,000 shares of RMB1.00 each, with all the then existing reserves eliminated and the resulting difference of RMB1,005,832,000 dealt with in the capital reserve. Accordingly, the capital reserve, being the difference between the amounts of share capital issued and the net carrying amount of the assets and liabilities, was presented in the reserves of the Group. Separate classes of reserves, including retained profits prior to the establishment of the Company, were not separately disclosed as all of these reserves had been capitalized and incorporated in the capital reserve of the Group pursuant to the Reorganization.

(c) As described in note 1, the Core Business were transferred to the Company on May 31, 2016. The comprehensive income before May 31, 2016 is credited to owner's equity.

(d) According to the PRC Company Law and the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises to its statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make up losses, if any, or to expand the Company's business, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital of the Company. The statuary reserve is not distributable.

Consolidated Statement of Cash Flows

	NOTES	Year ended December 31, 2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**687,130**	760,408
Adjustment for:			
Depreciation of property, plant and equipment	15	**133,400**	112,567
Amortization of prepaid lease payments	16	**874**	431
Depreciation of investment properties	17	**572**	631
Amortization of intangible assets	18	**6,149**	4,767
Finance costs	9	**283,495**	170,101
Finance income	9	**(72,041)**	(18,076)
Share of profits of joint ventures		**(3,317)**	—
Gain on disposal of property, plant and equipment and prepaid lease payments	8	**(812)**	(5,242)
Impairment loss (reversed)/recognised on trade receivables	8	**(8,101)**	16,818
Impairment loss (reversed)/recognised on other receivables	8	**(9,046)**	140
Impairment loss recognised on inventories	8	**121**	—
Dividend income from available-for-sale investments	7	**(4,500)**	(3,000)
Operating cash flows before movements in working capital		**1,013,924**	1,039,545
Movements in working capital:			
Increase in trade and bills receivables		**(239,960)**	(3,133,952)
Increase in prepayments, deposits and other receivables		**(470,215)**	(201,196)
Decrease in inventories		**8,941**	211,543
Decrease in properties for sale		**4,817**	398,091
(Increase)/decrease in amounts due from customers for construction contracts		**(407,673)**	55,392
(Decrease)/increase in amounts due to customers for construction contracts		**(323,724)**	7,329
Increase in trade and bills payables		**1,048,895**	431,495
Decrease in other payables and accruals		**(1,076,527)**	(317,354)
Decrease in defined benefit obligations		**(19,982)**	(24,326)
Cash used in operations		**(461,504)**	(1,533,433)
Income tax paid		**(106,543)**	(158,145)
Net cash used in operating activities		**(568,047)**	(1,691,578)

	NOTES	Year ended December 31, 2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Interest received		**72,409**	18,637
Deposit paid and purchase of property, plant and equipment		**(90,646)**	(619,588)
Addition to prepaid lease payments		**—**	(1,623)
Addition to intangible assets		**(5,616)**	(7,621)
Acquisition and capital contributions to a joint venture	19	**(115,841)**	(20,281)
Proceeds from disposal of property, plant and equipment		**2,495**	14,405
Addition to loans receivable		**—**	(922,210)
Withdrawal of pledged bank deposits and time deposits		**414,563**	368,326
Placement of pledged bank deposits and time deposits		**(1,019,229)**	(586,911)
Dividends received from available-for-sale investments		**4,500**	3,000
Acquisition of subsidiaries, net of cash acquired	40	**(151,699)**	1,204
Cash advanced to parent company		**(107,821)**	(102,427)
Repayments of cash advanced by parent company		**175,369**	34,881
Cash advanced to fellow subsidiaries		**—**	(96,978)
Repayments of cash advanced by fellow subsidiaries		**91,915**	2,544
Cash advanced to joint ventures		**(34,900)**	—
Repayments of cash advanced by joint ventures		**4,900**	—
Net cash used in investing activities		**(759,601)**	(1,914,642)

Consolidated Statement of Cash Flows

	NOTES	Year ended December 31, 2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES			
Interest paid		**(262,684)**	(151,350)
New bank and other borrowings		**5,583,000**	5,011,000
Repayment of bank and other borrowings		**(1,895,500)**	(1,896,500)
Capital contribution from non-controlling interests		**1,680**	1,800
Distribution to owners		**—**	(7,000)
Acquisition of non-controlling interest's interest in subsidiaries		**(99)**	—
Proceeds from issue of shares		**996,158**	—
Share issue expenses		**(39,514)**	—
Advances from parent company		**—**	36,779
Repayments to parent company		**(36,779)**	—
Advances from fellow subsidiaries		**—**	53,982
Repayments to fellow subsidiaries		**(14,903)**	(64,995)
Advances from joint ventures		**21,862**	—
Repayments to joint ventures		**(5,000)**	—
Dividend paid to owners of the Company		**(778,702)**	—
Net cash from financing activities		**3,569,519**	2,983,716
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,241,871**	(622,504)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,535,514**	2,158,018
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**3,777,385**	1,535,514

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

1. GENERAL

Inner Mongolia Energy Engineering Co., Ltd. (the "Company") was established in the People's Republic of China ("PRC") on March 24, 2016 under the name of Inner Mongolia Keyi Energy Engineering Co., Ltd and was converted into a joint stock company with limited liability on May 31, 2016 as part of the reorganization (the "Reorganization") of Inner Mongolia Energy Engineering Investment (Group) Co., Ltd. ("Energy Construction Group") and changed its name to Inner Mongolia Energy Engineering Co., Ltd.

Prior to the establishment of the Company, the operations of construction and contracting, survey, design and consulting, trading, and investment and other businesses were carried out by various entities owned and controlled by Energy Construction Group or directly carried out by Energy Construction Group. Pursuant to a Reorganization agreement dated April 25, 2016, the principal operations and business of Energy Construction Group (the "Core Business") were transferred to the Company on May 31, 2016 which include:

(i) all operating assets and liabilities relating to the Core Business of Energy Construction Group;

(ii) contractual rights and obligations relating to the businesses, assets and equity interests transferred to the Company;

(iii) employees (including their personnel files, records and data with respect to their remuneration and other benefits and related liabilities) relating to the businesses, assets and equity interests transferred to the Company;

(iv) qualifications, licences and approvals relating to the businesses, assets and equity interests transferred to the Company;

(v) rights to claim and set-off against third parties and other similar rights in connection with the businesses, assets and equity interests transferred to the Company; and

(vi) data, books and/or records relating to business, accounting, finance, technology, research and development and all other know-how relating to the businesses transferred to the Company.

In consideration for Energy Construction Group transferring the Core Business and relevant assets to the Company pursuant to the Reorganization, the Company issued 2,089,500,000 ordinary shares to Energy Construction Group and 10,500,000 ordinary shares to Inner Mongolia Sulige Gas Power Co. Ltd. ("IMSGPC"), a subsidiary of Energy Construction Group, and acquired the shareholding of the aforesaid various entities owned and controlled by Energy Construction Group and the aforesaid business directly hold by Energy Construction Group. The shares issued to Energy Construction Group and IMSGPC amounting to 2,100 million shares in aggregate have a par value of RMB1.00 each and represented the entire registered and issued share capital of the Company upon its conversion into a joint stock company on May 31, 2016. As such, the Company is directly owned as to 99.5% by Energy Construction Group and 0.5% by IMSGPC.

1. GENERAL — Continued

In connection with the Reorganization, certain assets, which included certain property, plant and equipment, prepaid lease payments and investment properties that do not have perfected titles and ownership certificates amounting to RMB153,145,000 historically associated with the Core Business, that were retained by Energy Construction Group and were included in the consolidated financial statements from the beginning of 2015 until the date of reformation of the Company, are reflected as a deemed distribution to owner of the Company immediately prior to the completion date of conversion of the Company into a joint stock company on May 31, 2016.

On July 18, 2017, the Company consummated its global offering of 700,000,000 H shares with Hong Kong Dollar ("HKD") 1.60 per share and listed on the Main Board of The Stock Exchange of Hong Kong Limited. On August 9, 2017, the over-allotment of 46,860,952 H shares were exercised, and then the total shares increased to 2,846,860,952, with share capital of RMB2,846,860,952, of which 71.14% shares are directly or indirectly held by Energy Construction Group.

The address of the Company's registered office and principal place of business is Harbor Building, Erdos East Street, Saihan District, Hohhot, Inner Mongolia, PRC. In the opinion of the directors of the Company (the "Directors"), Energy Construction Group is the immediate and ultimate holding company of the Company.

2. BASIS OF PRESENTATION AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As disclosed in note 1 above, prior to the completion of the Reorganization, the Core Business were legally owned and controlled by Energy Construction Group. Upon the completion of the Reorganization on May 31, 2016, the Core Business were transferred to the Company. As there is no change in the ultimate controlling shareholder of the Core Business, the Reorganization has been accounted for as a combination of businesses under common control in a manner similar to a pooling-of-interests. As a result, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December, 2016 include the results, changes in equity and cash flows of the entities of the Group as if the group structure upon completion of the Reorganization had existed since the beginning of 2016.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

3.1 Amendments to IFRSs that are Mandatorily Effective for the Current year

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

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 IFRSs 2014–2016 Cycle

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

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective

The Group has not early applied the following new and revised IFRSs that have been in issue but not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after January 1, 2018.

2 Effective for annual periods beginning on or after January 1, 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after January 1, 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective — Continued

Except for the new and amendments to IFRSs and interpretation mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

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

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

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective — Continued

IFRS 9 Financial Instruments — Continued

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

  Based on an analysis of the Group's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date, the Directors have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

  Classification and measurement

  Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 20: these securities qualified for designation as measurement at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, fair value gain related to these securities would be adjusted to investments revaluation reserve as at January 1, 2018.

  Bills receivable are held within a business model whose objective is achieved by both collecting contractual cash flows and endorsing the bills receivable to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly bills receivable qualify for classification as FVTOCI upon the application of IFRS 9, which is different from current classification and measurement. However, the Directors do not anticipate this will have a material impact on the amounts recognised in other comprehensive income as the fair value of bills receivable is close to its carrying amounts given all bills receivable will mature within one year.

  All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective — Continued

IFRS 9 Financial Instruments — Continued

Impairment

In general, the Directors anticipate that the application of expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at January 1, 2018 would not be materially increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

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

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective — Continued

IFRS 15 Revenue from Contracts with Customers — Continued

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS15.

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

The Group's existing contracts for Engineering, Procurement and Construction ("EPC contracts") with customers normally have multiple deliverables (mainly including design, construction, sale of equipment and installation). Currently under IAS 18, the Group recognises the revenue from the construction under EPC contracts on the percentage of completion basis; and the revenue from the sale of equipment under EPC contracts when the goods are delivered and titles have passes to customer and the significant risks and rewards of ownership of the equipment have been transferred to the customer. Based on the terms of the existing EPC contracts, the Group's customer controls the assets during construction period, therefore, the Directors consider that the revenue from EPC contracts will be recognised over time under IFRS 15. The Directors intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of retained earnings at 1 January 2018, and apply this standard retrospectively only to contracts that are not completed at 1 January 2018. Based on the assessment of the existing contracts, expected period in fulfilling the contract obligation and the gross margin relevant to sale of equipment, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the opening balance of retained earnings as at 1 January 2018 timing.

Regarding the revenue from the sale of electricity by power plants not yet registered in the Catalogue, the Directors have evaluated the terms and conditions of, and the counterparties to, the contracts which may impact revenue recognition. The related receivables are mainly from the PRC state grid companies, which would normally be settled within one and a half year based on past experience. The Directors have also assessed the impact of the existence of any significant financing component in the contracts and will adjust the amount of promised consideration and recognise revenue at the cash selling price in accordance with the requirement of IFRS 15 if the financing component is material at a contract level.

Based on the above assessments on the existing contracts and arrangements, except for the potential impact for the revenue recognition for EPC contracts and financing component in the contracts of sale of electricity by power plants not yet registered in the Catalogue as mentioned above, the Directors do not anticipate other material impact on the timing and amounts of the Group's revenue recognised in the respective reporting periods.

However, the Directors anticipate that the application of IFRS 15 in the future may result in more disclosures.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — Continued

3.2 New and Revised IFRSs in Issue but not yet Effective — Continued

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases. IFRS 16 supersedes (a) IAS 17 Leases; (b) IFRIC-4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases-Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them as financing cash flow in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise and option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 37, total operating lease commitments of the Group as at December 31, 2017 amounted to RMB40,870,000. The Directors do not expect the adoption of IFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

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

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

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

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

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Basis of consolidation — Continued

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amounts by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Business combinations — Continued

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entities or businesses are combined using the existing carrying amounts from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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

Goodwill

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Goodwill — Continued

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

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

Investments in subsidiaries

The investments in subsidiaries at the Company's separate financial statements are stated at cost less accumulated impairment loss, if any.

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Investments in joint ventures — Continued

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Revenue recognition — Continued

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

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

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

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

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

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

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

Construction contracts

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Construction contracts — Continued

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

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

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

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

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Employee benefits

Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. The Group's subsidiaries are required to contribute certain percentages of their payroll to the state-managed retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the periods in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the periods of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the periods to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Employee benefits — Continued

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the periods the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Investment properties

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

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

Property, plant and equipment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Property, plant and equipment — Continued

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets purchased with finite useful lives are recorded at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of the reporting periods, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses.

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Impairment of tangible and intangible assets and investments in subsidiaries

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as investment properties or property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that day. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

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

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Taxation — Continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. When the Company assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax law restricts the utilization of losses to deduction against income of a specific type, the Company assesses a deductible temporary differences in combination with other deductible temporary differences of type, but separately from other types of deductible temporary differences. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Inventories

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

Properties for sale

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available for sale or are not classified as loans and receivables nor financial assets at fair value through profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, pledged bank deposits, time deposits and cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would not be material.

Impairment of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Impairment of financial assets — Continued

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Financial liabilities and equity instruments

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

Financial liabilities

Financial liabilities including bank and other borrowings, trade and bills payables and other payables are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES — Continued

Financial instruments — Continued

Derecognition of financial assets

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

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

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policy

The following is the critical judgement, apart from those involving estimates (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES — Continued

Critical judgement in applying accounting policy — Continued

Revenue recognition on tariff subsidy on sales of electricity and impairment assessment of tariff adjustment receivables.

Tariff subsidy represents subsidy received and/or receivable from the government authorities in respect of the Group's power generation business. Tariff subsidy is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

According to the tariff notice released by the National Development and Reform Commission of the PRC (the "Tariff Notice"), for power plants which obtained on-grid approval and commence in generating electricity will be eligible for on-grid tariff subsidy, which is determined by deducting the basic electricity price from the total electricity price set out in respective electricity purchase agreement.

Pursuant to the Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2012 and approvals for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

In making the judgement, the Directors considered that all of the Group's power plants (including power plants held by the Group's joint ventures) of which tariff subsidy is recognised as revenue but yet to register in the Catalogue currently in operation had been qualified for and had met the requirements and conditions as stipulated in the Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid. The Directors are confident that all of the Group's operating power plants (including power plants operated by the Group's joint ventures) are able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds from the PRC government, after considering that there are no bad debt experiences with the state of grid companies in the past and the tariff subsidy is fully funded by the PRC government.

Key sources of estimation uncertainty

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

Revenue from construction work

Revenue from construction work of individual contract is recognised under the percentage of completion method which requires estimation made by the management. The Group's management estimates the revenue, contract costs and foreseeable losses of construction contracts based on the budgets prepared for the contracts. Management reviews and revises the estimation as the contract progresses. Variation in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

For the year ended December 31, 2017, the Group recognised revenue from construction work of RMB3,933 million (2016: RMB4,104 million).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES — Continued

Key sources of estimation uncertainty — Continued

Estimated impairment of receivables

The Group recognises impairment of receivables based on the recoverability of the receivables. If there is any indication that the receivables may be unrecoverable, such as the age of the balances, existence of disputes, historical loss rate and other available information concerning the creditworthiness of the customers, impairment shall be recognised. The recognition of impairment requires judgement and estimation. If there is difference between the re-estimated results and the existing estimation, it will affect the profit and the carrying amount of receivables during the periods in which the estimation changes. The carrying amount of receivables and movements in the impairment losses recognised during the year are set out in notes 26 and 27.

Useful lives and residual value of property, plant and equipment

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

As at December 31, 2017, the carrying amount of property, plant and equipment of the Group was RMB2,054,897,000 (2016: RMB1,282,383,000), details of which are set out in note 15.

Recognition of deferred tax assets

As at December 31, 2017, deferred tax assets of RMB54,527,000 (2016: RMB61,313,000) was recognised in the consolidated statement of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the periods in which such a reversal takes place.

Besides, as at December 31, 2017 and 2016, due to the unpredictability of future profit streams, the Group does not recognise deferred tax assets on certain tax losses and deductible temporary differences, details of which are set out in note 21. In cases where the actual future profits generated are higher than expected, the deferred tax assets may be recognised in the consolidated statement of profit or loss and other comprehensive income in the periods in which such a situation takes place.

Retirement benefit obligations

The retirement obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in note 32. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement benefit obligations and other comprehensive income.

6. REVENUE AND SEGMENT INFORMATION

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Construction and contracting		
— Construction work	**3,932,722**	4,104,142
— Sales of equipments	**1,525,562**	1,968,642
Rendering of services	**784,967**	567,811
Trading of petroleum, coal, metal and chemical products	**230,373**	2,228,106
Sales of towers	**93,396**	143,870
Sales of properties	**12,976**	523,124
Sales of electricity	**149,263**	137,547
Maintenance operation	**63,406**	77,355
Others service income	**5,121**	31,501
Total	**6,797,786**	9,782,098

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").

6. 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.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 4 above. Segment results represent the profit earned by each segment without allocation of certain other income, certain other expenses, certain administrative expenses, other gains and losses, finance income, finance costs and share of profits of joint ventures. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

Year ended December 31, 2017

	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	5,458,284	784,967	230,373	6,473,624	324,162	–	6,797,786
Inter-segment revenue	–	–	–	–	66,152	(66,152)	–
Segment revenue	5,458,284	784,967	230,373	6,473,624	390,314	(66,152)	6,797,786
Segment results	585,256	535,326	121,149	1,241,731	(9,195)	–	1,232,536
Unallocated items							
Other income							17,613
Other expenses							(7,561)
Other gains and losses							8,878
Administrative expenses							(356,199)
Finance income							72,041
Finance costs							(283,495)
Share of profits of joint ventures							3,317
Profit before tax							687,130

6. REVENUE AND SEGMENT INFORMATION — Continued

Year ended December 31, 2016

	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	6,072,784	567,811	2,228,106	8,868,701	913,397	—	9,782,098
Inter-segment revenue	—	—	—	—	39,237	(39,237)	—
Segment revenue	6,072,784	567,811	2,228,106	8,868,701	952,634	(39,237)	9,782,098
Segment results	762,991	262,673	60,264	1,085,928	53,058	—	1,138,986
Unallocated items							
Other income							20,803
Other expenses							(8,758)
Other gains and losses							(13,548)
Administrative expenses							(225,050)
Finance income							18,076
Finance costs							(170,101)
Profit before tax							760,408

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.

Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on location of the operations.

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

6. REVENUE AND SEGMENT INFORMATION — Continued

Revenue from major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Customer A#	**1,806,880**	1,768,818

Mainly from the construction and contracting segment.

7. OTHER INCOME

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Dividend income from AFS investments	**4,500**	3,000
Agency income*	**163,817**	51,438
Rental income	**14,755**	9,615
Sales of scrap materials	**5,326**	5,410
Others	**4,268**	2,778
Total	**192,666**	72,241

* The agency income mainly represents the net income earned in the trading of coal as an agent.

8. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Gain on disposal of property,		
plant and equipment and prepaid lease payments	**812**	5,242
Exchange losses	**(21,296)**	—
Impairment loss reversed/(recognised) on:		
— Trade receivables (note 26)	**8,101**	(16,818)
— Other receivables (note 27)	**9,046**	(140)
— Inventories	**(121)**	—
Others	**12,336**	(1,832)
Total	**8,878**	(13,548)

9. FINANCE INCOME AND FINANCE COSTS

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest income	**72,041**	18,076
Interest expenses on:		
Bank and other borrowings	**253,830**	154,027
Discounting bills receivable	**11,991**	—
Defined benefit obligations	**17,674**	16,074
Total finance costs	**283,495**	170,101

10. INCOME TAX EXPENSE

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Current PRC corporate income tax	**121,661**	134,532
Deferred tax (note 21)	**6,158**	8,724
	127,819	143,256

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for certain preferential treatments available to the Company's subsidiaries, which were exempted or taxed at a preferential rate of 15% during the years ended December 31, 2017 and 2016, primarily due to their status as entities engaging in technology development or development projects in the western part of China.

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 (三免三減半) from 2012, based on the 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).

10. INCOME TAX EXPENSE — Continued

The other entities within the Group are subject to corporate income tax at a rate of 25%.

Income tax expense for the year is reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before tax	**687,130**	760,408
Tax at the applicable tax rate of 25%	**171,782**	190,102
Effect of expenses not deductible for tax purpose	**1,326**	667
Effect of non taxable income	**(1,173)**	(750)
Effect of unrecognised tax losses and deductible temporary differences	**40,843**	16,559
Effect on utilization of tax losses and deductible temporary differences previously unrecognised	**(12,323)**	(28,257)
Preferential tax policies	**(77,722)**	(52,541)
Decrease in opening deferred tax assets resulting from change in applicable tax rate*	**5,086**	17,476
Income tax expense for the year	**127,819**	143,256

* During the year ended December 31, 2017, Inner Mongolia Electric Power Transmission and Transformation Co., Ltd. and Inner Mongolia Mengneng Construction Project Supervision Co., were taxed at a preferential tax rate of 15%, being qualified as High and New Technology Enterprise. During the year ended December 31, 2016, the entities without such qualification were taxed at the statutory rate of 25%.

11. PROFIT FOR THE YEAR

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

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Directors' and supervisors' emoluments (note 14)	**1,998**	1,722
Other staff costs:		
Salaries and other benefits	**936,431**	864,033
Contributions to retirement plans	**169,597**	138,674
Total employee benefit expenses	**1,108,026**	1,004,429
Depreciation:		
— Property, plant and equipment (note 15)	**133,400**	112,567
— Investment properties (note 17)	**572**	631
	133,972	113,198
Amortization of intangible assets (note 18)		
— included in administrative expense	**2,764**	2,674
— included in cost of sales	**3,385**	2,093
	6,149	4,767
Amortization of prepaid lease payments (note 16)	**874**	431
Auditor's remuneration	**4,642**	2,578
Cost of inventories recognised as expense	**435,511**	2,455,747
Contract cost recognised as expense	**4,500,140**	4,962,052
Cost of rendering services	**240,842**	305,138
Cost of properties sold	**12,378**	495,885
Cost of wind power generated	**71,828**	72,868
	5,260,699	8,291,690
Minimum lease payments under operating leases in respect of buildings	**30,731**	18,732
Gross rental income from investment properties	**(5,615)**	(8,958)

12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company and the number of ordinary shares in issue during the year.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**559,292**	617,033
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,430,192**	2,100,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the effect of ordinary shares issuance, including issued shares of 700,000,000 on July 18, 2017 and over-allotment shares of 46,861,000 on August 9, 2017.

The number of ordinary shares of 2,100,000,000 in 2016 has been adjusted retrospectively for the effect of shares issued in connection with the Reorganization as if the Reorganization had been effective since January 1, 2016.

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue during both years.

13. DIVIDENDS

On May 22, 2017, the Group proposed aggregate dividend of RMB874,730,000, of which RMB688,362,000 is in the form of the Company's dividend distribution, and the rest is as distribution of subsidiaries.

Pursuant to the shareholders' resolution of the Company passed on June 26, 2017, the dividend was approved, of which RMB778,702,000 was paid by cash and the rest was settled by amount due from parent company (note 41) during the year ended December 31, 2017.

A final dividend in the respect of the year ended December 31, 2017 of RMB0.01472 per ordinary share, in an aggregate amount of RMB41,906,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Fee	**598**	360
Salaries and other allowances	**384**	213
Discretionary bonus	**982**	1,122
Retirement benefit scheme contributions	**34**	27
Total	**1,998**	1,722

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended December 31, 2017					
Executive directors:					
Mr. Lu Dangzhu (Chief Executive)	—	127	343	15	485
Mr. Liu, Lisheng*	—	28	192	4	224
	—	155	535	19	709
Independent non-executive Directors:					
Mr. Wang Wen	80	—	—	—	80
Mr. Su Nan	80	—	—	—	80
Mr. Ding Zhiyun	80	—	—	—	80
Mr. Yang Hong	80	—	—	—	80
Ms. Lau Miu Man	225	—	—	—	225
Mr. Yue Jianhua#	53	—	—	—	53
	598	—	—	—	598

14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS — Continued

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Supervisors:					
Ms. Qiao Yan	—	—	—	—	—
Mr. Guo Runcheng	—	—	—	—	—
Mr. Li Donghua	—	25	203	—	228
Mr. Wu Junlin	—	204	244	15	463
	—	229	447	15	691
Total	598	384	982	34	1,998

* Appointed on February 24, 2017

Appointed on May 22, 2017

14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS — Continued

	Fee	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2016					
Executive directors:					
Mr. Lu Dangzhu (general manager)	—	64	414	8	486
Independent non-executive Directors:					
Mr. Wang Wen	95	—	—	—	95
Mr. Su Nan	85	—	—	—	85
Mr. Ding Zhiyun	85	—	—	—	85
Mr. Yang Hong	95	—	—	—	95
Ms. Lau Miu Man	—	—	—	—	—
	360	—	—	—	360
Supervisors:					
Ms. Qiao Yan	—	—	—	—	—
Mr. Guo Runcheng	—	—	—	—	—
Mr. Li Donghua	—	49	331	8	388
Mr. Wu Junlin	—	100	377	11	488
	—	149	708	19	876
Total	360	213	1,122	27	1,722

For the year ended December 31, 2016, all the executive directors and supervisors received their emoluments from Energy Construction Group, part of which was in respect of their services to the companies now comprising the Group. No apportionment has been made as the Directors consider that it is impracticable to apportion these amounts between their services to the companies now comprising the Group and their services to Energy Construction Group. The Group recognised the full amount of the services provided by the executive directors and supervisors.

14. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS — Continued

Five highest paid individuals

The five highest paid employees were not Directors, supervisors nor chief executive of the Group during the year. Details of the remuneration of the five highest paid individuals are as follows:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Salaries and other allowances	**1,599**	1,035
Discretionary bonus	**2,816**	3,277
Retirement benefit scheme contributions	**420**	411
	4,835	4,723

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

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

	Year ended December 31, 2017	2016
Not exceeding HKD1,000,000	**—**	4
HKD1,000,001 to HKD1,500,000	**5**	1
	5	5

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At January 1, 2016	278,515	1,506,331	106,831	33,757	54,180	37,913	22,728	2,040,255
Additions	1,866	29,852	11,454	5,631	10,369	5,548	79,825	144,545
Transfers/ reclassifications	48,862	(40,588)	1,192	(2,462)	(7,415)	411	–	–
Acquisition of subsidiaries	–	–	–	–	–	41	–	41
Deemed distribution to owner*	(137,139)	(13,984)	(993)	(9,215)	–	(2,712)	(11,870)	(175,913)
Write off/disposals	(487)	(30,228)	(27,220)	(3,233)	(8,472)	(2,748)	–	(72,388)
At December 31, 2016	191,617	1,451,383	91,264	24,478	48,662	38,453	90,683	1,936,540
Additions	563,027	16,384	6,842	3,005	5,912	2,204	20,617	617,991
Transfer within property, plant and equipment	8,175	–	–	–	–	–	(8,175)	–
Acquisition of subsidiaries (note 40)	24,641	263,563	456	84	14	848	–	289,606
Write off/disposals	–	(1,774)	(1,408)	(6)	(1,205)	(6,206)	–	(10,599)
At December 31, 2017	787,460	1,729,556	97,154	27,561	53,383	35,299	103,125	2,833,538
DEPRECIATION								
At January 1, 2016	(93,933)	(434,981)	(80,252)	(22,590)	(32,209)	(19,768)	–	(683,733)
Provided for the year	(11,707)	(75,058)	(10,643)	(3,421)	(6,344)	(5,394)	–	(112,567)
Transfers/ Reclassifications	(5,003)	4,364	(382)	258	1,066	(303)	–	–
Write off/disposals	317	24,457	24,516	3,126	8,188	2,621	–	63,225
Deemed distribution to owner*	61,329	7,190	927	7,714	–	1,758	–	78,918
At December 31, 2016	(48,997)	(474,028)	(65,834)	(14,913)	(29,299)	(21,086)	–	(654,157)
Provided for the year	(17,577)	(95,422)	(7,845)	(3,256)	(2,683)	(6,617)	–	(133,400)
Write off/disposals	–	923	1,393	2	708	5,890	–	8,916
At December 31, 2017	(66,574)	(568,527)	(72,286)	(18,167)	(31,274)	(21,813)	–	(778,641)
CARRYING VALUES								
At December 31, 2016	142,620	977,355	25,430	9,565	19,363	17,367	90,683	1,282,383
At December 31, 2017	720,886	1,161,029	24,868	9,394	22,109	13,486	103,125	2,054,897

* Details of the deemed distribution to owner are set out in note (a) to the consolidated statement of changes in equity.

15. PROPERTY, PLANT AND EQUIPMENT — Continued

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

Buildings	20–40 years
Machinery	5–15 years
Vehicles	5–10 years
Electronic equipment	3–10 years
Office equipment	3–10 years
Others	3–20 years

As at 31 December 2017, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amounts of approximately RMB555,599,000 (2016:Nil). After consulting with the legal advisor of the Company, the Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings without incurring significant costs. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

16. PREPAID LEASE PAYMENTS

Movements of the Group's interests in prepaid lease payments held under leases of 50 years in the PRC are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
COST		
At beginning of the year	**58,842**	76,378
Additions	**—**	37,898
Acquisition of subsidiaries (note 40)	**2,147**	—
Deemed distribution to owner*	**—**	(55,434)
At end of the year	**60,989**	58,842
ACCUMULATED AMORTIZATION		
At beginning of the year	**(3,107)**	(3,995)
Provided for the year	**(874)**	(431)
Deemed distribution to owner*	**—**	1,319
At end of the year	**(3,981)**	(3,107)
CARRYING VALUES		
At beginning of the year	**55,735**	72,383
At end of the year	**57,008**	55,735
Analysed for reporting purposes as:		
Non-current	**55,723**	54,613
Current	**1,285**	1,122
	57,008	55,735

* Details of the deemed distribution to owner are set out in note (a) to the consolidated statement of changes in equity.

17. INVESTMENT PROPERTIES

	Year ended December 31, 2017 RMB'000	2016 RMB'000
COST		
At the beginning of the year	**11,432**	17,055
Deemed distribution to owner*	**—**	(5,623)
At the end of the year	**11,432**	11,432
ACCUMULATED DEPRECIATION		
At the beginning of the year	**(1,715)**	(4,672)
Provided for the year	**(572)**	(631)
Deemed distribution to owner*	**—**	3,588
At the end of the year	**(2,287)**	(1,715)
CARRYING VALUES	**9,145**	9,717

* Details of the deemed distribution to owner are set out in note (a) to the consolidated statement of changes in equity.

The above investment properties are depreciated on a straight-line basis taking into account their estimated residual value, over the shorter of the lease term of land and estimated useful lives of building of 20 to 40 years.

Certain investment properties were distributed to Energy Construction Group during the year ended December 31, 2016 as mentioned in note (a) to the consolidated statement of changes in equity. The carrying amount of these properties as at December 31, 2016 was RMB2,035,000.

The fair value of the remaining investment properties as at December 31, 2017 was RMB29,970,000 (2016: RMB28,700,000).

The fair value has been arrived at on the basis of valuation carried out by China Enterprise Appraisals Consultation Co., Ltd ("CEA"), a firm of independent qualified professional valuers not connected with the Group. The address of CEA is Floor 9, Prime Tower, No. 22 Chaowai Street, Chaoyang District, Beijing, the PRC.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The valuations were arrived at by valuing the properties on the basis of capitalization of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change in the valuation technique during both years.

The fair values of the Group's investment properties are grouped into Level 3 of fair value measurement.

18. INTANGIBLE ASSETS

	Computer Software RMB'000	Contract Value RMB'000	Total RMB'000
COST			
At January 1, 2016	40,961	—	40,961
Additions	7,621	—	7,621
At December 31, 2016	48,582	—	48,582
Additions	5,616	—	5,616
Acquisition of subsidiaries (note 40)	—	110,066	110,066
At December 31, 2017	54,198	110,066	164,264
DEPRECIATION			
At January 1, 2016	(15,511)	—	(15,511)
Additions	(4,767)	—	(4,767)
At December 31, 2016	(20,278)	—	(20,278)
Additions	(5,613)	(536)	(6,149)
At December 31, 2017	(25,891)	(536)	(26,427)
CARRYING VALUES			
At December 31, 2016	28,304	—	28,304
At December 31, 2017	28,307	109,530	137,837

The computer software and contract value have finite useful lives, the computer software is amortized on a straight-line basis over the periods of 5-10 years, and contract value is amortized on a straight-line basis over the periods of 17 years.

19. INVESTMENT IN JOINT VENTURES

On June 27, 2017, the Group acquired 65% capital of Zhong Hang Yue Hai Wind Power Co., Ltd. ("Zhong Hang Yue Hai") for a consideration of RMB85,378,000.

In 2017, the Group and the other investor increased the capital investment in Zhong Hang Shen Xin Wind Power Co., Ltd. ("Zhong Hang Shen Xin ") in proportion to their existing ownership interest. The Group paid RMB30,463,000 for the capital injection.

Details of the Group's investments in joint ventures are as follows:

	At December 31, 2017 RMB'000	2016 RMB'000
Cost of investment in joint ventures	**136,122**	20,281
Share of post-acquisition profits and other comprehensive income	**3,317**	—
Unrealized profits on sales to joint venture	**(11,634)**	—
	127,805	20,281

Details of each of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of establishment	Proportion of ownership interest held by the Group 2017	2016	Proportion of voting rights held by the Group* 2017	2016	Principal activity
Zhong Hang Shen Xin*	PRC	**49%**	49%	**40%**	40%	Wind power generation
Zhong Hang Yue Hai*	PRC	**65%**	—	**40%**	—	Wind power generation

* The Group can appoint two members out of the five of the board of directors for each investee. The board of directors organised on a one-person-one-vote system, and the resolution must be unanimously passed by all directors before it can take effect. Through the arrangement above, both Zhong Hang Shen Xin and Zhong Hang Yue Hai are under the joint control and accounted for as joint ventures.

19. INVESTMENT IN JOINT VENTURES — Continued

Summarised financial information of the joint ventures

Summarized financial information in respect of each of the joint ventures are set out below. The summarized financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Zhong Hang Shen Xin

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Current assets	**45,562**	24,093
Non-current assets	**383,627**	19,830
Current liabilities	**(82,289)**	(2,533)
Non-current liabilities	**(258,741)**	—
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**12,887**	6,774

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Revenue	**11,837**	—
Profit for the year	**6,769**	—
Total comprehensive income for the year	**6,769**	—

19. INVESTMENT IN JOINT VENTURES — Continued

Summarised financial information of the joint ventures — Continued

The above profit for the year includes the following:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Depreciation and amortization	**41**	—
Finance costs	**924**	—

Zhong Hang Yue Hai

	At December 31, 2017 RMB'000
Current assets	**126,174**
Non-current assets	**129,398**
Current liabilities	**(153,572)**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**4,998**

The wind power plant of Zhong Hang Yue Hai has not commenced operation at December 31, 2017.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statement:

19. INVESTMENT IN JOINT VENTURES — Continued

Zhong Hang Shen Xin

	At December 31, 2017 RMB'000	2016 RMB'000
Net assets of the joint venture	**88,159**	41,390
Proportion of the Group's ownership	**49%**	49%
	43,198	20,281
Goodwill	**10,863**	—
Unrealized profit on sales to joint venture	**(11,634)**	—
Carrying amount of the Group's interest in the joint venture	**42,427**	20,281

Zhong Hang Yue Hai

	2017 RMB'000
Net assets of the joint venture	**102,000**
Proportion of the Group's ownership	**65%**
	66,300
Goodwill	**19,078**
Carrying amount of the Group's interest in the joint venture	**85,378**

20. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31, 2017 RMB'000	2016 RMB'000
Unlisted investments:		
Equity interest, at cost	**1,000**	1,000

The unlisted investment represents the investment in a PRC company. It is measured at cost less impairment because the ranges of reasonable fair value estimates are so significant that the Directors are of the opinion that the fair values cannot be reliably measured. The Group does not intend to dispose them in the near future.

21. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	At December 31, 2017 RMB'000	2016 RMB'000
Deferred tax assets	**54,527**	61,313
Deferred tax liabilities	**(2,015)**	—
	52,512	61,313

21. DEFERRED TAX — Continued

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Defined benefit obligations RMB'000	Impairment of receivables RMB'000	Tax losses RMB'000	Fair value change from acquisition of subsidiaries RMB'000	Total RMB'000
At January 1, 2016	15,243	54,570	—	—	69,813
(Charge) credit to profit or loss (note 10)	(2,649)	4,508	6,893	—	8,752
Credit to other comprehensive income	224	—	—	—	224
Effect of changes in tax rate (note 10)	(2,030)	(15,446)	—	—	(17,476)
At December 31, 2016	10,788	43,632	6,893	—	61,313
(Charge) credit to profit or loss (note 10)	**(2,853)**	**(22)**	**1,803**	**—**	**(1,072)**
Charge to other comprehensive income	**(1,501)**	**—**	**—**	**—**	**(1,501)**
Acquisition of subsidiaries (note 40)	**—**	**—**	**—**	**(1,142)**	**(1,142)**
Effect of changes in tax rate (note 10)	**—**	**(5,086)**	**—**	**—**	**(5,086)**
At December 31, 2017	**6,434**	**38,524**	**8,696**	**(1,142)**	**52,512**

21. DEFERRED TAX — Continued

Details of tax losses and other temporary differences not recognised are set out below:

	At December 31, 2017 RMB'000	2016 RMB'000
Tax losses	**410,604**	272,345
Other deductible temporary differences	**187,954**	229,795

No deferred tax asset has been recognised in respect of the above tax losses and deductible temporary differences due to the unpredictability of future profit stream for the relevant subsidiaries. The unrecognised tax losses will expire in the following years:

	At December 31, 2017 RMB'000	2016 RMB'000
2017	—	28,194
2018	**64,828**	64,828
2019	**82,694**	82,694
2020	**49,909**	49,909
2021	**46,094**	46,720
2022	**167,079**	—
	410,604	272,345

22. Goodwill

The acquisition of Alxa Youqi China Electrics Technology New Energy Development Limited Company ("Alxa Youqi") and Guodian Alete Front Banner PV Power Limited Company ("Guodian PV") by the Company on November 29, 2017 resulted in goodwill of RMB13,249,000 (note 40).

For the purposes of impairment testing, the goodwill has been allocated to each individual cash generating unit ("CGU"). Alxa Youqi and Guodian PV.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 17-year period with an attrition rate of 0.7% per annum. The cash flows are discounted using a discount rate of 14.11% for Guodian PV and 10.75% for Alxa Youqi. This attrition rate is based on the relevant industry attrition forecasts and does not exceed the average long-term rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which included budgeted sales and gross margin.

23. INVENTORIES

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Raw materials	**45,989**	75,124
Low value consumables and spare parts	**2,148**	8,824
Work in progress	**4,145**	12,206
Finished goods	**63,514**	28,704
Total	**115,796**	124,858

24. PROPERTIES FOR SALE

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Completed properties for sale	**8,974**	13,791

25. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONSTRUCTION CONTRACTS

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	**15,841,563**	12,358,892
Less: Progress billings received and receivable	**(15,247,395)**	(12,496,121)
	594,168	(137,229)
Gross amounts due from customers for construction work	**673,275**	265,602
Gross amounts due to customers for construction work	**(79,107)**	(402,831)
	594,168	(137,229)

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

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Fellow subsidiaries	**16,616**	(17,385)

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

26. TRADE AND BILLS RECEIVABLES

	At December 31, 2017 RMB'000	2016 RMB'000
Trade receivables	**7,026,097**	6,601,879
Retention money receivables	**202,930**	380,524
Less: allowance of doubtful debts	**(344,460)**	(352,571)
	6,884,567	6,629,832
Bills receivable	**247,666**	237,234
Total trade and bills receivables	**7,132,233**	6,867,066
Analysed for reporting purposes as:		
Current assets	**6,871,929**	6,867,066
Non-current assets	**260,304**	—
	7,132,233	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 December 31, 2017 RMB'000	2016 RMB'000
0 to 6 months	**3,089,749**	3,683,913
6 months to 1 year	**850,995**	1,182,936
1 year to 2 years	**2,208,070**	1,100,052
2 years to 3 years	**357,412**	287,747
3 years to 4 years	**126,363**	224,932
4 years to 5 years	**202,716**	55,092
Over 5 years	**49,262**	95,160
	6,884,567	6,629,832

26. TRADE AND BILLS RECEIVABLES — Continued

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

	At December 31, 2017 RMB'000	2016 RMB'000
Past due but not impaired		
Less than 6 months past due	**1,504,144**	1,809,542
6 months–1 year past due	**512,570**	1,070,235
1–2 years past due	**668,609**	371,937
2–3 years past due	**215,144**	180,739
3–4 years past due	**106,663**	73,185
4–5 years past due	**65,252**	40,207
Over 5 years past due	**59,376**	41,895
	3,131,758	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 State Grid based on the existing government policies, is RMB271,194,000 as at December 31, 2017 (2016: RMB206,885,000), included in which, the tariff adjustment receivables recognised by the power plants which have not been included in the Catalogue was RMB260,304,000 (2016: RMB204,375,000) and the application for the registration in the Catalogue is in progress. 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.

26. TRADE AND BILLS RECEIVABLES — Continued

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) 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. 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.

Movements in the allowance of doubtful debts are set out as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At the beginning of the year	**352,571**	335,753
Provided for the year	**158,051**	16,818
Reversed for the year	**(166,152)**	—
Written off	**(10)**	—
At the end of the year	**344,460**	352,571

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

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Fellow subsidiaries	**264,143**	559,127
Parent company	**34,490**	34,490
Joint ventures	**51,036**	—
	349,669	593,617

26. TRADE AND BILLS RECEIVABLES — Continued

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

As at December 31, 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 RMB620,788,000 (2016: RMB455,662,000). The Bills had a maturity of one to twelve months at the end of the year. 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, rule and regulations. As such, the Group has limited exposure in respect of the settlement obligation of the Bills 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 are of good credit quality and the non-settlement of the 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.

The following were the Group's Bills as at December 31, 2017 that were transferred to banks by discounting the Bills on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The amount of the bills receivables discounted to banks with full recourse are set out as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Carrying amount of transferred assets	**500,000**	—
Carrying amount of associated liabilities	**(500,000)**	—
Net position	**—**	—

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Current		
Advance to suppliers	**1,825,500**	778,329
Other receivables	**572,613**	425,071
Performance deposits (note (a))	**74,526**	18,682
Staff advances	**22,619**	44,356
Amounts due from fellow subsidiaries (note (b))	**3,097**	95,012
Amounts due from parent company (note (b))	**—**	67,548
Amounts due from joint ventures (note (b))	**30,000**	—
Prepaid value added tax	**105,764**	44,030
Interest receivable on time deposits	**—**	368
Safety guaranty	**160**	1,746
Less: allowance of doubtful debts	**(51,980)**	(61,026)
	2,582,299	1,414,116
Non-Current		
Other financial assets (note (c))	**—**	922,210

Notes:

(a) Performance deposit are in the Group's normal operating cycle and are expected to be recovered more than 12 months after the end of reporting period.

(b) The amounts due from fellow subsidiaries, parent company and joint venture are non-trade nature, unsecured, interest-free and repayable on demand.

(c) The other financial assets represented the advance payments to third parties pursuant to certain coal underwriting agreements, and were transferred to Energy Construction Group on June 20, 2017 at the then carrying amount.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — Continued

Movements in the allowance of doubtful debts of other receivables are set out as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At the beginning of the year	**61,026**	61,697
Provided for the year	**18,999**	3,121
Reversed for the year	**(28,045)**	(2,981)
Written off	**—**	(811)
At the end of the year	**51,980**	61,026

28. PLEDGED BANK DEPOSITS, TIME DEPOSITS AND BANK AND CASH BALANCES

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Cash and bank balances	**4,501,853**	1,785,316
Time deposits	**330,000**	200,000
	4,831,853	1,985,316
Less: Pledged deposits for		
Bills payable	**(369,406)**	(133,299)
Letter of guarantee	**(352,805)**	(104,104)
Others	**(2,257)**	(12,399)
	(724,468)	(249,802)
Less: Non-pledged time deposits with original maturity of more than three months	**(330,000)**	(200,000)
Cash and cash equivalents	**3,777,385**	1,535,514

28. PLEDGED BANK DEPOSITS, TIME DEPOSITS AND BANK AND CASH BALANCES — Continued

The Group's bank and cash balances comprise cash and bank deposits, carrying interest at prevailing variable market rates ranging from 0.23% to 0.38% per annum as at December 31, 2017 (2016: from 0.30% to 4.03% per annum).

As at December 31, 2017, the bank deposits of RMB330,000,000 carried fixed rate interests of 0.30% per annum (2016: the bank deposits of RMB200,000,000 carried fixed rate interests of 4.03% per annum), with original maturity of more than three months.

In addition, the secured bank deposits of RMB300,000,000 carried fixed rate interests 5% per annum at December 31, 2017.

29. TRADE AND BILLS PAYABLES

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Trade payables	**3,287,650**	2,462,844
Bills payable	**817,641**	590,952
	4,105,291	3,053,796

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

Included in trade and bills payables are retention payables of RMB188,217,000 as at December 31, 2017 (2016: RMB118,245,000). Retention payables are interest-free and payable at the end of the retention periods of the respective construction contracts.

29. TRADE AND BILLS PAYABLES — Continued

Details of the bank deposits pledged for the Group's bills payable are set out in note 28.

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

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**3,245,667**	2,274,681
1 to 2 years	**484,428**	399,830
2 to 3 years	**149,604**	133,606
More than 3 years	**225,592**	245,679
	4,105,291	3,053,796

The amounts due to parent company included in trade and bills payables are analysed as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Parent company	**6,822**	—

30. OTHER PAYABLES AND ACCRUALS

	At December 31, 2017 RMB'000	2016 RMB'000
Advance from customers	**353,876**	638,920
Proceeds from pre-sale of properties	**16,108**	16,619
Other payables (note (a))	**318,901**	581,972
Amounts due to fellow subsidiaries (note (b))	**55**	14,958
Amounts due to parent company (note (b))	**—**	36,779
Amounts due to joint ventures	**16,862**	—
Employee benefit payables	**193,151**	170,741
Accrued benefit for retired employees*	**—**	247,214
Non-income related tax payables	**116,799**	95,930
Interest payables	**6,384**	3,247
	1,022,136	1,806,380

* This represents the fund received from Inner Mongolia State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") for retirement benefit of retired employees in addition to the Group's defined benefit scheme. The utilization of this fund is restricted for this specified purpose.

Notes:

(a) The balances of other payables mainly include retentions money payable, deposits payable and others.

(b) Amounts due to fellow subsidiaries, parent company and joint venture are non-trade nature, unsecured, interest free and repayable on demand.

31. BANK AND OTHER BORROWINGS

	At December 31, 2017 RMB'000	2016 RMB'000
Current		
Short term bank borrowings:		
secured	**500,000**	—
unsecured	**4,568,000**	1,410,000
Short term other borrowings due to parent:		
unsecured	**—**	100,000
Current portion of long term bank borrowings:		
unsecured	**887,000**	162,500
	5,955,000	1,672,500
Non-current		
Long term bank borrowings:		
unsecured	**1,890,000**	2,485,000
Carrying amount repayable based on repayment term:		
On demand or within one year	**5,955,000**	1,672,500
More than one year but within two years	**1,441,000**	800,500
More than two years but within five years	**241,500**	1,532,500
More than five years	**207,500**	152,000
	7,845,000	4,157,500
Less: Amounts due within one year shown under current liabilities	**(5,955,000)**	(1,672,500)
Amounts shown under non-current liabilities	**1,890,000**	2,485,000

31. BANK AND OTHER BORROWINGS — Continued

Certain bank borrowings of RMB700,000,000 at December 31, 2016 were guaranteed by Energy Construction Group. All these guarantees were released during the year ended December 31, 2017.

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

	At December 31,			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Fixed rate bank borrowings	**5,838,000**	**4.20–4.75**	2,710,000	4.13–5.60
Fixed rate other borrowings	**—**	**—**	100,000	4.35
Floating rate bank borrowings	**2,007,000**	**2.39–5.39**	1,347,500	4.35–5.39
	7,845,000		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.

32. DEFINED BENEFIT OBLIGATIONS

The Group pays post-employment benefits to its retired employees in the PRC. In addition, the Group is committed to make periodic benefits payments to certain former employees, who were terminated or early retired, standby staff with injury and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group. These benefits were only applicable to the qualifying employees.

32. DEFINED BENEFIT OBLIGATIONS — Continued

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. As such, a decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The actuarial valuations of the present value of the defined benefit obligations as at December 31, 2016 and 2017 were carried out by an independent firm of actuaries, Towers Watson, a member of China Association of Actuaries. The address of Towers Watson is at 29th Floor, Units 2917, 2927, 2929, 2918, 2920, South Tower, Kerry Centre 1, Guang Hua Road, Chaoyang District, Beijing, the PRC. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Discount rate*	**4.00%**	3%–3.5%
Annual increase rate of pension benefits for civil retirees, retirees and beneficiaries	**2%**	2%
Annual cost of living adjustment (COLA) for internal retirees	**4.5%**	4.5%
Medical cost trend rates	**8%**	8%

* The discount rate has been determined with reference to the yields on state government bonds.

32. DEFINED BENEFIT OBLIGATIONS — Continued

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of the defined benefit plans are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest cost	**17,674**	16,074
Components of defined benefit costs recognised in profit and loss under administrative expenses	**2,332**	1,621
Components of defined benefit costs (credited)/recognised in other comprehensive income	**(126,788)**	17,298
Total	**(106,782)**	34,993

The service cost for the year is included in the employee benefits expense in profit or loss. The interest cost for the year is included in the finance costs in profit or loss. The remeasurement of the net defined benefit obligations arising from changes in actuarial assumptions for the year is included in other comprehensive income.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position are determined as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Net liability arising from defined benefit obligations	**392,432**	521,528
Less: Amount due within one year	**(22,803)**	(26,373)
Amount due after one year	**369,629**	495,155

32. DEFINED BENEFIT OBLIGATIONS — Continued

Movements in the present value of the retirement and supplemental benefit obligations during the year was as follows:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
At beginning of the year	**521,528**	512,482
Interest cost	**17,674**	16,074
Benefits paid	**(19,982)**	(24,326)
Actuarial (gain) losses arising from changes in financial assumptions	**(126,788)**	17,298
At end of the year	**392,432**	521,528

Mortality is assumed to be the average life of expectancy of residents in Mainland China and the medical costs paid to early retirees are assumed to continue until the death of the retirees.

Significant actuarial assumptions made in determining defined benefit obligations are discount rate, supplemental benefit inflation rate and medical cost trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of each of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligations increases by 0.25%, the defined benefit obligations would decrease by RMB12,034,000 as at December 31, 2017 (2016: RMB17,919,000);
- If the discount rate on benefit obligations decreases by 0.25%, the defined benefit obligations would increase by RMB12,709,000 as at December 31, 2017 (2016: RMB19,012,000);
- If the pension benefit rate increases by 1%, the defined benefit obligations would increase RMB36,057,000 as at December 31, 2017 (2016: RMB42,440,000);
- If the pension benefit rate decreases by 1%, the defined benefit obligations would decrease by RMB29,755,000 as at December 31, 2017 (2016: RMB34,835,000);
- If the average medical cost trend rate increases by 1%, the defined benefit obligations would increase by RMB17,309,000 as at December 31, 2017 (2016: RMB37,385,000);
- If the average medical cost trend rate decreases by 1%, the defined benefit obligations would decrease by RMB13,892,000 as at December 31, 2017 (2016: RMB29,471,000);

32. DEFINED BENEFIT OBLIGATIONS — Continued

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis during the reporting period.

The average expected future lifetime of the covered participants can be summarized as follows:

- Retirees: 19 years for year ended December 31, 2017 (2016: 18 years);
- Civil retirees: 5 years for the year ended December 31, 2017 (2016: 6 years);
- Internal retirees: 33 years for the year ended December 31, 2017 (2016: 30 years);
- Active employees: 43 years for the year ended December 31, 2017 (2016: 43 years), and;
- Beneficiaries: 11 years for the year ended December 31, 2017 (2016: 11 years).

33. CAPITAL AND RESERVES

(a) Issued share capital

	Number of shares At December 31		Share capital At December 31	
	2017	2016	**2017**	2016
	'000	'000	**RMB'000**	RMB'000
At beginning of the year	**2,100,000**	—	**2,100,000**	—
Issue of shares pursuant to the Reorganization (note 1)	**—**	2,100,000	**—**	2,100,000
Issue of new shares upon listing	**746,861**	—	**746,861**	—
At end of the year	**2,846,861**	2,100,000	**2,846,861**	2,100,000

33. CAPITAL AND RESERVES — Continued

(a) Issued share capital — Continued

The Company was listed on the Main Board of the Stock Exchange on July 18, 2017. The offer price is HK$1.60 per share. The Company raised RMB996,158,000 through the initial public offerings, resulting in credit to capital of RMB746,861,000 and capital reserve of RMB249,297,000. The share issue expenses of RMB39,514,000 was debited to capital reserve.

As at December 31, 2017, the total number of shares of the Company was 2,846,860,952 (2016: 2,100,000,000) shares, comprising 821,547,048 (2016: Nil) H shares which represent 28.86% of the total issued shares, and 2,025,313,904 (2016: 2,100,000,000) domestic shares which represent 71.14% of the total issued shares. The reduction of domestic shares is due to the transfer of share capital to National Council for Social Security Fund of the PRC pursuant to the relevant PRC regulation.

(b) Group's reserve

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

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes bank and other borrowings as disclosed in note 31, net of pledged bank deposits, bank and cash balances and equity attributable to owners of the Company.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares or capital contribution, raising new debts or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At December 31, 2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade and bills receivables	**7,132,233**	6,867,066
Deposits and other receivables	**651,035**	1,573,247
Pledged bank deposits	**724,468**	249,802
Time deposits	**330,000**	200,000
Cash and cash equivalents	**3,777,385**	1,535,514
Subtotal	**12,615,121**	10,425,629
AFS investments	**1,000**	1,000
	12,616,121	10,426,629

	At December 31, 2017 RMB'000	2016 RMB'000
Financial liabilities		
Amortized cost:		
Trade and bills payables	**4,105,291**	3,053,796
Other payables	**303,190**	636,958
Bank and other borrowings	**7,845,000**	4,157,500
	12,253,481	7,848,254

35. FINANCIAL INSTRUMENTS — Continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, pledged bank deposits, time deposits, bank and cash balances, deposits and other receivables, trade and bills payables, other payables and bank and other borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk which arises from fixed rate bank deposit and fixed rate bank and other borrowings.

In addition, the Group is exposed to cash flow interest rate risk which arises from floating rate bank and other borrowings, and cash and cash equivalents.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and cash balances, pledged bank deposits, floating rate bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points increase or decrease in interest rate on bank and cash balances and pledged bank deposits and a 50 basis points increase or decrease in interest rate on floating rate bank and other borrowings are used which represent management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 10 basis points higher/lower for bank and cash balances and pledged deposits with all other variable held constant, the Group's post-tax profit for the years ended December 31, 2017 would increase/decrease by approximately RMB3,624,000 (2016: RMB1,489,000).

If interest rates had been 50 basis points higher/lower for floating rate bank and other borrowings with all other variables held constant, the Group's post-tax profit for the years ended December 31, 2017 would decrease/increase by approximately RMB7,526,000(2016: RMB5,053,000).

35. FINANCIAL INSTRUMENTS — Continued

(b) Financial risk management objectives and policies — Continued

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. At the end of the reporting period, the Group's maximum exposure is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 34.58% of the total trade receivables was due from the Group's largest five customers in the PRC as at December 31, 2017 (2016: 23.7%). The Group's remaining customers individually contribute less than 4% (2016: 3%) of the total trade receivables of the Group.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimize the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

Other than the above mentioned concentration of credit risk, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank and cash balances as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and bills payable to ensure compliance with loan covenants.

35. FINANCIAL INSTRUMENTS — Continued

(b) Financial risk management objectives and policies — Continued

Liquidity risk — Continued

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Repayable on demand/ within one year	In the second year	In the third year	In the fourth year	Total in the fifth year	After five years	Undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017									
Trade and bills payables	N/A	3,245,667	859,624	–	–	–	–	4,105,291	4,105,291
Other payables	N/A	303,190	–	–	–	–	–	303,190	303,190
Bank and other borrowings									
– Floating rate	4.79	1,502,099	339,488	48,938	46,853	43,538	167,876	2,148,792	2,007,000
– Fixed rate	4.64	4,678,099	1,176,016	48,840	46,684	44,905	86,372	6,080,916	5,838,000
		9,729,055	2,375,128	97,778	93,537	88,443	254,248	12,638,189	12,253,481
At December 31, 2016									
Trade and bills payables	N/A	3,033,373	20,423	–	–	–	–	3,053,796	3,053,796
Other payables	N/A	636,958	–	–	–	–	–	636,958	636,958
Bank and other borrowings									
– Floating rate	4.80	309,768	594,839	340,371	49,847	49,455	159,850	1,504,130	1,347,500
– Fixed rate	4.56	1,508,016	361,300	1,131,300	–	–	–	3,000,616	2,810,000
		5,488,115	976,562	1,471,671	49,847	49,455	159,850	8,195,500	7,848,254

The amounts included above for floating interest rate instruments for non-derivative financial liabilities are subject to change if the actual floating interest rates differ to those estimates of interest rates determined at the end of the reporting period.

35. FINANCIAL INSTRUMENTS — Continued

(b) Financial risk management objectives and policies — Continued

Fair value measurement

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

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values which are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

36. CAPITAL COMMITMENTS

	At December 31, 2017 RMB'000	2016 RMB'000
Capital expenditures contracted but not provided for:		
Property, plant and equipment	**69,624**	96,409
Committed capital injection into a joint venture	**3,146**	22,746

37. 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 December 31, 2017 RMB'000	2016 RMB'000
Within one year	**36,751**	9,886
1 to 2 years	**4,119**	9,886
2 to 3 years	**—**	4,119
	40,870	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 December 31, 2017. Leases of rented premises are negotiated with fixed lease terms for 1 to 3 years.

37. OPERATING LEASE COMMITMENTS — Continued

The Group as lessor

For the year ended December 31, 2017, property rental income earned was RMB5,615,000 (2016: RMB8,958,000). As of December 31, 2017, the investment properties held with carrying amount RMB9,145,000 (2016: RMB9,717,000).

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

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Within one year	**2,187**	2,939

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities (including bills payable) granted to the Group.

		At December 31,	
	Note	**2017**	2016
		RMB'000	RMB'000
Bank deposits	28	**724,468**	249,802

39. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

In the opinion of the Directors, the following related party transactions were conducted in the ordinary course of business. Construction and contracting revenue generated from fellow subsidiaries, and rental paid to parent company will continue after listing of H shares on the Main Board of the Hong Kong Stock Exchange ("the Listing").

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Construction and contracting revenue		
Fellow subsidiaries	98,117	159,381
Joint ventures	316,406	—
Parent company	52,676	—
Service revenue		
Parent company	—	37,893
Rental expense		
Parent company	9,886	5,767
Transfer of other financial assets		
Parent company	690,302	—

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 year, the Group had transactions with State-owned Enterprises including, but not limited to, the provision of infrastructure construction services and purchases of services. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

39. RELATED PARTY TRANSACTIONS — Continued

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 27, 29, 30 and 31.

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**1,379**	465
Discretionary bonus	**2,027**	2,516
Retirement benefit schemes contributions	**91**	70
	3,497	3,051

Before the Reorganization at May 31, 2016, all the key management received their emoluments from Energy Construction Group, part of which was in respect of their services to the companies now comprising the Group. No apportionment has been made as the Directors consider that it is impracticable to apportion these amounts between their services to the companies now comprising the Group and their services to Energy Construction Group. The Group recognised the full amount of the services provided by key management personnel.

40. ACQUISITION OF SUBSIDIARIES

On November 29, 2017, the Group acquired 100% capital of Alxa Youqi for consideration of RMB24,271,000, and 98.87% capital of Guodian PV for consideration of RMB139,282,000. These acquisitions have been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB5,529,000 and RMB7,720,000, respectively. Alxa Youqi and Guodian PV are engaged in solar power generation. Alxa Youqi and Guodian PV are acquired so as to continue the expansion of the Group's renewable energy market.

Acquisition-related cost amounting to RMB4,935,000 (Alxa Youqi: RMB732,000 ; Guodian PV: RMB4,203,000) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the 'Administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

40. ACQUISITION OF SUBSIDIARIES — Continued

Assets acquired and liabilities recognised at the date of acquisition

Assets and liabilities recognised at the date of acquisition are as follow:

	Alxa Youqi RMB'000	Guodian PV RMB'000	Total RMB'000
Property, plant and equipment	55,698	233,908	289,606
Prepaid lease payments	1,094	1,053	2,147
Intangible assets	11,318	98,748	110,066
Deferred tax assets	873	—	873
Cash and cash equivalents	2,887	8,967	11,854
Trade and bills receivable	3,941	13,165	17,106
Prepayments, deposits and other receivables	2,882	26,402	29,284
Trade and bills payables	(2,600)	—	(2,600)
Other payables and accruals	(57,351)	(247,162)	(304,513)
Deferred tax liabilities	—	(2,015)	(2,015)
	18,742	133,066	151,808

Goodwill arising on acquisition

	Alxa Youqi RMB'000	Guodian PV RMB'000	Total RMB'000
Consideration transferred	24,271	139,282	163,553
Plus: non-controlling interests (1.13% in Guodian PV)	—	1,504	1,504
Less: net assets acquired	(18,742)	(133,066)	(151,808)
Goodwill arising on acquisition	5,529	7,720	13,249

For the year ended December 31, 2017

The non-controlling interests (1.13%) in Guodian PV recognised at the acquisition date was measured at the non-controlling interests' proportionate share of the fair value of the net Identifiable asset of the acquiree's.

40. ACQUISITION OF SUBSIDIARIES — Continued

Goodwill arising on acquisition — Continued

Goodwill arose in these acquisitions because the consideration paid for the combination included amounts in relation to the future economic benefits. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Alxa Youqi RMB'000	Guodian PV RMB'000	Total RMB'000
Cash consideration paid	24,271	139,282	163,553
Less: cash and cash equivalent balances acquired	(2,887)	(8,967)	(11,854)
	21,384	130,315	151,699

Included in the profit for the year is a loss of RMB10,000 attributable to the additional business generated by Alxa Youqi, and a profit of RMB1,597,000 attributable to the additional business presented by Guodian PV.

Revenue for the year includes RMB1,284,000 generated from Alxa Youqi and RMB5,999,000 generated from Guodian PV.

Had these acquisitions been completed on January 1, 2017, total group revenue for the year would have been RMB6,860 million, and the profit for the year would have been RMB574 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had these acquisitions been completed on January 1, 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had these acquisitions been acquired at the beginning of the current year, the Directors have calculated depreciation of Property, plant and equipment, prepaid lease payments and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

40. ACQUISITION OF SUBSIDIARIES — Continued

For the year ended December 31, 2016

For the year ended December 31, 2016, the Group acquired the entire equity interests of certain companies owned by certain employees of the Group.

In respect of the companies owned by certain employees of the Group, the Inner Mongolia SASAC initiated the transactions to acquire these companies for the purposes of onward injection into Energy Construction Group so as to enable Energy Construction Group to make injection of these companies into the Group pursuant to the Reorganization. Under these acquisition transactions initiated by Inner Mongolia SASAC, purchase consideration amounted to the paid up capital of these companies. As Inner Mongolia SASAC is the controlling party of Energy Construction Group, these bargain purchase gain obtained by Inner Mongolia SASAC at the date of acquisition of these companies are recognized in reserve of the Group as deemed owner's contribution.

These companies are engaged in construction and provision of construction related services.

The fair value of identifiable net assets of these subsidiaries approximate to their book values on acquisition date. Assets and liabilities recognized at the date of acquisition are as follow:

	RMB'000
Property, plant and equipment	41
Prepayments, deposits and other receivables	56
Cash and cash equivalents	1,204
Trade and bills payables	(587)
Other payables and accruals	(233)
Non-controlling interest	(159)
Net assets and bargain purchase gain recognized as deemed contributions by owner	322
Net cash inflow arising on acquisition	
Cash and cash equivalents acquired	1,204

Included in the profit for the year was RMB360,000 and revenue for the year was RMB1,210,000 attributable to the additional business generated by the newly acquired subsidiary.

40. ACQUISITION OF SUBSIDIARIES — Continued

Had the acquisition been completed on January 1, 2016, total group revenue for the year would have been RMB9,782,762,000 and profit for the year would have been RMB616,852,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

In determining the above "pro-forma" revenue and profit of the Group had subsidiaries been acquired at the beginning of the respective year, the directors have calculated depreciation of property, plant and equipment, and amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

41. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the reporting period were set out as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Transfer of other financial assets	**690,302**	—
Dividend payable to parent company settled by amounts due from parent company and fellow subsidiaries	**96,028**	—
Deemed distribution of non-cash net assets to Energy Construction Group	**—**	153,145

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Bank and Other Borrowings RMB'000	Interest payables RMB'000	Due to fellow subsidiaries RMB'000	Due to parent company RMB'000	Due to joint venture RMB'000	Total RMB'000
At January 1, 2017	–	4,157,500	3,247	14,958	36,779	–	4,212,484
Financing cash flows	(778,702)	3,687,500	(262,684)	(14,903)	(36,779)	16,862	2,611,294
Finance cost recognised	–	–	265,821	–	–	–	265,821
Dividends declared (note 13)	874,730	–	–	–	–	–	874,730
Settlement of amounts with related parties (note 41)	(96,028)	–	–	–	–	–	(96,028)
At December 31, 2017	–	7,845,000	6,384	55	–	16,862	7,868,301

43. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's principal subsidiaries, which operate in the PRC, are as follows:

Name of subsidiary	Place of establishment	Paid up registered capital	Equity interests attributable to the Group At December 31, 2017	2016	Principal activities
		RMB'000			
內蒙古電力勘測設計院有限責任公司 Inner Mongolia Power Survey & Design Institute Co., Ltd.	PRC	500,000	**100%**	100%	Survey, design, consulting and construction
內蒙古送變電有限責任公司 Inner Mongolia Electric Power Transmission And Transformation Co., Ltd.* (Note a)	PRC	213,780	**100%**	100%	Construction
內蒙古第一電力建設工程有限責任公司 Inner Mongolia No.1 Power Construction Project Co., Ltd.* (Note a)	PRC	177,000	**100%**	100%	Construction
內蒙古第三電力建設工程有限責任公司 Inner Mongolia No.3 Electric Power Construction Engineering Co., Ltd.* (Note a)	PRC	170,608	**100%**	100%	Construction
內蒙古能建物產有限公司 Inner Mongolia Power Construction Products Co., Ltd.	PRC	100,000	**100%**	100%	Trading of petroleum, coal, metal and chemical products

43. PARTICULARS OF SUBSIDIARIES — Continued

Name of subsidiary	Place of establishment	Paid up registered capital	Equity interests attributable to the Group At December 31,		Principal activities
		RMB'000	**2017**	2016	
內蒙古能建物業服務有限公司 Inner Mongolia Power Construction Property Services Co., Ltd.	PRC	1,000	**100%**	100%	Property management service
內蒙古電力建設(集團)有限公司 Inner Mongolia Power Construction Group Co., Ltd*	PRC	20,000	**100%**	100%	Survey, design, consulting and construction
內蒙古能源規劃設計研究院有限公司 Inner Mongolia Energy Planning & Design Institute Co., Ltd.	PRC	3,000	**100%**	100%	Survey, design, consulting and construction
內蒙古能建國際工程建設投資有限公司 Inner Mongolia Power Construction International Engineering Construction Investment Co., Ltd.	PRC	50,000	**100%**	100%	Construction
內蒙古能建英利新能源裝備製造有限公司 Inner Mongolia Energy Engineering Yingli New Energy Equipment Manufacturing Co., Ltd.	PRC	9,600	**51%**	51%	New energy equipment manufacturing
內蒙古旗下營和益發電有限公司# Inner Mongolia Qixiaying Heyi Power Co., Ltd.	PRC	17,900	**55%**	55%	Power generation

43. PARTICULARS OF SUBSIDIARIES — Continued

Name of subsidiary	Place of establishment	Paid up registered capital	Equity interests attributable to the Group At December 31, 2017	2016	Principal activities
		RMB'000			
內蒙古能建電力設計諮詢有限責任公司# Inner Mongolia Mengneng Nengyuan Design Consulting Research Co., Ltd.	PRC	3,024	**100%**	100%	Consulting
內蒙古蒙能建設工程監理有限責任公司# Inner Mongolia Mengneng Construction Project Supervision Co., Ltd.	PRC	10,000	**100%**	100%	Supervision
內蒙古恒鑫鐵塔有限公司# Inner Mongolia Hengxin Iron Tower Co., Ltd.	PRC	50,000	**100%**	100%	Manufacturing
內蒙古恒潤新能源有限責任公司# Inner Mongolia Hengrun New Energy Co., Ltd.	PRC	216,880	**100%**	100%	Wind power generation
包頭市卓越資訊技術諮詢有限責任公司# Baotou Zhuoyue Information Technology Consulting Co., Ltd*(Note b)	PRC	300	**100%**	67%	Information technology
內蒙古華建置業有限公司# Inner Mongolia Huajian Property Co., Ltd.	PRC	30,010	**100%**	100%	Real estate development
包頭市華安電建試驗檢測技術有限責任公司# Baotou Huaan Electric Construction Test and Detection Technology Co., Ltd.	PRC	200	**100%**	100%	Inspection services

43. PARTICULARS OF SUBSIDIARIES — Continued

Name of subsidiary	Place of establishment	Paid up registered capital RMB'000	Equity interests attributable to the Group At December 31, 2017	2016	Principal activities
包頭市銀隆建材城有限責任公司# Baotou Silver Long Building Materials Co., Ltd.	PRC	400	**100%**	100%	House leasing
鄂爾多斯市蒙能建物產有限公司# Ordos Mongolia Power Construction Co., Ltd.*	PRC	–	**100%**	100%	Trading of petroleum, coal, metal and chemical products
能建(上海)物產有限公司# Power Construction (Shanghai) Products Co., Ltd.*	PRC	–	**100%**	100%	Trading of petroleum, coal, metal and chemical products
蒙能建國際貿易(天津)有限公司# Mongolia Power Construction International Trade (Tianjin) Co., Ltd.*	PRC	–	**–**	100%	Trading of petroleum, coal, metal and chemical products
蒙能建石油化工(大連)有限公司# Mongolia Power Construction Petrochemical (Dalian) Co., Ltd.*	PRC	9,000	**100%**	100%	Trading of petroleum, coal, metal and chemical products
烏海市蒙能建物產化工有限公司# Wuhai Mongolia Power Construction Products Chemical Co. Ltd.*	PRC	–	**100%**	100%	Trading of petroleum, coal, metal and chemical products

43. PARTICULARS OF SUBSIDIARIES — Continued

Name of subsidiary	Place of establishment	Paid up registered capital	Equity interests attributable to the Group At December 31, 2017	2016	Principal activities
		RMB'000			
內蒙古電建集團第一建設工程有限責任公司# Inner Mongolia Electric Power Construction Group No.1 Construction Engineering Co., Ltd.*	PRC	–	**100%**	100%	Construction
內蒙古電建集團第三建設工程有限責任公司# Inner Mongolia Electric Power Construction Group No.3 Construction Engineering Co., Ltd.*	PRC	–	**–**	100%	Construction
內蒙古能源科研技術中心有限公司 Inner Mongolia Energy Research and Technology Center Co., Ltd.* (Note c)	PRC	1,000	**100%**	–	Consulting
國電烏拉特前旗光伏發電有限公司# Guodian Alate Front Banner PV Power Limited Company* (Note c)	PRC	90,000	**98.87%**	–	Power generation
阿拉善右旗中電科新能源發展有限公司# Alxa Youqi China Electrics Technology New Energy Development Limited Company* (Note c)	PRC	18,000	**100%**	–	Power generation
內蒙古能建工程管理服務有限公司 Inner Mongolia Construction Engineering Management Service Co., Ltd.* (Note c)	PRC	–	**100%**	–	Consulting

All subsidiaries above are limited liability companies established in the PRC.

* English name for identification only.

Except for these subsidiaries which were indirectly held, the other subsidiaries listed above were directly held by the Company.

43. PARTICULARS OF SUBSIDIARIES — Continued

Notes:

(a) Certain of the equity interests in these subsidiaries at December 31, 2016 were held by their labor unions and employee shareholding committees. Considering the Guidance of Standardization of State Owned Enterprise Employee Shareholdings and Investment (Guo Zi Fa Gai Ge No.[2008] 139) issued by SASAC and the Guidance of Accounting Treatment of Payroll Balance During the Reformation of the State Owned Enterprises (Cai Qi Ban No.[2006] 23) issued by Ministry of Finance, as well as a clarification issued by Inner Mongolia SASAC on August 8, 2016 that such labor union and employee shareholding should be regarded as state-owned and managed by Inner Mongolia SASAC, therefore the Directors consider that the entire beneficial interest of these equity interests were attributable to the Group pursuant to the Reorganization. Accordingly, these subsidiaries were regarded as wholly owned as at December 31, 2016. The legal ownership of the entire equity interests had been transferred to the Group as at May 31, 2016.

(b) This subsidiary was acquired by the Group in 2016.

(c) Certain subsidiaries were acquired by the Group in 2017.

The above table lists the principal subsidiaries of the Company which, in the opinion of the Directors, principally affect the results and net assets of the Group. To give full details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

In addition to the principal subsidiaries disclosed above, at the end of the year, the Group has other subsidiaries that are not material to the Group. These subsidiaries were inactive and did not generate any revenue during the years, which are summarized as follows:

		Number of subsidiaries	
Principal activities to be carried out	Principal place of business	**At December 31, 2017**	At December 31, 2016
Manufacturing	Inner Mongolia	**2**	3
Power generation	Inner Mongolia	**9**	8
Trading of petroleum, coal, metal and chemical products	Beijing etc.	**4**	5
Consulting	Inner Mongolia	**2**	1
Investment holding	Inner Mongolia	**10**	10
Inspection services	Inner Mongolia	**1**	1
Construction	Inner Mongolia	**1**	2
		29	30

The Group had 4 non-wholly owned subsidiaries as at December 31, 2017 (2016: 4 non-wholly owned subsidiaries). Their non-controlling interests is immaterial individually and in aggregate to the Group.

44. EVENTS AFTER THE REPORTING PERIOD

On February 12, 2018, The Company and Huadian Inner Mongolia Energy Co., Ltd. ("IM Huadian") entered into a joint venture agreement, pursuant to which the Company and IM Huadian have agreed to set up the Joint Venture in which the Company and IM Huadian will hold 49% and 51% equity interest, respectively. By the way of forming the Joint Venture with IM Huadian, the Company can cooperate with IM Huadian in development of Helin Power Station. Helin Power Station is located in Helingeer New District, a development district under construction. Helin Power Station is a new project under the central government policy of "replacement of low capacity by high capacity". Two 66 MW supercritical indirect air-cooling units will be installed for the phase I of the project. The Company has paid to joint venture RMB150,000,000 as injection.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**21,123**	20,785
Intangible assets	**1,815**	1,860
Investments in subsidiaries	**2,726,580**	2,716,580
Loans to subsidiaries	**1,150,000**	1,500,000
	3,899,518	4,239,225
CURRENT ASSETS		
Trade and bills receivables	**20,960**	5,557
Prepayments, deposits and other receivables	**2,448,358**	792,392
Cash and cash equivalents	**1,328,788**	206,376
	3,798,106	1,004,325
CURRENT LIABILITIES		
Trade payables	**1,497**	1,734
Other payables and accruals	**319,419**	560,720
Bank and other borrowings	**1,974,500**	210,000
Dividends payables	**8,579**	—
Defined benefit obligations (current)	**10**	—
	2,304,005	772,454
NET CURRENT ASSETS	**1,494,101**	231,871
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,393,619**	4,471,096

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — Continued

	At December 31, 2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES		
Bank borrowings	**1,323,500**	1,390,000
Defined benefit obligations	**2,352**	2,447
NET ASSETS	**4,067,767**	3,078,649
Capital and reserves		
Issued share capital	**2,846,861**	2,100,000
Reserves	**1,220,906**	978,649
TOTAL EQUITY	**4,067,767**	3,078,649

Movements in the Company's equity

	Issued share capital RMB'000	Reserves RMB'000	Total RMB'000
At January 1, 2017	**2,100,000**	**978,649**	**3,078,649**
Ordinary shares issued	**746,861**	**249,297**	**996,158**
Share issue expenses	**—**	**(39,514)**	**(39,514)**
Total comprehensive income for the year	**—**	**720,836**	**720,836**
Dividends distribution	**—**	**(688,362)**	**(688,362)**
At December 31, 2017	**2,846,861**	**1,220,906**	**4,067,767**

Definitions

"Articles of Association"	the Articles of Association of the Company
"Supervisory Committee"	the Supervisory Committee of the Company
"Company Law"	the Company Law of the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Company", "our Company", "we" or "us"	Inner Mongolia Energy Engineering Co., Ltd., a joint stock company with limited liability incorporated in PRC
"Supervisor(s)"	supervisor(s) of our Company
"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
"Global Offering"	has the same meaning ascribed thereto in the Prospectus
"Group" or "our Group"	the Company and its subsidiaries from time to time
"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
"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 of our Company, and thus a connected person of our Company
"Report Date"	March 28, 2018
"Reporting Period"	the year ended December 31, 2017

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"China" or "PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated June 30, 2017
"RMB"	Renminbi, the lawful currency of the PRC
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"share(s)"	the shares of the Company including domestic shares and H shares
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited