中国能建
ENERGY CHINA


INTERIM REPORT 2018

# The BELT AND ROAD BRINGING ENERGY TO THE WORLD

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

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

# Contents

# Company Information

## Company Information

Chinese Name: 中國能源建設股份有限公司
English Name: China Energy Engineering Corporation Limited
Registered Office: Building 106, Lize Zhongyuan, Chaoyang District, Beijing, the PRC
Head Office in the PRC: Building 1, No. 26 West Dawang Road, Chaoyang District, Beijing, the PRC
Principal Place of Business in Hong Kong: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company's Website: www.ceec.net.cn
Tel.: +86 (10)59098818
Fax: +86 (10)59098711
E-mail: zgnj3996@ceec.net.cn

## Stock Information of the Company

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

## Executive Directors

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

## Non-Executive Directors

Mr. Ma Chuanjing
Mr. Liu Xueshi
Mr. Si Xinbo

## Independent Non-Executive Directors

Mr. Ding Yuanchen
Mr. Wang Bin (passed away in August 2018)
Mr. Zheng Qiyu
Mr. Cheung Yuk Ming

## Supervisors

Mr. Wang Zengyong *(Chairman)*
Mr. Lian Yongjiu (resigned on 14 June 2018)
Mr. Fu Dexiang
Mr. Wei Zhongxin
Mr. Li Fangyi (appointed on 14 June 2018)
Mr. Kan Zhen

## Authorized Representatives

Mr. Wang Jianping
Mr. Duan Qiurong

## Strategy Committee

Mr. Wang Jianping *(Chairman)*
Mr. Ding Yanzhang
Mr. Ma Chuanjing
Mr. Si Xinbo

## Nomination Committee

Mr. Wang Jianping *(Chairman)*
Mr. Wang Bin (passed away in August 2018)
Mr. Cheung Yuk Ming

## Remuneration and Assessment Committee

Mr. Zheng Qiyu *(Chairman)*
Mr. Wang Bin (passed away in August 2018)
Mr. Cheung Yuk Ming
Mr. Liu Xueshi

## Audit Committee

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

## Joint Company Secretaries

Mr. Duan Qiurong
Ms. Mok Ming Wai

## H Share Registrar

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

## International Auditor

KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

## Legal Advisers

As to Hong Kong and U.S. Laws: Clifford Chance
27/F, Jardine House, One Connaught Place, Central, Hong Kong
As to PRC Law: Jia Yuan Law Offices
Room F407, Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC

## Principal Bankers

China Construction Bank Beijing Jin'an Sub-branch
China Everbright Bank Beijing Fengtai Sub-branch

# Financial Summary

## 1 Summary of Condensed Consolidated Statement of Profit or Loss

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2018 (RMB in million)** | 2017 (RMB in million) | Changes of 2018 over 2017 (%) |
| Revenue: | | | |
| Survey, design and consulting services | **4,853.5** | 5,826.7 | (16.70) |
| Construction and contracting | **74,771.6** | 76,181.5 | (1.85) |
| Equipment manufacturing | **4,298.3** | 4,006.6 | 7.28 |
| Civil explosives and cement production | **4,851.2** | 4,528.8 | 7.12 |
| Investment and other businesses | **17,973.6** | 20,094.7 | (10.56) |
| Inter-segment elimination and adjustment | **(5,228.1)** | (4,590.8) | – |
| Total | **101,520.1** | 106,047.5 | (4.27) |
| Gross profit | **12,554.4** | 11,739.2 | 6.94 |
| Profit before taxation | **5,640.1** | 5,282.1 | 6.78 |
| Profit for the period | **4,179.6** | 3,942.5 | 6.01 |
| Profit for the period attributable to equity shareholders of the Company | **2,292.9** | 2,259.2 | 1.49 |
| Basic and diluted earnings per share (RMB cents) | **7.70** | 7.55 | 1.99 |

## 2 Summary of Condensed Consolidated Statement of Financial Position

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) | Changes of 30 June 2018 over 31 December 2017 (%) |
|---|---|---|---|
| Current assets | **258,592.0** | 242,329.4 | 6.71 |
| Non-current assets | **115,380.7** | 101,557.7 | 13.61 |
| Total assets | **373,972.7** | 343,887.1 | 8.75 |
| Current liabilities | **210,489.6** | 204,337.1 | 3.01 |
| Non-current liabilities | **71,771.4** | 59,694.3 | 20.23 |
| Total liabilities | **282,261.0** | 264,031.4 | 6.90 |
| Total equity | **91,711.6** | 79,855.7 | 14.85 |
| Total equity and liabilities | **373,972.7** | 343,887.1 | 8.75 |

# Management Discussion and Analysis

## 1 Overview of Industry Development

Fixed asset investment. In the first half of 2018, fixed asset investment in China grew steadily, and the investment structure continued to be optimized, but the growth rate of infrastructure investment declined. The investment in fixed assets (excluding rural households) amounted to RMB29.73 trillion, representing a year-on-year growth of 6%. Infrastructure investment (excluding power, thermal power, gas and water production and supply) reached a year-on-year growth of 7.3%, among which, water conservancy management investment increased by 0.4%, public facility management investment increased by 5.8%, road transport investment increased by 10.9% and railway transport investment decreased by 10.3%.

Construction industry. In the first half of 2018, construction industry in China showed a steady and rising trend, achieving a total output value of RMB9.48 trillion, representing a year-on-year increase of 10.4%. The growth rate was basically the same as that of the previous year. The enterprises' contract value on hands reached RMB33.53 trillion, representing a year-on-year increase of 16.2%, among which, the value of newly-signed contracts for the year was RMB11.74 trillion, representing a year-on-year increase of 9.6%.

Power industry. In the first half of 2018, the national power consumption increased rapidly. The supply and demand of electricity in China was generally loose. Completed investment in power generation and power grid projects has declined. The national power consumption in China was 3,229.1 billion KWh, representing a year-on-year increase of 9.4% and a year-on-year increase of 3.1 percentage points in growth rate. The power generation projects of major power enterprises in China completed an investment of RMB97 billion, representing a year-on-year decrease of 7.3%, among which, the hydropower investment reached RMB22.3 billion, representing a year-on-year increase of 4.1%; the fossil-fuel investment reached RMB29.5 billion, representing a year-on-year decrease of 5.5%; the nuclear power investment reached RMB20.4 billion, representing a year-on-year increase of 11.6%; the wind power investment reached RMB19.0 billion, representing a year-on-year decrease of 7.8%. Power grid projects in China completed an investment of RMB203.6 billion, representing a year-on-year decrease of 15.1%.

Overseas contracting. According to the statistics of the Ministry of Commerce, in the first half of 2018, the turnover of China's overseas contracting projects business reached RMB463.56 billion, representing a year-on-year growth of 0.3% (equivalent to USD72.76 billion, representing a year-on-year increase of 8.1%). The value of newly signed contracts reached RMB680.05 billion, representing a year-on-year decrease of 20% (equivalent to USD106.74 billion, representing a year-on-year decrease of 13.8%). Although the value of newly signed contracts has decreased year-on-year, there are more new large-scale contracts. The value of newly signed contracts more than USD50.00 million accounted for 84.8% of the total value of new contracts, which has a significant effect on pomoting export. In the first half of 2018, Chinese enterprises signed 1,922 new contracts for overseas contracting projects in 61 countries along the "One Belt and One Road". The value of newly signed contracts reached USD47.79 billion, accounting for 44.8% of the total value of newly signed contracts for overseas contracting projects during the same period in China, representing a year-on-year decrease of 33.1%. The completed turnover reached USD38.95 billion, accounting for 53.5% of the total turnover for the same period, with a year-on-year increase of 17.8%.

Cement industry. In the first half of 2018, the total cement production in China amounted to 0.997 billion tonnes, representing a year-on-year decrease of 0.6%. The price of cement increased year-on-year, the supply and demand relationship in market continued to improve, the industry maintained low inventory operations, and the efficiency level and profit level of the industry maintained relatively rapid growth.

Management Discussion and Analysis

## 1 Overview of Industry Development *(Continued)*

Civil explosives industry. According to the statistics of the China Explosive Materials Trade Association (中國爆破器材行業協會), in 2017, the gross production value of the production enterprises in the civil explosives industry ended the three-year losing streak since 2014 and bottomed out. The total profit of the civil explosives industry also achieved a leap, and the production and sales of industrial explosives and industrial detonators rebounded year-on-year.

Real estate industry. In the first half of 2018, the domestic investment for real estate development amounted to RMB5.55 trillion, representing a year-on-year nominal growth of 9.7%. New construction area, the total gross floor area of sold commodity properties, sales of commodity properties, the capital available for real estate development enterprises and other indicators for real estate industry continued to go up, and real estate market is relatively steady.

## 2 Business Review

The Company is a comprehensive service provider engaged in construction project planning and consultancy, survey and design, construction and contracting, equipment manufacturing and investment operations, and is one of the largest integrated solution providers in the power industry both at home and abroad. The Company aimed to become a "scientific, managerial, international, and diversified" engineering company with international competitiveness.

In the first half of 2018, the Company seized the opportunities of sustainable domestic and international economic development, conscientiously implemented the decisions and deployments of the State-owned Assets Supervision and Administration Commission, actively responded to the complex economic situation and fierce market competition, and strictly implemented the spirit of the Company's 2018 work meeting and the deployments of series of key works. Besides, the Company adhered to high-quality development and large-scale transformation, closely followed the production and operation center, and strive to accelerate transformation, expand operations, strengthen management, and innovate development. The Company's various tasks have been carried out in a solid manner, and the main operational indicators have maintained a good momentum of "steady progress".

In the first half of 2018, the Company actively responded to the impact of factors such as the deep adjustment of traditional markets, the development of new business model markets in scale such as PPP, and the improvement of project financing requirements, and strived to build a "Large Construction and Installation" pattern. The power business and the non-power business, the traditional business and the emerging business were carried out simultaneously, and transformation in domestic business and priority development in international business were carried out simultaneously. The value of newly-signed contracts amounted to RMB257.833 billion, representing a year-on-year increase of 2.59%, among which, the value of newly-signed domestic contracts amounted to RMB167.798 billion, representing a year-on-year decrease of 1.86%, accounting for 65.08% of the total new contract value of the Company; the value of newly-signed overseas contracts amounted to RMB90.035 billion, representing a year-on-year increase of 12.06%, accounting for 34.92% of the total new contract value of the Company.

## 2 Business Review *(Continued)*

In the domestic power business, with the accelerated development of clean and low-carbon business in the energy sector, new energy construction has maintained rapid growth, coal-fired power has accelerated clean-up transformation, gas power has developed rapidly, and the focus of power grid construction has gradually shifted to medium-voltage and low-voltage distribution networks and smart power grid. In the first half of 2018, the Company actively adapted to the latest developments in power business, and seized the domestic fossil-fuel, new energy and power grid construction market to the maximum extent. Although affected by policies such as coal voltage reduction and photovoltaic new policies, the value of newly-signed contracts of domestic power business achieved RMB73.55 billion, representing a year-on-year decrease of 30.82%, accounting for 28.53% of the total new contract value of the Company. The Company maintained its leading position in the domestic power construction market. The Company has signed a number of representative power project contracts such as Shanxi Yuxian Power Plant (山西盂縣電廠), Shaanxi Hanjiang Baihe Hydropower Station (陝西漢江白河水電站), Guangdong CGN Yangjiang Nanpeng Island 400MW Offshore Wind Power (廣東中廣核陽江南鵬島400兆瓦海上風電), Inner Mongolia Guohong Xingfu Wind Farm (內蒙國宏幸福風電場) and Yunnan Renhe Switch Station (雲南仁和開關站).

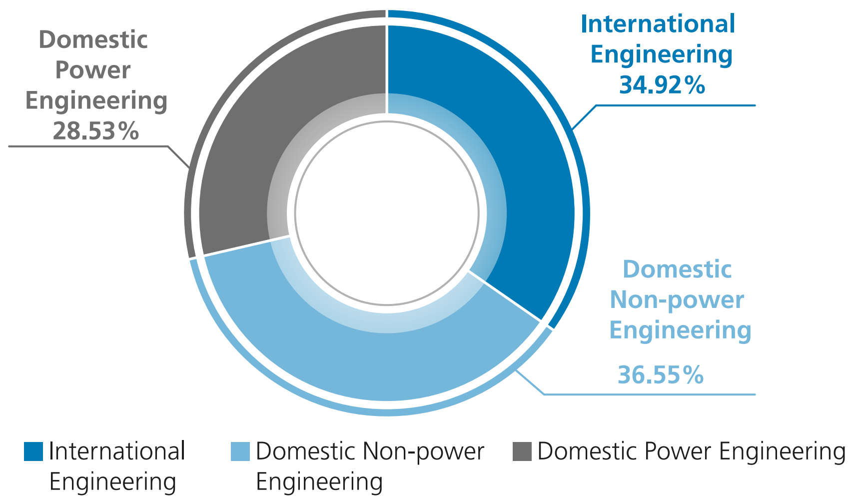
In terms of domestic non-power business, the Company strengthened market development and overall management, focusing on promoting the development of Xiong'an New District, military-civilian integration, Yangtze River protection, and market development in Guangdong-Hong Kong-Macau Greater Bay Area. The Company seized opportunities in markets like domestic highways, urban railway system, environmental protection, urban complex and housing construction, and cultivated and obtained more substantive projects. In the first half of 2018, the business transformation of the Company's non-power engineering achieved positive progress, the value of newly-signed contracts amounted to RMB94.248 billion, representing a year-on-year increase of 45.74%, accounting for 36.55% of total new contract value of the Company. The newly signed major non-power projects include Yangliu to Xuanwei Expressway in Yunnan Province, Metro Line No. 14 in Shaanxi Xi'an and PPP project in Anhui Taihu Economic Development Zone, among which, the value of newly-signed contracts in the business of new business model amounted to RMB81.512 billion, representing a year-on-year increase of 61.39%.

In terms of international business, the Company promoted the thorough implementation of the strategy of developing international business as a priority, deepened the development in markets along the "One Belt and One Road". By virtue of its advantage of the whole industry chain and full-life-cycle service capability, the Company developed the international market, optimized the overseas market layout, strengthened international business risk prevention and control and foreign-related emergency management, and achieved sound and rapid development of international business. In the first half of 2018, the value of newly-signed international contracts amounted to RMB90.035 billion, representing a year-on-year increase of 12.06%, accounting for 34.92% of the total new contract value of the Company, among which, the value of newly-signed contracts of the international power projects amounted to RMB75.513 billion, representing a year-on-year increase of 38.71%; the value of newly-signed contracts of international general contracting projects amounted to RMB85.989 billion, representing a year-on-year increase of 16.10%. The Company kept up with the "One Belt and One Road" initiative, and achieved contract value of RMB61.084 billion in the "One Belt and One Road" countries, representing a year-on-year increase of 55.17%. The Company signed contracts for general contracting projects, including the first phase of coal-fired power stations in Nanding Vietnam (越南南定一期燃煤電站), the Palawan Joint Loop Power Station in the Philippines (菲律賓帕拉維格聯合循環電站) and the Odessa Garbage Power Station in Ukraine (烏克蘭敖德薩垃圾電站), further consolidating the leading position of the Company in the international power engineering general contracting market.

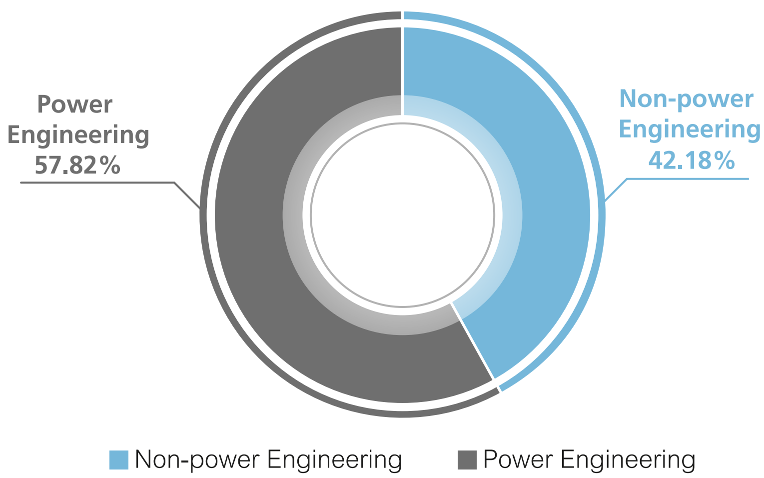
## 2 Business Review *(Continued)*

As of 30 June 2018, the outstanding contract value of the Company was RMB1,151.982 billion, representing an increase of 8.30% as compared to that of the end of 2017.

**Newly-signed Contract Composition in the First Half of 2018 (Figure 1)**




**Newly-signed Contract Composition in the First Half of 2018 (Figure 2)**



## 2 Business Review *(Continued)*

### 2.1 Survey, Design and Consulting Services Business

In the first half of 2018, the value of newly-signed contracts of survey, design and consulting services business was RMB6.237 billion, representing a year-on-year decrease of 4.32%, accounting for 2.42% of total new contract value of the Company, among which, the value of newly-signed contracts of fossil-fuel, new energy, non-power engineering, nuclear power were RMB1.773 billion, RMB0.796 billion, RMB0.518 billion, RMB0.344 billion, respectively, representing a year-on-year increase of 5.93%, 46.73%, 34.07%, 358.67% respectively; the value of newly-signed contracts of power transformation and transmission and hydropower business were RMB2.734 billion and RMB0.072 billion, respectively, representing a year-on-year decrease of 20.25% and 82.56% respectively.

In the first half of 2018, the Company increased its efforts in scientific and technological innovation, enhanced its market competitiveness, and focused on market developments of large-capacity USC units, new energy, ultra-high voltage power transmission and transformation projects, smart grid and other advantageous businesses. Besides, the Company consolidated its leading position in the domestic and international markets for its high-end business of survey and design. However, affected by the domestic regulatory policies on coal-fired power and reduced investments in power grid, the value of newly-signed contracts of survey, design and consulting services business declined slightly, among which, following the further optimization and adjustment of China's power structure, the Company seized the opportunities of rapid development of gas power and wind power, and the value of newly-signed contracts of fossil-fuel and new energy business realized growth; affected by factors such as the reduction of tenders during the same period of domestic UHV power transformation and transmission projects, the value of newly-signed contracts of the power transformation and transmission business decreased significantly; the business scale of hydropower and nuclear power is relatively small, and the periodic fluctuations in the value of its newly-signed contracts are normal. The Company actively expands the development in markets such as property construction, comprehensive underground pipe gallery and urban rail transit, and the value of newly-signed contracts of non-power engineering survey and design grows rapidly.

As of 30 June 2018, the outstanding contract value of survey, design and consulting business was RMB24.229 billion, representing an increase of 1.74% as compared to that of the end of 2017.

## 2 Business Review *(Continued)*

### 2.2 Construction and Contracting Business

In the first half of 2018, the value of newly signed contracts of construction and contracting business amounted to RMB246.109 billion, representing a year-on-year increase of 3.20%, and accounting for 95.45% of the total new contract value of the Company, among which, the value of newly-signed contracts of the non-power engineering and new energy business were RMB108.230 billion and RMB39.919 billion respectively, representing a year-on-year increase of 17.74% and 11.98% respectively. The value of newly-signed contracts of the fossil-fuel power, hydropower, power transformation and transmission and nuclear power businesses were RMB70.535 billion, RMB20.214 billion, RMB6.867 billion, RMB0.344 billion respectively, representing a year-on-year decrease of 3.94%, 18.80%, 27.76% and 88.79% respectively.

In the first half of 2018, the fixed asset investment in China maintained a large scale and a certain growth rate, which provided room for growth in the Company's development of construction and contracting business. The Company accelerated its business transformation, actively adapted to the new direction of domestic power and energy development, and seized new opportunities in the upgrading and transformation of power projects and new opportunities in the non-power engineering market. The value of newly-signed contracts for domestic construction and contracting business reached RMB157.249 billion, which was basically the same as the same period of last year. The Company actively grasped the new changes in the international market, and catered for strategic opportunities of "One Belt and One Road", international capacity cooperation, and integration and interconnection of the surrounding infrastructure, and deepened and specialized in developing key country markets and created a new impetus for the continued growth of international business. Overseas construction and contracting business continued to maintain rapid growth, with the value of newly-signed contracts achieving RMB88.86 billion, representing a year-on-year increase of 12.69%.

As renewable energy and decentralized energy in China have been vigorously developed, the new contract amount of the new energy construction business of the Company has maintained a growing trend, and the value of newly-signed contracts amounted to RMB39.919 billion, representing a year-on-year increase of 11.98%, the growth rate increased by 7.48 percentage points, accounting for 16.22% of the new contract amount of construction and contracting business of the Company. The new contract amount of the non-power construction business was RMB108.230 billion, representing a year-on-year increase of 17.74%, accounting for 43.98% of the Company's new construction contract value. Affected by the impact of domestic power structure adjustment, reduced investment in power generation and power grid projects, the value of newly signed contracts of the Company's fossil-fuel power, hydropower, power transformation and transmission business decreased on a year-on-year basis, accounting for 28.66%, 8.21% and 2.79% of the new contract amount of construction and contracting business of the Company, respectively. The business scale of the construction of nuclear power projects is relatively small, and its amount of newly signed contracts is relatively prone to periodic fluctuations.

As of 30 June 2018, the outstanding contract value of construction and contracting business of the Company was RMB1,117.047 billion, representing an increase of 8.52% as compared to that of the end of 2017.

## 2 Business Review *(Continued)*

### 2.3 Equipment Manufacturing Business

In the first half of 2018, the new contract amount of the equipment manufacturing business was RMB5.487 billion, representing a year-on-year decrease of 13.40%, accounting for 2.13% of the new contract amount of the Company. The Company actively extended industrial chain and expanded production service market scale, striving to stabilize traditional market share by effective measures such as prioritizing international business, developing non-power business in an innovative manner and strengthening internal collaboration within group, and consolidated dominant position in niche markets including power station auxiliary equipment, power grid equipment, distributed energy equipment and energy saving equipment, metal structures, etc. However, subject to various policy factors such as the domestic regulatory policies on coal-fired power of the new-commenced capacity and adjustment to the investment structure of power grid, its new contract amount decreased on a year-on-year basis.

As of 30 June 2018, the outstanding contract value of the equipment manufacturing business of the Company was RMB10.706 billion, representing an increase of 1.76% as compared to that of the end of 2017.

### 2.4 Civil Explosive and Cement Production Business

In the first half of 2018, the civil explosive business of the Company insisted on optimizing business structure and extending industrial chain, whereby its core market position on the civil explosive integration has been further consolidated and the market share was stably increased. The Company actively expanded civil explosive related business and developed gravel aggregate business rapidly. The objectives and path for emerging business and new products breakthrough became more clear. The Company sped up the internationalization process, stably stepped into international markets such as Africa and Southeast Asia, deepened the development of existing overseas market and expanded development pattern. The projects including Saindak, Pakistan and Kuwait South Mutlaa, has successfully conducted "first explosion". During the Reporting Period, the industrial explosives production and explosive engineering amount increased by 18.00% and 34.00% respectively on a year-on-year basis, suggesting that business transformation and upgrade produced remarkable results.

In the first half of 2018, the Company entered into strategic cooperation agreements with several enterprises to effectively expand the cement supply business for major projects. The cement production business improved cost control capability and the production energy consumption indexes such as raw coal consumption for clinker production and electricity consumption of clinker production decreased in different degrees. The refined management level was increasingly improved. The collaborative disposal of wastes by cement kiln project was in normal operation and the business planning for the collaborative disposal of dangerous and wastes by cement kiln was completed. The international cement business was promoted stably, and the project of Kazakhstan Heli Clinker Cement Production Line with Daily Output of 2,500 Tonnes was under construction. During the Reporting Period, sales of goods of the Company amounted to 10,260,000 tonnes, representing a year-on-year decrease of 6.39%, including 9,480,000 tonnes of cement and 780,000 tonnes of clinker. The sales of commodity concrete amounted to 730,000 cubic metres, representing a year-on-year decrease of 1.35% and the sales of aggregates amounted 2,630,000 tonnes, representing a year-on-year increase of 24.06%. The cement production business achieved a rapid growth by a series of measures including expanding market, lowering costs and improving efficiency.

## 2 Business Review *(Continued)*

### 2.5 Investment and Other Businesses

In the first half of 2018, the Company strengthened the development of investment strategy control system, optimized investment development deployment, enhanced investment risk prevention and control and process supervision. With the focus on investment on principal businesses, the Company stepped up investments on such areas as environmental protection and water supply, real estate, power and expressway operations. The operation and maintenance were strengthened, and the role of the development of principal businesses driven by investments was further enhanced.

In the first half of 2018, the Company conducted its investment deployment in sectors such as utilization of recycled resources, hydro-environment governance, sewage and sludge treatment, new style road materials and solid waste treatment, and intensified the cultivation of environmental protection business development to extend existing business to deep processing continuously, formed the recycling, treatment, processing and utilization system of renewable resources nationwide, and continuously improved technological level of environmental protection and water supply as well as industry value. Among which, renewable resources business covers areas such as utilization of recycled resources, new environmental materials, resources utilization of solid waste. With the rapid development of hydro-environment governance and sewage and sludge treatment business, the Company mastered a number of core technologies including thermally induced phase separation filming and soil stabilizer, and the progress of the projects such as comprehensive treatment of the Hydro environment of Jingmen Zhupi River Watersheds and Tangshan Fengnan Sea Mud Solidification Projects went smoothly. With a focus on integrated services for new environmental materials, the road materials business vigorously promoted the research and development and application of new materials and new technologies.

In the first half of 2018, the water supply business of the Company has 57 water supply plants with water treatment scale of 3 million tonnes per day, more than 1,000 km of pipelines network and 34 pump stations, located in more than ten provinces, cities and autonomous regions. The Company actively developed international water supply projects in Brazil, Saudi Arabia, etc., and completed acquisition of 100% equity interests in San Noronso Water project. During the Reporting Period, the Company's water supply plants were smoothly operated and achieved good governance effect.

In the first half of 2018, the Company insisted on actively and soundly developing the real estate business. The area of the newly increased interest in land reserve was 89,400 square metres; the area (calculated from plot ratio) of corresponding interest in land reserve was 168,100 square metres; the gross area of newly commenced work was 513,600 square metres; the gross area of completed projects was 34,200 square metres; the area of interest in works in progress of projects under construction was 2,985,000 square metres; the sales area was 304,400 square metres; the sales amount of contracts was RMB6.313 billion.

In the first half of 2018, the installed capacity of grid-connection controlled by the power generation operation business of the Company amounted to 2,055.5 MW, the power generation capacity increased by 11.50% on a year-on-year basis, and the sales of electricity increased by 11.53% on a year-on-year basis. The total mileage of highways operated by the Company was 456 kilometers, including G55 (Xiangyang-Jingzhou section), G45 (Hubei Macheng -Xishui section), Sichuan Neijiang-Suining expressway and Shandong Jitai expressway connection, etc., the operations of which were in good condition and the traffic flow grew significantly on a year-on-year basis.

## 3 Consolidated Operating Results

### 3.1 Revenue

For the six months ended 30 June 2018, the revenue amounted to RMB101,520.1 million, representing a decrease of 4.27% as compared to RMB106,047.5 million for the corresponding period of 2017. The decrease in revenue was mainly due to the decrease in business volumes of both the construction and contracting segment and the environmental business of the investment segment.

### 3.2 Cost of Sales and Gross Profit

For the six months ended 30 June 2018, the cost of sales amounted to RMB88,965.7 million, representing a decrease of 5.66% as compared to RMB94,308.2 million for the corresponding period of 2017. The decrease in the cost of sales was more than the decrease of revenue.

For the six months ended 30 June 2018, the gross profit amounted to RMB12,554.4 million, representing an increase of 6.94% as compared to RMB11,739.2 million for the corresponding period of 2017. The increase in gross profit was mainly due to the increase in proportion of revenue of non-power business and the increase in average selling price of real estate business and in selling price of cement business.

### 3.3 Selling Expenses

For the six months ended 30 June 2018, the selling expenses amounted to RMB1,029.7 million, representing an increase of 8.88% as compared to RMB945.7 million for the corresponding period of 2017. The increase in selling expenses was mainly due to the increase in sales service fee in line with the increases in sales agency of cement business and the selling and advertising activities of real estate business.

### 3.4 Administrative Expenses

For the six months ended 30 June 2018, the administrative expenses amounted to RMB5,045.5 million, representing an increase of 7.67% as compared to RMB4,686.2 million for the corresponding period of 2017. The increase in administrative expenses was mainly due to the increase in salary and overseas business consultancy fees.

### 3.5 Finance Expenses

For the six months ended 30 June 2018, the finance expenses amounted to RMB1,713.2 million, representing an increase of 26.16% as compared to RMB1,358.0 million for the corresponding period of 2017. The increase in finance expenses was mainly due to the increase in total liabilities of the Company.

## 4 Operating Results by Segments

| | Conditions of industry segments of principal businesses (For the six months ended 30 June) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2018** | | | 2017 | | | Increase or decrease as compared with last year (%)/(percentage points) | | |
| Industry segments | **Revenue** | **Cost of sales** | **Gross profit margin** | Revenue | Cost of sales | Gross profit margin | Revenue | Cost of sales | Gross profit margin |
| | **(RMB in million)** | | **(%)** | (RMB in million) | | | | | |
| Survey, design and consulting services | **4,853.5** | **3,175.3** | **34.58** | 5,826.7 | 3,277.9 | 43.74 | (16.70) | (3.13) | (9.16) |
| Construction and contracting | **74,771.6** | **69,099.9** | **7.59** | 76,181.5 | 70,557.9 | 7.38 | (1.85) | (2.07) | 0.21 |
| Equipment manufacturing | **4,298.3** | **3,787.3** | **11.89** | 4,006.6 | 3,410.2 | 14.89 | 7.28 | 11.06 | (3.00) |
| Civil explosives and cement production | **4,851.2** | **3,250.1** | **33.00** | 4,528.8 | 3,282.0 | 27.53 | 7.12 | (0.97) | 5.47 |
| Investment and other businesses | **17,973.6** | **14,970.3** | **16.71** | 20,094.7 | 18,213.2 | 9.36 | (10.56) | (17.81) | 7.35 |
| Inter-segment elimination(1) | **(5,228.1)** | **(5,317.7)** | **–** | (4,590.8) | (4,433.2) | – | – | – | – |
| Unallocated items(2) | **–** | **0.5** | **–** | – | 0.2 | – | – | – | – |
| Total | **101,520.1** | **88,965.7** | **12.37** | 106,047.5 | 94,308.2 | 11.07 | (4.27) | (5.66) | 1.30 |

Notes:

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

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

### 4.1 Survey, Design and Consulting Services Business

For the six months ended 30 June 2018, the revenue before inter-segment elimination of survey, design and consulting services business amounted to RMB4,853.5 million, representing a decrease of RMB973.2 million, or 16.70% as compared to RMB5,826.7 million for the corresponding period of 2017, mainly due to the decrease in volume of thermal power business of this segment affected by the regulation policies on the coal-fired power in the PRC.

For the six months ended 30 June 2018, the cost of sales before inter-segment elimination of survey, design and consulting services business amounted to RMB3,175.3 million, representing a decrease of RMB102.6 million or 3.13% as compared to RMB3,277.9 million for the corresponding period of 2017 and a lower extent of decrease of revenue than that of the corresponding period, mainly due to the increase in labour cost, etc.

For the six months ended 30 June 2018, the gross profit before inter-segment elimination of survey, design and consulting services business amounted to RMB1,678.2 million, representing a decrease of RMB870.6 million or 34.16% as compared to RMB2,548.8 million for the corresponding period of 2017, the gross profit margin was 34.58%, representing a year-on-year decrease, mainly due to the impact of the regulation policies on the coal-fired power in the PRC.

## 4 Operating Results by Segments *(Continued)*

### 4.2 Construction and Contracting Business

For the six months ended 30 June 2018, the revenue before inter-segment elimination of construction and contracting business amounted to RMB74,771.6 million, representing a decrease of RMB1,409.9 million or 1.85% as compared to RMB76,181.5 million for the corresponding period of 2017, mainly due to the decrease in thermal power business affected by the regulation policies on the coal-fired power in the PRC.

For the six months ended 30 June 2018, the cost of sales before inter-segment elimination of construction and contracting business amounted to RMB69,099.9 million, representing a decrease of RMB1,458.0 million or 2.07% as compared to RMB70,557.9 million for the corresponding period of 2017. The decrease in the cost of sales was generally in line with the decrease in revenue.

For the six months ended 30 June 2018, the gross profit before inter-segment elimination of construction and contracting business amounted to RMB5,671.7 million, representing an increase of RMB48.1 million or 0.86% as compared to RMB5,623.6 million for the corresponding period of 2017, and the gross profit margin was 7.59%, which remained stable on a year-on-year basis.

### 4.3 Equipment Manufacturing Business

For the six months ended 30 June 2018, the revenue before inter-segment elimination of equipment manufacturing business amounted to RMB4,298.3 million, representing an increase of RMB291.7 million or 7.28% as compared to RMB4,006.6 million for the corresponding period of 2017, mainly due to the increase in revenue of equipment in the fields of clean energy and others.

For the six months ended 30 June 2018, the cost of sales before inter-segment elimination of equipment manufacturing business amounted to RMB3,787.3 million, representing an increase of RMB377.1 million or 11.06% as compared to RMB3,410.2 million for the corresponding period of 2017, mainly due to the amortisation of fixed costs in line with the decrease in volume of equipment business in various fields of traditional power industry which had a higher proportion.

For the six months ended 30 June 2018, the gross profit before inter-segment elimination of equipment manufacturing business amounted to RMB511.0 million, representing a decrease of RMB85.4 million or 14.32% as compared to RMB596.4 million for the corresponding period of 2017, and the gross profit margin was 11.89%, representing a year-on-year decrease, mainly due to the increase in cost arising from the amortisation of fixed costs.

## 4 Operating Results by Segments *(Continued)*

### 4.4 Civil Explosives and Cement Production Business

For the six months ended 30 June 2018, the revenue before inter-segment elimination of civil explosives and cement production business amounted to RMB4,851.2 million, representing an increase of RMB322.4 million or 7.12% as compared to RMB4,528.8 million for the corresponding period of 2017, mainly due to the rising of selling price of cement.

For the six months ended 30 June 2018, the cost of sales before inter-segment elimination of civil explosives and cement production business amounted to RMB3,250.1 million, representing a decrease of RMB31.9 million or 0.97% as compared to RMB3,282.0 million for the corresponding period of 2017, mainly due to that the extent of decrease in sales volume was slightly higher than that of the increase in raw materials.

For the six months ended 30 June 2018, the gross profit before inter-segment elimination of civil explosives and cement production business amounted to RMB1,601.1 million, representing an increase of RMB354.3 million or 28.42% as compared to RMB1,246.8 million for the corresponding period of 2017, and the gross profit margin was 33.00%, representing a year-on-year growth, mainly due to the year-on-year increase in selling price of cement products.

### 4.5 Investment and Other Businesses

For the six months ended 30 June 2018, the revenue before inter-segment elimination of investment and other businesses amounted to RMB17,973.6 million, representing a decrease of RMB2,121.1 million or 10.56% as compared to RMB20,094.7 million for the corresponding period of 2017, mainly due to the significant decrease in revenue of the real estate business, environmental protection and water supply businesses for this period.

For the six months ended 30 June 2018, the cost of sales before inter-segment elimination of investment and other businesses amounted to RMB14,970.3 million, representing a decrease of RMB3,242.9 million or 17.81% as compared to RMB18,213.2 million for the corresponding period of 2017, mainly due to the improving cost control of environmental protection and water supply segment.

For the six months ended 30 June 2018, the gross profit before inter-segment elimination of investment and other businesses amounted to RMB3,003.3 million, representing an increase of RMB1,121.8 million or 59.62% as compared to RMB1,881.5 million for the corresponding period of 2017, and the gross profit margin was 16.71%, representing a year-on-year increase, mainly due to the intensified cost control in environmental protection and water supply segment and the increase in scrap copper and scrap aluminum recycling business, resulting in the turnaround of gross profit of environmental protection business as a whole.

## 5 Cash Flow

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(RMB in million)** | (RMB in million) |
| Net (used in)/generated from operating activities | **(16,737.2)** | (7,313.6) |
| Net cash (used in)/generated from investing activities | **(7,728.8)** | (1,742.9) |
| Net cash (used in)/generated from financing activities | **20,227.9** | 2,929.4 |
| Net decrease in cash and cash equivalents | **(4,238.1)** | (6,127.1) |
| Cash and cash equivalents at the beginning of the period | **47,699.8** | 46,774.1 |
| Exchange (losses)/gains of cash and cash equivalents | **177.0** | 77.1 |
| Cash and cash equivalents at the end of the period | **43,638.7** | 40,724.1 |

### 5.1 Cash Flow Used in Operating Activities

For the six months ended 30 June 2018, the net cash used in operating activities amounted to RMB16,737.2 million, representing an increase of RMB9,423.6 million or 128.85% as compared to the corresponding period of 2017, mainly due to (i) the increase in properties under development for sale of RMB10,503.6 million resulting from the continual expanding of real estate business; (ii) the combined increase in receivables and contract assets of RMB6,540.3 million due to some projects commencing construction or in construction peak; (iii) income tax paid of RMB2,080.3 million. These cash outflows were partially offset by the increase in contract liabilities of RMB1,374.8 million and the decrease in financial assets held for trading of RMB1,150.0 million.

### 5.2 Cash Flow Used in Investing Activities

For the six months ended 30 June 2018, the net cash used in investing activities amounted to RMB7,728.8 million, representing an increase of RMB5,985.9 million or 343.44% as compared to the corresponding period of 2017, mainly due to (i) payment for the purchase of property, plant and equipment and intangible assets amounting to RMB5,542.2 million; (ii) the increase in three-month term deposit of RMB1,005.7 million; (iii) the capital injection of RMB991.0 million in the associates and joint ventures; (iv) net payment of RMB841.0 million for acquisition of subsidiaries. These cash outflows were partially offset by cash proceeds from disposal of property, plant and equipment amounting to RMB529.2 million.

## 5 Cash Flow *(Continued)*

### 5.3 Cash Flow Generated from Financing Activities

For the six months ended 30 June 2018, the net cash generated from financing activities amounted to RMB20,227.9 million, representing an increase of RMB17,298.5 million or 590.51% as compared to the corresponding period of 2017, mainly due to (i) new bank borrowings and other borrowings of RMB38,560.0 million; (ii) the proceeds from the issuance of five-year corporate bonds amounting to RMB3,000.0 million; (iii) the funds raised from issuance of 2018 debt financing plan of RMB1,180.0 million. These cash inflows were partially offset by the repayment of bank borrowings and other borrowings of RMB19,518.5 million, the repayment of corporate bonds of RMB507.8 million and the payment of interests on borrowings and bonds amounting to RMB2,010.3 million.

## 6 Capital Expenditures

In the past, the Company incurred capital expenditures primarily for expenditures on property, plant and equipment, as well as intangible assets (such as concession rights of toll roads). The following table sets forth the components of capital expenditures of the Company for the periods indicated:

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **(RMB in million)** | (RMB in million) |
| Property, plant and equipment | **4,821.1** | 1,461.1 |
| Prepaid lease payment | **125.9** | 171.0 |
| Intangible assets | **3,615.7** | 1,007.0 |
| **Total** | **8,562.7** | 2,639.1 |

## 7 Capital and Financial Policies

The Finance and Property Department of the Company is responsible for the capital and financial policies for the Company's overall business operations. The Company expected to jointly finance its management capital and other capital needs from a variety of sources, including but not limited to internal financing and external financing at a reasonable market interest rate. The Group continued to focus on improving return on equity and return on assets while maintaining prudent capital and financial policies.

## 8 Indebtedness

As at 30 June 2018, the Company's total liabilities and total assets amounted to RMB282,261.0 million and RMB373,972.7 million, respectively, with a debt to asset ratio of 75.48% which decreased by 1.3 percentage points from 76.78% from the end of last year. The Company's total indebtedness amounted to RMB112,182.0 million. The following table sets forth the details of bank borrowings, other borrowings, corporate bonds and finance lease payables of the Company as at the dates indicated:

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| **Long-term** | | |
| Bank borrowings | | |
| Unsecured | **23,408.2** | 14,853.8 |
| Secured | **16,320.4** | 16,268.7 |
| Other borrowings | | |
| Secured | **1,441.2** | 1,427.2 |
| Corporate bonds(1) | **18,140.4** | 15,140.0 |
| Sub-total | **59,310.2** | 47,689.7 |
| **Short-term** | | |
| Bank borrowings | | |
| Unsecured | **36,107.8** | 25,527.5 |
| Secured | **4,468.0** | 2,971.4 |
| Other borrowings | | |
| Unsecured | **11,945.2** | 9,372.1 |
| Secured | **45.1** | 99.0 |
| Corporate bonds(1) | **305.3** | 11,231.8 |
| Finance lease payables(2) | **0.4** | 0.9 |
| Sub-total | **52,871.8** | 49,202.7 |
| **Total** | **112,182.0** | 96,892.4 |

Notes:

(1) The corporate bonds of the Company are unsecured medium-term notes, corporate bonds and assets securitization products.

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

## 8 Indebtedness *(Continued)*

As at 30 June 2018 and 31 December 2017, bank and other borrowings denominated in currencies other than the functional currencies of respective entities are set out as below:

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| USD | **6,234.9** | 5,037.1 |
| Japanese Yen | **112.1** | 119.1 |
| BRL | **3,953.8** | – |
| KWD | **368.4** | – |
| **Total** | **10,669.2** | 5,156.2 |

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

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| Guaranteed by third parties | **112.1** | 119.1 |
| **Total** | **112.1** | 119.1 |

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

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| Repayable within 1 year | **52,871.8** | 49,202.7 |
| Repayable after 1 year but within 2 years | **13,092.6** | 10,233.6 |
| Repayable after 2 years but within 3 years | **17,624.8** | 6,049.3 |
| Repayable after 3 years but within 4 years | **4,353.4** | 11,567.4 |
| Repayable after 4 years but within 5 years | **6,923.8** | 3,372.6 |
| Repayable after 5 years | **17,315.6** | 16,466.8 |
| **Total** | **112,182.0** | 96,892.4 |

## 8 Indebtedness *(Continued)*

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

| | **As at 30 June 2018 (%)** | As at 31 December 2017 (%) |
|---|---|---|
| Bank borrowings | **1.05-8.70** | 1.05-8.70 |
| Other borrowings | **3.91-8.00** | 4.66-8.00 |
| Corporate bonds | **3.14-5.37** | 3.14-5.37 |
| Finance lease payables | **6.77-7.04** | 6.77-7.56 |

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

| | **As at 30 June 2018** | | As at 31 December 2017 | |
|---|---|---|---|---|
| | **(RMB in million)** | **(%)** | (RMB in million) | (%) |
| Fixed interest rate bank and other borrowings | **38,803.9** | **1.05-8.00** | 30,879.1 | 1.05-8.00 |
| Floating interest rate bank and other borrowings | **54,932.0** | **1.20-8.70** | 39,640.6 | 1.20-8.70 |
| **Total** | **93,735.9** | | 70,519.7 | |

Indebtedness of the Company increased by RMB15,289.6 million during the period from 31 December 2017 to 30 June 2018, mainly due to the fulfillment of working capital needs and the purchase and construction of assets.

The Company did not have any material defaults in payment of bank borrowings or breaches of other debt financing obligations or breaches of any restrictive terms, nor was subject to any material restrictive terms in the borrowings. In addition, as at 30 June 2018, the Company had RMB30,000.0 million of authorised but unissued debt securities, and RMB421,625.0 million of unutilized and unrestricted bank credit facilities.

## 9 Pledge of Assets and Contingent Liabilities

### 9.1 Pledge of Assets

As at 30 June 2018, the Company's assets with the following carrying amounts have been pledged to secure general banking facilities (including bank borrowings, bills payable and letter of credit):

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| Property, plant and equipment | **2,903.0** | 2,946.8 |
| Prepaid lease payments | **299.2** | 340.6 |
| Intangible assets | **7,396.6** | 7,484.8 |
| Trade receivables | **1,965.4** | 410.4 |
| Properties under development | **19,118.4** | 21,388.6 |
| Completed properties for sale | **32.3** | 32.3 |
| Bank deposits | **3,773.9** | 3,453.7 |
| **Total** | **35,488.8** | 36,057.2 |

### 9.2 Contingent Liabilities

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

In accordance with the relevant policies issued by SASAC and MOF, the State-owned Enterprises shall carve out and transfer their assets related to water supply, power supply, heat/gas supply and property management of employees' communities, together with their maintenance obligation and management function, to the parties, which are designated by local governments, after the necessary upgrades, before the year end of 2018 (the "Transfer", 三供一業移交). As at 30 June 2018, the Group was still in the process of negotiating the arrangements with the relevant government authorities and other parties. The overall arrangement of the Transfer including the extent of Group's obligation in relation to the upgrade works is subject to relevant approvals according to corporate governance structure. It is impracticable to quantify the financial impact of the Transfer with sufficient reliability at the time this interim report is approved for issue.

## 9 Pledge of Assets and Contingent Liabilities *(Continued)*

### 9.2 Contingent Liabilities *(Continued)*

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

| | **As at 30 June 2018 (RMB in million)** | As at 31 December 2017 (RMB in million) |
|---|---|---|
| Guarantees given to banks and other financial institutions in respect of loan facilities granted to: | | |
| Associates | **3,440.1** | 3,405.1 |
| Investee recognised as available-for-sale financial assets | **–** | 33.6 |
| Investee recognised as financial assets at fair value through other comprehensive income | **33.6** | – |
| Joint ventures | **953.5** | 938.8 |
| | **4,427.2** | 4,377.5 |
| Mortgage loan guarantees provided by the Company to banks in favour of its customers | **877.8** | 833.1 |
| **Total** | **5,305.0** | 5,210.6 |

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

## 10 Gearing Ratio

As at 30 June 2018, the gearing ratio of the Company is 122.3%, representing an increase of 18.3 percentage points as compared to 104.0% for the corresponding period of 2017. Gearing ratio represents interest-bearing debts divided by total equity at the end of the period.

## 11 Risk

### 11.1 Business Risk

#### *(1) Competition risk*

Affected by the macroeconomic control policies and the slowdown in economic growth, the domestic power market recorded a slower growth. The competition in the new business market and non-power market was fierce, and the contract pressure on corporate increased. The Company will actively carry out high-end operating activities, execute strategic agreements with local governments closely, and steadily explore new business model. The Company will also strengthen organization adjustment and integration of resources, continue to promote important market development such as the Great Yangtze River Protection and Guangdong-Hong Kong-Macau Greater Bay Area, enhance efforts for transformation and upgrade of non-power market business and continuously enhance its comprehensive competitive strength.

#### *(2) International operation risk*

The international political situation is still complicated. The international infrastructure market places higher requirements on the investment capability and the comparative advantages in traditional competition are being challenged. The Company is still subject to the risks of laws and regulations, political security, taxation and exchange rates in the countries where the operation is located. The Company will tightly seize the major strategic development opportunities such as "One Belt and One Road" construction and international capacity cooperation to optimize overseas markets layout and build high-end platform for international business operation. Also, the Company will strengthen international business risks control and compliance management and improve international operation capacity and standard, ensuring that the international business keeps sustainable and healthy development.

#### *(3) Legal dispute risk*

The reputation as well as the production and operation of the Company is exposed to risks of being affected by some legal disputes. If certain cases are not handled properly, the economic benefits of the Company may suffer loss. The Company will strengthen statistical analysis on cases, deeply analyze the reasons of cases, and implement cases prevention specifically. The Company will reinforce the supervision on major cases, focus on and follow up sensitive cases. Meanwhile, the Company will seek to combine risk management and case management and carry out special risk investigation solidly, especially strengthen the risk prevention on key businesses such as PPP projects, investment and financing projects, to control legal risk effectively.

#### *(4) Health, safety and environmental risk*

Construction and contracting involves high level of risks. Affected by the nature of the industry or the environment of construction sites, certain risks of health, safety and environment always exist. In the event of inadequate implementation of responsibilities and other problems, there will result in negative events, which would in turn impair the Company's image and incur economic loss. The Company will conscientiously implement related work deployment by national authorities, strictly execute production safety and environmental protection assessment, strengthen basic management for safety and environmental protection, and enhance production safety and finalise the responsibility of environmental protection. The Company will also deepen education and training, carry out risk prevention and control and investigation and management of hidden risks for key industries and fields, as well as control and prevent safety and environmental risks in an all-round way.

## 11 Risk *(Continued)*

### 11.1 Business Risk *(Continued)*

#### *(5) Construction project management risk*

Provided that there are problems existed in resources allocation for projects, subcontracting management, construction management, etc., this may result in performance risk such as progress delay of projects, failure to meet quality requirements, increase in operating costs and other issues. The Company will persistently perfect the early project planning and control over performance of contractual obligation, increase quality social resources reserve, and standardize subcontracting management. The Company will also enhance the check on projects under construction and promote the standardized project management. Moreover, the Company will strengthen management coordination, duly handle project complaints, guide claim modification and uplift project performance and profitability.

#### *(6) Cash flow risk*

Subject to various factors such as receivables, inventory and cost management, some sub-enterprises are still exposed to the risk of shortage of cash flow, facing high working capital pressure. The Company will continue to strengthen the dynamic regulations on receivables and inventories and reduce the proportion of occupied funds to improve the assets quality and operating efficiency. Also, it will continue to strengthen capital concentration, improve the scale and efficiency of internal fund facilities and lower finance costs. Further, with strict cost control, the Company will strengthen the intensive management with a view to improve its profitability.

### 11.2 Exchange Rate Fluctuation Risk

Most businesses of the Company are operated in China, and the functional currency applied in the financial statements is RMB. The Company plans to continue to expand the overseas business, and it is expected that, as a result, the incomes and expenses dominated in foreign currencies will increase significantly. The exchange rate fluctuation may have influences on the service pricing and the cost of procurement of materials and equipment by foreign exchange of the Company and therefore influence the financial position and operating performance of the Company. The Company will carry out risk controls by means of contracts and financial instruments, make reasonable commerce arrangements and select suitable foreign currency and exchange rate for settlement or payment so as to prevent exchange rate fluctuation risk.

## 12 Number of Employees and Training Program

As at 30 June 2018, the Company has a total of 124,671 employees, including 34,826 managers, 41,019 professional technicians, and 34,355 technical operating personnel. The Company has 10,502 employees with various national registered qualifications. Also, the Company has a group of top talents of China, including 28 experts who enjoy the PRC governmental special subsidies, 8 national exploration and design masters, 2 national nuclear industry engineering exploration and design masters, 4 experts of the "Millions of Talents of the New Century" project, 3 national young and middle-aged experts with outstanding contribution, and 21 national technical experts.

## 12 Number of Employees and Training Program *(Continued)*

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 employees' quality and professional skills continuously. The Company planned to train 235,800 employees in the first half of 2018 and actually trained 248,200 employees, including on-the-job training for 176,300 employees, continuing education training for 18,200 employees, and other training for 53,700 employees.

## 13 Remuneration and Equity-incentive Policy

The Company has constructed a scientific, reasonable, open and fair, standardized and orderly remuneration management system. The Company continued to optimise the total salary and wage budget control system, whereby the total salary and wage's change is linked with the economic efficiency indicators of the Company, thus the salary and wage varies with the efficiency in the same direction. The Company has implemented the employees' basic salary allocation 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 to the Company. Highlighting performance and contribution, the Company has fully exerted the incentive and restraint effect of remuneration allocation.

In order to maximize the proactiveness of the senior management and key employees and to support the realization of the Company's strategy and sustainable development, upon consideration and approval at the first extraordinary general meeting of 2016 of the Company, the senior management and core technical talent and management members who have direct impact on the general operating performance and sustainable development of the Company were granted with certain amount of restricted shares of the Company. As of 30 June 2018, the number of grantees being granted with restricted shares of the Company was 519, with a total of 275,272,000 granted shares, representing 0.917% of the total issued share capital of the Company, details of which are as follows:

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

As of 30 June 2018, according to the restricted share incentive scheme of the Company, no restricted shares have been granted, unlocked, lapsed or canceled.

## 14 Plans of the Company for Significant Investment or Purchase of Capital Asset in the Future

The significant investment of the Company in the future will mainly cover the following three aspects: firstly, the Company will focus on the principal businesses, increase the investment in principal businesses so as to improve their competitiveness in the market, accelerate the development of integration of investment, construction and operation together with productive service businesses such as operation and maintenance of non-power fields, promote the deep development of project construction market and guarantee the steady development of principal businesses; secondly, the Company will selectively make investments and mergers and acquisitions with entities which have high qualifications and strengths in the fields of non-power design and construction and hydropower design, in order to further improve the functionality of the principal businesses and propel the transformation and development of the Company's businesses; thirdly, the Company will speed up the overseas investment, proactively adapt to the trend of upsizing and integration of investment, construction and operation of the overseas projects, promote the extent and level of participation in "One Belt and One Road" construction and deepen implementation of overseas investments in key countries, to enhance the competitiveness and brand influence in the international market.

In the first half of 2018, the Company did not hold any significant investment projects required to be considered and approved by the Board.

## 15 Outlook

At present, the supply-side structural reform of the PRC has been steadily pushed ahead, the strategies of "cutting excessive industrial capacity, de-stocking, de-leveraging, lowering corporate costs and improving weak links (三去一降一補)" and innovation-driven development were deeply implemented, a brand new openness layout was accelerated to be formed and the endogenous momentum of economic development was continuously released, the Chinese economy will remain a rising development trend at a stable pace in general. According to the most updated forecast by the International Monetary Fund, China's economic growth rate is expected to be approximately 6.6% in 2018.

### 15.1 Outlook of Power Industry

(1) Forecast on Electricity Consumption. In the first half of 2018, the national power consumption increased 9.4% year-on-year. The demand of power consumption trended up during low season, together with the high industrial productiveness and periodic high-temperature weather and other factors all pushing forward the growth rate of power consumption by secondary and tertiary industries and residents to exceed the expectation. According to the forecast by China Electricity Council, after consideration of various factors, it is expected that the growth rate of power consumption in the second half of 2018 will be slow as compared with that of the first half of the year, and the growth rate of national power consumption for the whole year is expected to exceed that of 2017 (the national power consumption of 2017 increased 6.6% year-on-year).

## 15 Outlook *(Continued)*

### 15.1 Outlook of Power Industry *(Continued)*

(2) Forecast on Power Construction. According to the forecast by China Electricity Council, the total newly additional installed capacity of power generation in China is expected to be 120 million KW in 2018, of which, it is expected that the newly additional installed capacity of non-fossil energy power will be approximately 73 million KW, and that of coal-fired power will be a bit less than 40 million KW. The total installed capacity of power generation as at the end of the year will amount to approximately 1.9 billion KW, of which, the installed capacity of coal-fired power will be 1.02 billion KW, and the installed capacity of non-fossil energy power will total 760 million KW, with proportion further increasing to 40%, approximately 1.5 percentage points higher than that of the end of 2017. Although the proportion of completion of investment in power grid projects in the first half of the year decreased year-on-year, and taking consideration of factors such as Action Plan for the National Construction and Reform of Distribution Power Grid (國家配電網建設改造行動計劃) and the new round of rural power grid restructuring and upgrading, the power grid investment is expected to be arising.

In the long run, the increasing of power consumption and the power structural adjustment will have rigid and increasing demand of installed capacity. Even though the growth rate of the installed capacity of coal-fired power in the PRC slowed down, the existing coal-fired units still have the vast room for energy conservation and emission reduction, upgrading and transformation, the technology upgrading of the units' flexibility of the power companies has a promising market and the installed capacity of non-fossil energy power generation grows rapidly, as well as the construction of and investment in main networks of power grid and distribution power grid remain in a larger size.

### 15.2 Domestic Non-power Market

Although the growth rate of investment in fixed assets of infrastructure in the first half of 2018 slowed down, it still remained in certain scale and growth rate. The regional development policies, for example, the Beijing-Tianjin-Hebei Integration development, the Yangtze River Economic Belt development, the civil-military integration development, the construction of Xiong'an New Area and the construction of Guangdong-Hong Kong-Macau Greater Bay Area, were continuously promoted and the Rural Revitalization Strategy and the Made-in-China of 2025 sped up , together with the continuing upgrade of regional economy integrity, forming the new growth points and growth belts. There is a huge potential for non-power construction market such as urban infrastructure, comprehensive pipe gallery, smart city, sponge city, subway and city railway, environmental facilities. PPP projects are transforming from the mode of "quantity-driven" to "quality-driven", and stepping into the stage of reasonable and stable growth. As of 30 June 2018, the amount of projects under operation in the National PPP Integrated Information Platform Project Database reached RMB11,300 billion, the investment amount of 4 tranches of pilot projects was RMB2,300 billion. The investment in infrastructure will maintain a steady trend in the second half of the year, and the investment in fixed assets of infrastructure will still be the primary driver for stable investment and steady growth.

## 15 Outlook *(Continued)*

### 15.2 Domestic Non-power Market *(Continued)*

(1) Hydropower project. As of 30 June 2018, the scale of investment in major hydropower project under construction exceeded RMB1,001.1 billion, achieving early the target of "reaching investment of RMB1,000 billion in hydropower project under construction" specified in the Work Report of the government. In the second half of the year, there are also a group of major projects to be commenced construction, such as the water resource allocation project of the Pearl River Delta.

(2) Transportation engineering. In 2018, road and waterway projects will be planned to complete investment of RMB1.8 trillion, and 5,000 km of newly-added highways and 600 km of newly-added high class inland waterway will be completed, with 200,000 km of roads in newly-added administrative villages. Railway projects will be planned to complete investment of RMB732 billion, with 4,000 km of new lines. 33 key projects in civil aviation industry in the PRC will be planned to be newly commenced construction and 7 projects will be continued to be constructed, with estimated fixed assets investment of RMB86 billion. It is expected that the investment in transportation infrastructure will remain at a higher level.

(3) Urban infrastructure. In 2018, the key points of national municipal construction were to comprehensively improve the quality of urban planning, construction and management, to boost the sponge city construction in an all-round way, to further intensify efforts to carry out remediation activities for the black odor water, to push ahead the three-year actions regarding flood-preventing drainage and shoring up weak areas, as well as to carry forward the construction of urban comprehensive underground pipe gallery tailored to local conditions and to energetically enhance the construction of sewage and solid waste treatment facilities of city and town.

### 15.3 International Market

In 2018, the global infrastructure construction market will maintain a rigid growth. The constant expansion of the extent and level of the PRC's openness, and the continuing deepening bilateral and multilateral cooperation with countries around the world, create a good development environment for Chinese enterprises. With the support and promotion of the "One Belt and One Road" and the international capacity cooperation policies, the competitive strengths in the fields of transportation, electricity and property construction of the overseas contracting companies were more highlighted.

(1) Strong demand of the "One Belt and One Road" construction. During the five years since the introduction of the "One Belt and One Road" initiative, various cooperation including infrastructures have been carried out vigorously, presenting a good development momentum. The infrastructure construction of Asian countries has stepped into a new peak season. China and members of Shanghai Cooperation Organisation have pushed forward the "One Belt and One Road" construction and made positive progress, the positivity of participation of the Central and Eastern Europe countries in the "One Belt and One Road" construction has been arising, and the cooperation in the infrastructure construction area has become one of the highlights of 16+1 economic and trading cooperation. With the great support of the PRC government for infrastructure construction of Africa, the Sino-African cooperation in production capacity, the construction of "Three Networks and One Modernization" and the "10 Major Plans of Sino-African Cooperation", etc. will bring new opportunities for Sino-African infrastructure cooperation.

## 15 Outlook *(Continued)*

### 15.3 International Market *(Continued)*

(2) The power consumption market in countries along the "One Belt and One Road" has vast room for growth. According to the statistics of International Energy Agency (IEA), in the regions along the "One Belt and One Road", the total installed capacity was approximately 1 billion KW and power consumption was approximately 5 trillion KWh, while average installed capacity per capita (0.3 KW) and power consumption (1,600 KWh/year) per capita were below half of the world's average level. It is expected that the room for power project construction in the countries along the "One Belt and One Road" during the period of "13th Five-year Plan" will exceed 420 million KW with investment in power source and power grid construction exceeding USD1.2 trillion, which demonstrate that there will be vast room for development of power construction market.

For a certain period in the future, the countries along the "One Belt and One Road" initiative will remain as the Company's major markets. In addition to further develop the traditional markets such as Asia and Africa, the Company will take the emerging market and middle or high-end markets such as Middle-east, Latin America and Central and Eastern Europe as the major target markets for business transformation and upgrade.

# Material Events

## 1 Purchase, Sale and Redemption of the Company's Listed Securities

For the six months ended 30 June 2018, there is no purchase, sale or redemption of the listed securities of the Company by the Company or its subsidiaries.

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

For the six months ended 30 June 2018, 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.

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

For the six months ended 30 June 2018, after the reasonable enquiry by the Directors of the Company, the persons below (other than the Directors, supervisors or chief executives of the Company) have interests or short position in the shares or underlying shares which will have to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which will be required to record in the register maintained by the Company pursuant to section 336 of the SFO:

| Name of Shareholders | Class of Shares | Capacity/ Nature of Interest | Number of Shares interested | Approximate percentage of shareholding in the Company's total issued share capital (%)[1] | Approximate percentage of shareholding in the Company's total issued domestic shares (%)[1] | Approximate percentage of shareholding in the Company's total issued H shares (%)[1] |
|---|---|---|---|---|---|---|
| Energy China Group [2][3] | Domestic Shares | Beneficial owner | 18,107,684,022(L) | 60.32 | 87.23 | – |
| | | Interest of controlled corporation | 98,542,651(L) | 0.33 | 0.47 | – |
| China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)[4] | Domestic Shares | Beneficial owner | 2,029,378,794(L) | 6.76 | 9.78 | – |
| | H Shares | Interest of controlled corporation | 633,704,000(L) | 2.11 | – | 6.84 |
| China Huaxing Group Company (中國華星集團公司)[4] | H Shares | Interest of controlled corporation | 633,704,000(L) | 2.11 | – | 6.84 |
| China Huaxing (Hong Kong) International Co., Ltd (中國華星(香港)國際有限公司)[4] | H Shares | Beneficial owner | 633,704,000(L) | 2.11 | – | 6.84 |
| Buttonwood Investment Holding Company Ltd.[5] | H Shares | Interest of controlled corporation | 1,462,338,000(L) | 4.87 | – | 15.79 |
| Silk Road Fund Co., Ltd (絲路基金有限責任公司)[5] | H Shares | Beneficial owner | 1,462,338,000(L) | 4.87 | – | 15.79 |

Material Events

## 3 Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

| Name of Shareholders | Class of Shares | Capacity/ Nature of Interest | Number of Shares interested | Approximate percentage of shareholding in the Company's total issued share capital (%)[1] | Approximate percentage of shareholding in the Company's total issued domestic shares (%)[1] | Approximate percentage of shareholding in the Company's total issued H shares (%)[1] |
|---|---|---|---|---|---|---|
| Central Huijin Investment Ltd.[6] | H Shares | Interest of controlled corporation | 961,300,000(L) | 3.20 | – | 10.38 |
| China Construction Bank Corporation[6] | H Shares | Investment manager | 961,300,000(L) | 3.20 | – | 10.38 |
| State Grid Corporation of China[7] | H Shares | Interest of controlled corporation | 974,892,000(L) | 3.25 | – | 10.53 |
| State Grid International Development Co., Ltd.[7] | H Shares | Interest of controlled corporation | 974,892,000(L) | 3.25 | – | 10.53 |
| State Grid International Development Limited[7] | H Shares | Beneficial owner | 974,892,000(L) | 3.25 | – | 10.53 |
| E Fund Management Co., Ltd (易方達基金管理有限公司) | H Shares | Investment manager | 961,300,000(L) | 3.20 | – | 10.38 |

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

(1) The calculation is based on the Company's 9,262,436,000 issued H shares, 20,757,960,364 issued domestic shares and 30,020,396,364 shares of the total issued share capital as at 30 June 2018.

(2) EPPE Company is a wholly-owned subsidiary of Energy China Group and is interested in 98,542,651 domestic shares, representing 0.47% of the domestic share capital of the Company. Therefore, Energy China Group is deemed to be interested in the domestic shares held by EPPE Company.

(3) The Company was notified by the Energy China Group that as of 30 June 2018, it held 254,878,000 H shares, representing approximately 2.75% of the total issued H shares of the Company. Pursuant to the SFO, the shareholders of the Company shall only submit the disclosure form for the equity interest held subject to fulfilling certain conditions.

(4) These shares are directly held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司). China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司) is wholly-owned by China Huaxing Group Company (中國華星集團公司); while the latter is wholly-owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司). Therefore, China Huaxing Group Company (中國華星集團公司) and China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) are deemed to be interested in shares held by China Huaxing (Hong Kong) International Co., Ltd. (中國華星(香港)國際有限公司).

(5) These shares are directly held by Silk Road Fund Co., Ltd (絲路基金有限責任公司), while Buttonwood Investment Holding Company Ltd. holds 65% equity interests in Silk Road Fund Co., Ltd. (絲路基金有限責任公司). Therefore, Buttonwood Investment Holding Company Ltd. is deemed to be interested in shares held by Silk Road Fund Co., Ltd (絲路基金有限責任公司).

(6) Central Huijin Investment Ltd. holds 57.31% equity interests in China Construction Bank Corporation. Therefore, Central Huijin Investment Ltd. is deemed to be interested in shares held by China Construction Bank Corporation.

(7) These shares are directly held by State Grid International Development Limited. State Grid International Development Limited is wholly-owned by State Grid International Development Co., Ltd.; while the latter is wholly-owned by State Grid Corporation of China. Therefore, State Grid International Development Co., Ltd. and State Grid Corporation of China are deemed to be interested in the shares held by State Grid International Development Limited.

## 4 Compliance with the Provisions of the Corporate Governance Code

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

For the six months ended 30 June 2018, 3 Board meetings were convened and held by the Company, considering and voting for 21 resolutions and proposing 8 resolutions to the shareholders' general meeting; 1 shareholders' general meeting (i.e. the 2017 shareholders' annual general meeting) was held, considering and voting for 10 resolutions; 1 Strategy Committee meeting of the Board was held, considering and voting for 1 resolution; 1 Nomination Committee meeting of the Board was held, considering and voting for 2 resolutions. 1 Remuneration and Assessment Committee meetings of the Board were held, considering and voting for 2 resolutions; and 3 Audit Committee meetings of the Board were held, considering and voting for 8 resolutions.

For the six months ended 30 June 2018, the Company has complied with all provisions of the Corporate Governance Code.

As set out in the Company's announcement dated 22 August 2018, following the passing away of Mr. Wang Bin, an Independent Non-Executive Director of the Company, the nomination committee of the Company only, consists of two (2) members, being one executive director and one independent non-executive director, which does not comply with the code provision under Rule A.5.1 in Appendix 14 to the Listing Rules that independent non-executive directors should comprise a majority of nomination committee. The Company will use its best endeavours to seek suitable candidate, so as to fill the vacancies as soon as practicable by which to comply with relevant regulations of Listing Rules. For further information, please refer to the Company's announcement dated 22 August 2018.

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

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

Having made enquiries with all the Directors and supervisors, the Company confirmed that each of the Directors and supervisors has complied with all provisions of the Model Code for Securities Transactions during the six months ended 30 June 2018.

## 6 Changes in Information of Directors and Supervisors

During the Reporting Period, the members of Board of the Company remain unchanged.

On 14 June 2018, due to work adjustment, Mr. Lian Yongjiu resigned as the employee representative supervisor of the second session of the Supervisory Committee of the Company, and based on the democratic election result, Mr. Li Fangyi acted as the employee representative supervisor of the second session of the Supervisory Committee of the Company.

Save as disclosed above, no information should be required to be disclosed in accordance with the Rule 13.51B(1) of the Listing Rules.

## 7 Use of Proceeds from the Listing

The Company completed the initial public offering and exercised over-allotment option, raising net proceeds of approximately HK$13,125.8 million in total (equivalent to approximately RMB10,890.2 million adopting the exchange rate prevailing on the date when completing the initial public offering and exercising over-allotment option). According to the prospectus of the Company dated 27 November 2015, the Company originally intended to use the net proceeds from global offering for six categories including foreign and domestic power and infrastructure engineering construction, equipment purchasing for core business, etc.

According to the resolutions passed at the nineteenth meeting of the first session of the Board, the Company adjusted the remaining proceeds and interest originally intended used for power and infrastructure construction and contracting projects abroad into used for power and infrastructure construction and contracting projects in mainland China. Accordingly, the amount of proceeds for use was adjusted to RMB10,986.0 million. For details, please refer to the Company's announcement dated 8 November 2017.

As of the date of this interim report, the net proceeds were applied as accumulated expenses in aggregate of RMB7,947.9 million according to the use of proceeds as set out in the prospectus and the balance was RMB3,038.1 million. The breakdown is as follows:

1. Expenses for power and infrastructure construction and contracting projects in China and abroad amounted to RMB2,953.2 million, RMB286.0 million of which was occurred during the accounting period of this interim report.

2. Expenses for purchasing core equipment amounted to RMB750.0 million, which was not occurred during the accounting period of this interim report.

3. Expenses for fixed assets investment in the expansion and upgrading of production facilities amounted to RMB588.1 million, which was not occurred during the accounting period of this interim report.

4. Expenses for significant projects promoting the research and development level as well as management level of the Company amounted to RMB389.5 million, RMB1.3 million of which was occurred during the accounting period of this interim report.

5. Expenses for repayment of bank loans for working capital and project development amounted to RMB2,178.0 million, which was not occurred during the accounting period of this interim report.

6. Expenses for funding the working capital for general corporate purpose amounted to RMB1,089.1 million, RMB26.8 million of which was occurred during the accounting period of this interim report.

The Company will use the remaining proceeds according to the adjusted use and arrange the use process based on its actual operation needs.

## 8 Review of Interim Report

On 30 August 2018, the Audit Committee of the Board has reviewed the interim results announcement for the six months ended 30 June 2018, the 2018 interim report of the Company and the unaudited interim financial statements for the six months ended 30 June 2018 which have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

## 9 Appointment and Removal of Auditors

Being considered and approved on 2017 shareholders' annual general meeting held on 28 June 2018, KPMG was appointed as the international independent auditor of the Company for the financial year of 2018 and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the domestic independent auditor of the Company for the financial year of 2018.

## 10 Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2018.

## 11 Acquisition and Disposal of Subsidiaries

In the first half of 2018, the Company did not have any major acquisition or disposal of subsidiaries.

# Report on Review of Consolidated Financial Statements

**Review report to the board of directors of China Energy Engineering Corporation Limited**
*(Established in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 37 to 101 which comprises the consolidated statement of financial position of China Energy Engineering Corporation Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Report on Review of Consolidated Financial Statements

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting.*

**KPMG**

*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 (Note (i)) RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **101,520,114** | 106,047,451 |
| Cost of sales | | **(88,965,695)** | (94,308,220) |
| **Gross profit** | | **12,554,419** | 11,739,231 |
| Other income | 4 | **1,020,605** | 1,246,535 |
| Other net gains and losses | 5 | **349,068** | (370,833) |
| Selling expenses | | **(1,029,741)** | (945,740) |
| Administrative expenses | | **(5,045,522)** | (4,686,196) |
| Research and development expenses | | **(1,070,155)** | (811,157) |
| Finance income | 6 | **344,042** | 467,449 |
| Finance costs | 6 | **(1,713,218)** | (1,358,044) |
| Share of profits/(losses) of joint ventures | | **171,288** | (4,852) |
| Share of profits of associates | | **59,291** | 5,716 |
| **Profit before taxation** | 7 | **5,640,077** | 5,282,109 |
| Income tax | 8 | **(1,460,460)** | (1,339,585) |
| **Profit for the period** | | **4,179,617** | 3,942,524 |
| **Other comprehensive income for the period:** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| – Remeasurement of defined benefit obligations | | **(481,861)** | 520,481 |
| – Income tax relating to remeasurement of defined benefit obligations | | **15,706** | (14,041) |
| – Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | | **(354,462)** | – |
| – Income tax relating to equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | | **52,753** | – |
| | | **(767,864)** | 506,440 |

The notes on pages 46 to 101 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 (Note (i)) RMB'000 |
|---|---|---|---|
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| – Exchange differences on translating foreign operations | | **(192,248)** | (536) |
| – Net fair value gain on available-for-sale financial assets (note (ii)) | | **–** | 25,395 |
| – Reclassification adjustment to profit or loss on disposal of available-for-sale financial assets | | **–** | (7,680) |
| – Income tax relating to items that may be reclassified subsequently to profit or loss | | **–** | (756) |
| | | **(192,248)** | 16,423 |
| **Other comprehensive income for the period** | | **(960,112)** | 522,863 |
| **Total comprehensive income for the period** | | **3,219,505** | 4,465,387 |
| **Profit for the period attributable to:** | | | |
| Equity Shareholders of the Company | | **2,292,853** | 2,259,223 |
| Holders of perpetual capital instruments | | **384,816** | 166,950 |
| Non-controlling interests | | **1,501,948** | 1,516,351 |
| | | **4,179,617** | 3,942,524 |
| **Total comprehensive income attributable to:** | | | |
| Equity Shareholders of the Company | | **1,558,044** | 2,701,852 |
| Holders of perpetual capital instruments | | **384,816** | 166,950 |
| Non-controlling interests | | **1,276,645** | 1,596,585 |
| | | **3,219,505** | 4,465,387 |
| **Earnings per share** | | | |
| Basic and diluted (RMB cents) | 9 | **7.70** | 7.55 |

Notes:

(i) The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

(ii) The amount arose under the accounting policies applicable prior to 1 January 2018. As part of the opening balance adjustments as at 1 January 2018, the balance of this reserve has been reclassified to fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. See note 2(b).

The notes on pages 46 to 101 form part of this interim financial report.

# Consolidated Statement of Financial Position – Unaudited

At 30 June 2018
(Expressed in Renminbi)

| | Note | At 30 June 2018 RMB'000 | At 31 December 2017 (Note) RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **33,907,590** | 30,781,364 |
| Prepaid lease payments | 11 | **7,517,883** | 8,130,103 |
| Investment properties | | **595,080** | 611,065 |
| Intangible assets | 12 | **26,950,850** | 23,606,431 |
| Investments in joint ventures | | **3,685,356** | 3,387,187 |
| Investments in associates | | **6,718,758** | 4,179,464 |
| Goodwill | | **1,376,857** | 1,375,110 |
| Available-for-sale financial assets | 2(a) | **–** | 8,592,521 |
| Deferred tax assets | | **1,850,949** | 1,702,844 |
| Trade receivables | 14 | **23,295,521** | 16,573,131 |
| Prepayments, deposits and other receivables | 15 | **1,849,745** | 2,049,215 |
| Finance lease receivables | 16 | **473,306** | 569,230 |
| Financial assets at fair value through other comprehensive income | 13 | **2,123,918** | – |
| Financial assets at fair value through profit or loss | 13 | **5,034,885** | – |
| | | **115,380,698** | 101,557,665 |
| **Current assets** | | | |
| Inventories | | **13,653,047** | 11,565,777 |
| Properties under development for sale | | **49,305,309** | 40,718,775 |
| Completed properties for sale | | **2,635,826** | 2,510,362 |
| Amounts due from customers for construction contracts | 17 | **–** | 34,473,565 |
| Contract assets | 17 | **37,815,424** | – |
| Trade and bills receivables | 14 | **56,614,619** | 55,479,403 |
| Prepayments, deposits and other receivables | 15 | **43,650,025** | 41,009,007 |
| Prepaid lease payments | 11 | **775,102** | 229,150 |
| Other loans | 16 | **4,249,303** | 4,267,544 |
| Financial assets at fair value through profit or loss | 13 | **442,350** | 52,167 |
| Finance lease receivables | 16 | **321,537** | 159,295 |
| Pledged deposits | | **3,774,211** | 3,453,706 |
| Bank and cash balances | 29 | **45,355,229** | 48,410,641 |
| | | **258,591,982** | 242,329,392 |

The notes on pages 46 to 101 form part of this interim financial report.

## Consolidated Statement of Financial Position – Unaudited

At 30 June 2018
(Expressed in Renminbi)

| | Note | At 30 June 2018<br>RMB'000 | At 31 December 2017<br>(Note)<br>RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bills payables | 18 | **88,633,769** | 90,139,818 |
| Amounts due to customers for construction contract | 17 | **–** | 7,278,552 |
| Contract liabilities | 17 | **38,293,345** | – |
| Other payables and accruals | 19 | **29,389,777** | 55,576,402 |
| Income tax payable | | **870,168** | 1,441,301 |
| Bank and other borrowings | 20 | **52,566,060** | 37,969,971 |
| Defined benefit obligations | | **343,734** | 596,887 |
| Corporate bonds | 21 | **305,286** | 11,231,753 |
| Finance lease payables | | **412** | 902 |
| Provisions | | **87,075** | 101,503 |
| | | **210,489,626** | 204,337,089 |
| **Net current assets** | | **48,102,356** | 37,992,303 |
| **Total assets less current liabilities** | | **163,483,054** | 139,549,968 |
| **Non-current liabilities** | | | |
| Other payables and accruals | 19 | **842,063** | 1,099,926 |
| Bank and other borrowings | 20 | **41,169,837** | 32,549,797 |
| Corporate bonds | 21 | **18,140,420** | 15,139,976 |
| Defined benefit obligations | | **9,787,015** | 9,210,517 |
| Deferred tax liabilities | | **1,056,550** | 908,608 |
| Deferred revenue | | **775,559** | 785,434 |
| | | **71,771,444** | 59,694,258 |
| **NET ASSETS** | | **91,711,610** | 79,855,710 |

The notes on pages 46 to 101 form part of this interim financial report.

## Consolidated Statement of Financial Position – Unaudited

At 30 June 2018
(Expressed in Renminbi)

| | Note | At 30 June 2018 RMB'000 | At 31 December 2017 (Note) RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Issued share capital | 22 | **30,020,396** | 30,020,396 |
| Reserves | | **18,679,478** | 18,933,039 |
| **Equity attributable to equity shareholders of the Company** | | **48,699,874** | 48,953,435 |
| **Perpetual capital instruments** | 23 | **19,400,000** | 8,220,000 |
| **Non-controlling interests** | | **23,611,736** | 22,682,275 |
| **TOTAL EQUITY** | | **91,711,610** | 79,855,710 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

# Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Attributable to Equity Shareholders of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital RMB'000 | Shares held under restricted share incentive scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Share-based compensation reserve RMB'000 | Special reserve RMB'000 | Defined benefit obligation remeasurement reserve RMB'000 | Investments revaluation reserve (recycling) RMB'000 | Investments revaluation reserve (non-recycling) RMB'000 | Foreign currency translation reserve RMB'000 | Retained earnings RMB'000 | Total equity attributable to equity shareholders of the Company RMB'000 | Perpetual capital instruments RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| Balance at 31 December 2017 | 30,020,396 | (282,524) | 8,190,872 | 1,506,512 | 44,559 | 488,959 | 1,220,494 | (147,576) | - | (226,345) | 8,138,088 | 48,953,435 | 8,220,000 | 22,682,275 | 79,855,710 |
| Impact on initial application of IFRS 9 (note 2) | - | - | - | (6,554) | - | - | - | 147,576 | (147,576) | - | (876,441) | (882,995) | - | 59,680 | (823,315) |
| Adjusted balance at 1 January 2018 | 30,020,396 | (282,524) | 8,190,872 | 1,499,958 | 44,559 | 488,959 | 1,220,494 | - | (147,576) | (226,345) | 7,261,647 | 48,070,440 | 8,220,000 | 22,741,955 | 79,032,395 |
| Total comprehensive income for the period | - | - | - | - | - | - | (400,397) | - | (139,216) | (195,196) | 2,292,853 | 1,558,044 | 384,816 | 1,276,645 | 3,219,505 |
| Purchase of own shares under restricted share incentive scheme (note 22(d)) | - | (22,555) | - | - | - | - | - | - | - | - | - | (22,555) | - | - | (22,555) |
| Issue of perpetual capital instruments (note 23) | - | - | - | - | - | - | - | - | - | - | - | - | 1,180,000 | - | 1,180,000 |
| Transfer from debt instruments (note 21) | - | - | - | - | - | - | - | - | - | - | - | - | 10,000,000 | - | 10,000,000 |
| Cash capital contribution by non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 382,395 | 382,395 |
| Non-cash capital contribution by non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,644 | 1,644 |
| Disposal of subsidiaries | - | - | (1,173) | - | - | - | - | - | - | - | - | (1,173) | - | (478) | (1,651) |
| Transfer to reserves | - | - | - | - | - | 40,256 | - | - | - | - | (40,256) | - | - | - | - |
| Dividends declared to perpetual capital instruments holders | - | - | - | - | - | - | - | - | - | - | - | - | (384,816) | - | (384,816) |
| Dividends declared (note 22(a)) | - | - | - | - | - | - | - | - | - | - | (918,624) | (918,624) | - | - | (918,624) |
| Dividends declared to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (790,425) | (790,425) |
| Effect of share-based compensation (note 22(e)) | - | - | - | - | 16,348 | - | - | - | - | - | - | 16,348 | - | - | 16,348 |
| Others | - | - | (2,606) | - | - | - | - | - | - | - | - | (2,606) | - | - | (2,606) |
| At 30 June 2018 | 30,020,396 | (305,079) | 8,187,093 | 1,499,958 | 60,907 | 529,215 | 820,097 | - | (286,792) | (421,541) | 8,595,620 | 48,699,874 | 19,400,000 | 23,611,736 | 91,711,610 |

The notes on pages 46 to 101 form part of this interim financial report.

# Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Attributable to Equity Shareholders of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital RMB'000 | Shares held under restricted share incentive scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Share-based compensation reserve RMB'000 | Special reserve RMB'000 | Defined benefit obligation remeasurement reserve RMB'000 | Investments revaluation reserve (recycling) RMB'000 | Investments revaluation recycling (non-recycling) RMB'000 | Foreign currency translation reserve RMB'000 | Retained earnings RMB'000 | Total equity attributable to equity shareholders of the Company RMB'000 | Perpetual capital instruments RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2017 | 30,020,396 | – | 8,038,065 | 692,477 | 4,576 | 428,108 | 429,083 | 177,546 | – | (37,392) | 4,640,433 | 44,393,292 | 10,100,000 | 19,495,707 | 73,988,999 |
| Total comprehensive income for the period | – | – | – | – | – | – | 436,479 | 6,558 | – | (408) | 2,259,223 | 2,701,852 | 166,950 | 1,596,585 | 4,465,387 |
| Purchase of own shares under restricted share incentive scheme (note 22(d)) | – | (183,190) | – | – | – | – | – | – | – | – | – | (183,190) | – | – | (183,190) |
| Issue of perpetual capital instruments | – | – | – | – | – | – | – | – | – | – | – | – | 1,450,000 | – | 1,450,000 |
| Cash capital contribution by non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | 320,472 | 320,472 |
| Non-cash capital contribution by non-controlling interests of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | 254,053 | 254,053 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | 14,507 | 14,507 |
| Transfer to reserves | – | – | 36,590 | – | – | 65,293 | – | – | – | – | (101,883) | – | – | – | – |
| Dividends declared to perpetual capital instruments holders | – | – | – | – | – | – | – | – | – | – | – | – | (166,950) | – | (166,950) |
| Dividends declared (note 22(a)) | – | – | – | – | – | – | – | – | – | – | (888,604) | (888,604) | – | – | (888,604) |
| Dividends declared to non-controlling interests of Subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | (601,821) | (601,821) |
| Effect of share-based compensation (note 22(e)) | – | – | – | – | 20,137 | – | – | – | – | – | – | 20,137 | – | – | 20,137 |
| Others | – | – | 12,594 | – | – | – | – | – | – | – | – | 12,594 | – | – | 12,594 |
| At 30 June 2017 (Note) | 30,020,396 | (183,190) | 8,087,249 | 692,477 | 24,713 | 493,401 | 865,562 | 184,104 | – | (37,800) | 5,909,169 | 46,056,081 | 11,550,000 | 21,079,503 | 78,685,584 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 46 to 101 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | | (Note) |
| | | **RMB'000** | RMB'000 |
| **Net cash used in operating activities** | | **(16,737,159)** | (7,313,625) |
| **Investing activities** | | | |
| Interest received | | **344,276** | 419,572 |
| Purchase of property, plant and equipment | | **(2,038,002)** | (1,722,294) |
| Addition to prepaid lease payments | | **(116,408)** | (165,976) |
| Addition to investment properties | | **–** | (3,125) |
| Addition to intangible assets | | **(3,504,239)** | (1,191,641) |
| Addition to finance lease | | **(167,680)** | – |
| Capital contributions to joint ventures | | **(126,881)** | (16,817) |
| Capital contributions to associates | | **(864,102)** | (715,183) |
| Net cash proceeds from investments | | **309,879** | 322,518 |
| Purchase of available-for-sale financial assets | | **–** | (755,353) |
| Purchase of financial assets at fair value through other comprehensive income | | **(34,090)** | – |
| Purchase of financial assets at fair value through profit or loss | | **(551,577)** | – |
| Proceeds from disposal of property, plant and equipment | | **529,150** | 169,208 |
| Proceeds from disposal of prepaid lease payments | | **93,232** | 2,273 |
| Proceeds from disposal of intangible assets | | **2,892** | 1,004 |
| Proceeds from disposal of associates | | **83** | – |
| Proceeds from disposal of available-for-sale financial assets | | **–** | 39,884 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | **21,591** | – |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **276,615** | 3,069 |
| Proceeds from finance lease | | **105,355** | – |
| Net (increase)/decrease in pledged deposits | | **(320,505)** | 3,939 |
| Dividends received from joint ventures | | **–** | 86 |
| Dividends received from associates | | **7,512** | 490 |
| Dividends received from available-for-sale financial assets | 4 | **–** | 89,022 |
| Dividends received from financial assets at fair value through other comprehensive income | 4 | **34,521** | – |
| Dividends received from financial assets at fair value through profit or loss | 4 | **66,282** | 378 |

The notes on pages 46 to 101 form part of this interim financial report.

## Condensed Consolidated Statement of Cash Flows – Unaudited

For the six months ended 30 June 2018
(Expressed in Renminbi)

| | Note | Six months ended 30 June 2018 RMB'000 | 2017 (Note) RMB'000 |
|---|---|---|---|
| Net movement of deposits with original maturity of over three months | | **(1,005,669)** | 1,043,595 |
| Acquisition of subsidiaries, net of cash acquired | | **(841,036)** | 9,292 |
| Disposal of subsidiaries, net of cash disposed | | **7,611** | – |
| New other loans and receivables | | **(434)** | (19,856) |
| Collection of other loans and receivables | | **–** | 602,842 |
| Repayments of cash advances by related parties | | **153,205** | – |
| New cash advances made to related parties | | **(130,262)** | – |
| Government grants received related to assets | | **19,833** | 140,193 |
| **Net cash used in investing activities** | | **(7,728,848)** | (1,742,880) |
| **Financing activities** | | | |
| Capital injections from non-controlling interests | | **382,395** | 320,472 |
| Issue of perpetual capital instruments | 23 | **1,180,000** | 1,450,000 |
| Interests paid on perpetual capital instruments | | **(225,666)** | – |
| Interests paid on bank and other borrowings | | **(1,463,449)** | (1,244,844) |
| Interests paid on corporate bonds | | **(546,410)** | (511,086) |
| New bank and other borrowings | | **38,560,001** | 10,524,650 |
| Repayment of bank and other borrowings | | **(19,518,526)** | (6,828,999) |
| New corporate bonds | | **3,000,000** | – |
| Repayment of corporate bonds | | **(507,760)** | – |
| Repayment of finance lease payables | | **(6,947)** | (19,522) |
| Dividends paid to non-controlling interests | | **(625,704)** | (761,285) |
| **Net cash generated from financing activities** | | **20,227,934** | 2,929,386 |
| **Net decrease in cash and cash equivalents** | | **(4,238,073)** | (6,127,119) |
| **Cash and cash equivalents at the beginning of the period** | | **47,699,837** | 46,774,085 |
| **Effects of exchange rate changes** | | **176,990** | 77,110 |
| **Cash and cash equivalents at the end of the period** | | **43,638,754** | 40,724,076 |

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

The notes on pages 46 to 101 form part of this interim financial report.

# Notes to the unaudited interim financial report

## 1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 30 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included.

## 2 CHANGES IN ACCOUNTING POLICIES

### (a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) Overview (continued)

| | At 31 December 2017 | Impact on initial application of IFRS 9 | Impact on initial application of IFRS 15 | At 1 January 2018 |
|---|---|---|---|---|
| | | (Note 2(b)) | (Note 2(c)) | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Available-for-sale financial assets | 8,592,521 | (8,592,521) | – | – |
| Deferred tax assets | 1,702,844 | 58,652 | – | 1,761,496 |
| Financial assets at fair value through profit or loss ("FVPL") | – | 4,699,161 | – | 4,699,161 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | – | 2,465,127 | – | 2,465,127 |
| **Total non-current assets** | **101,557,665** | **(1,369,581)** | **–** | **100,188,084** |
| Financial assets at FVPL | 52,167 | 1,550,000 | – | 1,602,167 |
| Amounts due from customers for construction contracts | 34,473,565 | – | (34,473,565) | – |
| Contract assets | – | (985,469) | 34,473,565 | 33,488,096 |
| **Total current assets** | **242,329,392** | **564,531** | **–** | **242,893,923** |
| Amounts due to customers for construction contracts | (7,278,552) | – | 7,278,552 | – |
| Other payables and accruals | (55,576,402) | – | 28,422,193 | (27,154,209) |
| Contract liabilities | – | – | (35,700,745) | (35,700,745) |
| **Total current liabilities** | **(204,337,089)** | **–** | **–** | **(204,337,089)** |
| **Net current assets** | **37,992,303** | **564,531** | **–** | **38,556,834** |
| **Total assets less current liabilities** | **139,549,968** | **(805,050)** | **–** | **138,744,918** |
| Deferred tax liabilities | (908,608) | (18,265) | – | (926,873) |
| **Total non-current liabilities** | **(59,694,258)** | **(18,265)** | **–** | **(59,712,523)** |
| **Net assets** | **79,855,710** | **(823,315)** | **–** | **79,032,395** |
| Reserves | (18,933,039) | 882,995 | – | (18,050,044) |
| **Total equity attributable to equity shareholders of the Company** | **(48,953,435)** | **882,995** | **–** | **(48,070,440)** |
| Non-controlling interests | (22,682,275) | (59,680) | – | (22,741,955) |
| **Total equity** | **(79,855,710)** | **823,315** | **–** | **(79,032,395)** |

Further details of these changes are set out in sub-sections (b) and (c) of this note.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

| | RMB'000 |
|---|---|
| **Retained earnings** | |
| Recognition of fair value change of financial assets at FVPL | 57,705 |
| Recognition of additional expected credit losses on contract assets | (974,533) |
| Related tax | 40,387 |
| Net decrease in retained earnings at 1 January 2018 | (876,441) |
| **Statutory reserve** | |
| Recognition of fair value change of financial assets at FVPL | 4,382 |
| Recognition of additional expected credit losses on contract assets | (10,936) |
| Net decrease in statutory reserve s at 1 January 2018 | (6,554) |
| **Fair value reserve (recycling)** | |
| Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI | 147,576 |
| **Fair value reserve (non-recycling)** | |
| Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018 | (147,576) |
| **Non-controlling interests** | |
| Transferred from available-for-sale financial assets to FVPL and increase in non-controlling interests at 1 January 2018 | 59,680 |

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

#### *(i) Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at FVPL. These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(i) Classification of financial assets and financial liabilities (continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under IAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with IAS 39 to those determined in accordance with IFRS 9.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(i) Classification of financial assets and financial liabilities (continued)*

| | IAS 39 carrying amount at 31 December 2017 | Reclassification | Remeasurement | IFRS 9 carrying amount at 1 January 2018 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets carried at amortised cost** | | | | |
| Contract assets (note (i)) | – | 34,473,565 | (985,469) | 33,488,096 |
| **Financial assets at FVOCI (non-recyclable)** | | | | |
| Equity investments not held for trading (note (ii)) | – | 2,465,127 | – | 2,465,127 |
| **Financial assets carried at FVPL** | | | | |
| Units in funds and other non-equity investments (note (iii)) | – | 1,932,623 | – | 1,932,623 |
| Equity investments not held for trading (note (ii)) | – | 4,194,771 | 121,767 | 4,316,538 |
| Trading securities (note (iv)) | 52,167 | – | – | 52,167 |
| | 52,167 | 6,127,394 | 121,767 | 6,301,328 |
| **Financial assets classified as available-for-sale under IAS 39 (notes (ii),(iii))** | 8,592,521 | (8,592,521) | – | – |

Notes:

(i) Amounts due from customers for construction contracts of RMB34,474 million were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15. See note 2(c).

(ii) Under IAS 39, equity investments not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated certain equity investments held for strategic purposes at FVOCI (non-recycling).

(iii) Under IAS 39, units in funds and other non-equity investments were classified as available-for-sale financial assets. They are classified as at FVPL under IFRS 9.

(iv) Trading securities were classified as financial assets at FVPL under IAS 39. These assets continue to be measured at FVPL under IFRS 9.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(i) Classification of financial assets and financial liabilities (continued)*

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

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

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A lifetime ECL is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(ii) Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost;

– contract assets as defined in IFRS 15 (see note 2(c));

– debt securities measured at FVOCI (recycling);

– lease receivables; and

– financial guarantee contracts issued (see note 2(b)(i)).

Financial assets measured at fair value, including units in funds trusts and other non-equity instruments, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(ii) Credit losses (continued)*

*Measurement of ECLs (continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for all financial instruments are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

*Basis of calculation of interest income on credit-impaired financial assets*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(ii) Credit losses (continued)*

*Basis of calculation of interest income on credit-impaired financial assets (continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) IFRS 9, *Financial instruments,* including the amendments to IFRS 9, *Prepayment features with negative compensation* (continued)

#### *(ii) Credit losses (continued)*

*Opening balance adjustment*

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB985 million, which decreased retained earnings by RMB916 million and increased gross deferred tax assets by RMB59 million at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

| | RMB'000 |
|---|---|
| Loss allowance at 31 December 2017 under IAS 39 | 4,618,231 |
| Additional credit loss recognised at 1 January 2018 on adoption of IFRS 9 | 985,469 |
| Loss allowance at 1 January 2018 under IFRS 9 | 5,603,700 |

#### *(iii) Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue,* which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts,* which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The adoption of IFRS 15 has no material impact on the consolidated financial statements of the Group except for presentation.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

#### *(i) Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (c) IFRS 15, *Revenue from contracts with customers* (continued)

#### *(i) Timing of revenue recognition (continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

#### *(ii) Significant financing component*

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The adoption of IFRS 15 does not have a significant impact on recognising financing component, as it is not common in the Group's arrangement with its customers to defer payments or receive payments in advance beyond normal course of business.

#### *(iii) Presentation of contract assets and liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (c) IFRS 15, *Revenue from contracts with customers* (continued)

#### *(iii) Presentation of contract assets and liabilities (continued)*

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "amounts due from customers for construction contracts" or "amounts due to customers for construction contracts" respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of IFRS 15:

a. "Amounts due from customers for construction contracts" amounting to is now included under contract assets; and

b. "Amounts due to customers for construction contracts" amounting to is now included under contract liabilities.

### (d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

## 3 REVENUE AND SEGMENT INFORMATION

### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 (Note) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers within the scope of IFRS 15: | | |
| Disaggregation by major products of service lines | | |
| – Survey, design and consulting services | **4,840,774** | 5,765,752 |
| – Infrastructure construction contracts | **70,554,532** | 72,020,325 |
| – Rendering of other services | **14,250,961** | 15,809,778 |
| – Sale of properties | **2,973,380** | 4,048,671 |
| – Sale of goods | **8,900,467** | 8,402,925 |
| Total | **101,520,114** | 106,047,451 |

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11. See note 2(c).

### (b) Segment information

The executive directors of the Company are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

- Provision of survey and design services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, and the provision of a broad range of consulting services, such as the policy and planning of power industry as well as testing, evaluation and supervision of power projects ("Survey, design and consulting");

## 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

- Provision of construction and contracting services for large scale power generation, transformation and transmission projects of fossil-fuel power, hydropower, nuclear power, wind farms and solar power in China and overseas, as well as undertaking other types of construction projects, such as water conservancy facilities, transportation, municipal engineering, industrial and civil construction projects ("Construction and contracting");

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

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

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

## 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

*For the six months ended 30 June 2018 (Unaudited)*

| | Survey, design and consulting | Construction and contracting | Equipment manufacturing | Civil explosives and cement production | Investment and other businesses | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Segment revenue** | | | | | | | |
| External segment revenue | 4,840,774 | 70,554,532 | 4,049,286 | 4,851,181 | 17,224,341 | – | 101,520,114 |
| Inter-segment revenue | 12,706 | 4,217,081 | 249,001 | – | 749,302 | (5,228,090) | – |
| Segment revenue | 4,853,480 | 74,771,613 | 4,298,287 | 4,851,181 | 17,973,643 | (5,228,090) | 101,520,114 |
| Segment results | 695,606 | 2,789,987 | (173,706) | 1,043,752 | 1,792,111 | 89,622 | 6,237,372 |
| Unallocated items | | | | | | | |
| Cost of sales | | | | | | | (490) |
| Other income | | | | | | | 398,894 |
| Other net gains and losses | | | | | | | 349,068 |
| Selling expenses | | | | | | | (3,774) |
| Administrative expenses | | | | | | | (197,830) |
| Research and development expenses | | | | | | | (4,566) |
| Finance income | | | | | | | 344,042 |
| Finance costs | | | | | | | (1,713,218) |
| Share of profits of joint ventures | | | | | | | 171,288 |
| Share of profits of associates | | | | | | | 59,291 |
| Profit before taxation | | | | | | | 5,640,077 |

## 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

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

| | Survey, design and consulting | Construction and contracting | Equipment manufacturing | Civil explosives and cement production | Investment and other businesses | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Segment revenue** | | | | | | | |
| External segment revenue | 5,765,752 | 72,020,325 | 3,874,135 | 4,528,790 | 19,858,449 | – | 106,047,451 |
| Inter-segment revenue | 60,910 | 4,161,144 | 132,419 | – | 236,372 | (4,590,845) | – |
| Segment revenue | 5,826,662 | 76,181,469 | 4,006,554 | 4,528,790 | 20,094,821 | (4,590,845) | 106,047,451 |
| Segment results | 1,454,265 | 3,029,959 | (115,600) | 767,251 | 1,458,225 | (152,026) | 6,442,074 |
| Unallocated items | | | | | | | |
| Cost of sales | | | | | | | (171) |
| Other income | | | | | | | 272,859 |
| Other net gains and losses | | | | | | | (370,833) |
| Selling expenses | | | | | | | (6,251) |
| Administrative expenses | | | | | | | (162,260) |
| Research and development expenses | | | | | | | (3,578) |
| Finance income | | | | | | | 467,449 |
| Finance costs | | | | | | | (1,358,044) |
| Share of losses of joint ventures | | | | | | | (4,852) |
| Share of profits of associates | | | | | | | 5,716 |
| Profit before taxation | | | | | | | 5,282,109 |

## 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment information (continued)

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.

The Group's operations and non-current assets are mainly located in Mainland China. The geographical information about its revenue and non-current assets prepared by location of customers is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Segment revenue | | |
| Mainland China | **83,756,666** | 88,005,305 |
| Overseas: | | |
| Pakistan | **5,715,391** | 3,903,231 |
| Indonesia | **1,743,471** | 2,034,300 |
| Angola | **1,563,252** | 1,098,649 |
| Vietnam | **1,387,664** | 2,780,554 |
| Argentina | **1,198,281** | 635,836 |
| Bangladesh | **1,042,948** | 1,087,709 |
| Others | **5,112,441** | 6,501,867 |
| Total | **101,520,114** | 106,047,451 |

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Non-current assets | | |
| Mainland China | **75,929,122** | 69,146,540 |
| Overseas: | | |
| Pakistan | **3,001,889** | 2,514,684 |
| Vietnam | **2,332,022** | 1,261,572 |
| Kuwait | **238,747** | 118,016 |
| Kazakhstan | **212,609** | 158,120 |
| Liberia | **132,622** | 141,014 |
| Angola | **77,993** | 76,615 |
| Bangladesh | **75,237** | 74,481 |
| Others | **451,878** | 448,897 |
| Total | **82,452,119** | 73,939,939 |

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

## 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (c) Revenue from major customers

There is no major individual customer contributing over 10% of the total revenue of the Group for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## 4 OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | | (Note (ii)) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Government grants | | |
| – grants related to income (note (i)) | **850,987** | 1,093,987 |
| – grants related to assets | **26,740** | 18,477 |
| Dividend income from available-for-sale financial assets | **–** | 89,022 |
| Dividend income from financial assets at FVOCI | **34,521** | – |
| Dividend income from financial assets at FVPL | **66,282** | 378 |
| Compensation income on contract violation | **15,459** | 11,189 |
| Waiver of certain payables from suppliers and others | **26,616** | 33,482 |
| Total | **1,020,605** | 1,246,535 |

Note:

(i) Government grants include various government subsidies received by the Group from the relevant government bodies primarily in connection with enterprise expansion, technology advancement and value-added tax refund. There were no unfulfilled conditions or contingencies relating to these grants and subsidies as at 30 June 2018.

(ii) The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

Notes to the unaudited interim financial report

## 5 OTHER NET GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | | (Note) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Net foreign exchange gain/(loss) | **201,181** | (177,880) |
| Gain/(loss) on disposal of: | | |
| – Financial assets at FVPL | **60,740** | (252) |
| – Available-for-sale financial assets | **–** | 3,582 |
| – Financial assets at FVOCI | **754** | – |
| – Property, plant and equipment | **187,112** | 39,295 |
| – Prepaid lease payments | **3,132** | – |
| – Subsidiaries | **5,135** | – |
| Impairment loss (recognised)/reversed in respect of: | | |
| – Trade receivables | **(130,964)** | (162,360) |
| – Other receivables | **(16,469)** | (1,793) |
| – Contract assets | **54,693** | – |
| – Property, plant and equipment | **(3,534)** | – |
| Fair value changes of financial assets at FVPL | **(9,817)** | (12,276) |
| Cumulative gain on disposal of available-for-sale financial assets | **–** | 7,680 |
| Others | **(2,895)** | (66,829) |
| Total | **349,068** | (370,833) |

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

## 6 FINANCE INCOME AND FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest income on: | | |
| Bank and cash balances and pledged deposits | **314,323** | 332,585 |
| Other loans | **14,523** | 98,982 |
| Defined benefit plan assets | **15,196** | 35,882 |
| Total finance income | **344,042** | 467,449 |
| Interest expenses on: | | |
| Bank and other borrowings | **2,030,357** | 1,303,288 |
| Corporate bonds | **262,670** | 321,927 |
| Finance leases | **6,457** | 8,574 |
| Discounted bills | **82,166** | 37,210 |
| Defined benefit obligations | **208,838** | 172,849 |
| | **2,590,488** | 1,843,848 |
| Less: Interest capitalised into | | |
| – Construction in progress | **(157,981)** | (8,129) |
| – Properties under development for sale | **(607,868)** | (477,675) |
| – Intangible assets | **(111,421)** | – |
| Total finance costs | **1,713,218** | 1,358,044 |

Borrowing costs were capitalised to the qualifying assets based on the effective interest rates of bank and other borrowings and corporate bonds.

The borrowing costs have been capitalised at rates of 4.14% to 7.50% for the six months ended 30 June 2018 (six months ended 30 June 2017: 4.80% to 8.00%).

## 7 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Salaries and other labour costs | **7,596,958** | 7,331,554 |
| Retirement benefits and pensions | **1,289,377** | 1,206,558 |
| Other social benefits | **2,002,412** | 1,870,182 |
| Effect of share based compensation | **16,348** | 20,137 |
| Total staff and labour costs | **10,905,095** | 10,428,431 |
| Less: Capitalised into construction in progress | **(28,125)** | (878) |
| Less: Capitalised into properties under development for sale | **(86,764)** | (94,186) |
| | **10,790,206** | 10,333,367 |
| Cost of inventories recognised as expense | **22,924,136** | 23,345,266 |
| Operating lease expenses | **196,116** | 172,126 |
| Gross rental income from investment properties | **(25,393)** | (23,724) |
| Less: Direct operating expenses (including depreciation of investment properties) incurred for investment properties that generated rental income | **16,913** | 17,428 |
| | **(8,480)** | (6,296) |

## 8 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current enterprise income tax | **1,252,932** | 1,195,053 |
| Deferred tax | **(29,752)** | (62,747) |
| Land appreciation tax ("LAT") | **237,280** | 207,279 |
| | **1,460,460** | 1,339,585 |

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

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

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Group of RMB2,293 million (six months ended 30 June 2017: RMB2,259 million) and the weighted average of 29,774,348,000 ordinary shares in issue during the six months ended 30 June 2018 (six months ended 30 June 2017: 29,921,724,000 shares).

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **'000** | '000 |
| | **(Unaudited)** | (Unaudited) |
| Issued ordinary shares at 1 January | **29,790,770** | 30,020,396 |
| Effect of shares under restricted share incentive scheme purchase (note 22(d)) | **(16,422)** | (98,672) |
| Weighted average number of ordinary shares at 30 June | **29,774,348** | 29,921,724 |

Given vesting condition of restricted shares are subject to achievement of financial performance of the Company and individual performance assessment of participants over the unlocking period, which is subject to relevant decision making procedures, there was no dilutive effect arising from restricted share incentive scheme for the six months ended 30 June 2018.

## 10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred costs for construction in progress of RMB3,836 million (six months ended 30 June 2017: RMB790 million) and acquired buildings at a cost of RMB224 million (six months ended 30 June 2017: RMB257 million), machinery at a cost of RMB345 million (six months ended 30 June 2017: RMB229 million), transportation vehicles/vessels at a cost of RMB207 million (six months ended 30 June 2017: RMB99 million), electronic equipment at a cost of RMB164 million (six months ended 30 June 2017: RMB36 million), office equipment at a cost of RMB27 million (six months ended 30 June 2017: RMB29 million), and other equipment at a cost of RMB17 million (six months ended 30 June 2017: RMB22 million) for the purpose of expanding the Group's business.

The Group pledged certain buildings with carrying amount of approximately RMB2,902 million as at 30 June 2018 (31 December 2017: RMB2,947 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 28.

The carrying amount of property, plant and equipment held under finance leases as at 30 June 2018 amounting to RMB0.39 million (31 December 2017: RMB43 million).

As at 30 June 2018, the Group was in the process of applying the title certificates of certain of its buildings with aggregate carrying amount of approximately RMB391 million (31 December 2017: RMB357 million). After consulting with the legal advisor of the Company, the directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned buildings without incurring significant costs. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of reporting period.

## 11 PREPAID LEASE PAYMENTS

During the six months ended 30 June 2018, the Group incurred costs for acquisition of prepaid lease payments of RMB126 million (six months ended 30 June 2017: RMB171 million).

As at 30 June 2018, the Group pledged leasehold land with carrying value of RMB299 million (31 December 2017: RMB341 million) to secure loan facilities of the Group. Details of pledge of assets are set out in note 28.

As at 30 June 2018, the Group was in the process of applying the title certificates of certain of its land use rights in the PRC with aggregate carrying amount of approximately RMB10 million (31 December 2017: RMB13 million). After consulting with the legal advisor of the Company, the directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant costs. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

## 12 INTANGIBLE ASSETS

During the six months ended 30 June 2018, addition to intangible assets amounting to RMB3,616 million (six months ended 30 June 2017: RMB1,007 million), which comprised concession rights of RMB3,534 million (six months ended 30 June 2017: RMB966 million), software of RMB25 million (six months ended 30 June 2017: RMB27 million), patent & unpatented technology of RMB11 million (six months ended 30 June 2017: RMB1 million), other intangible assets of RMB44 million (six months ended 30 June 2017: RMB14 million) and mining rights of RMB1.6 million (six months ended 30 June 2017: Nil).

The rights in respect of toll road income under two concession agreements with an aggregate carrying amount of RMB7,397 million as at 30 June 2018 (31 December 2017: RMB7,485 million) are pledged to obtain bank borrowings (note 28).

## 13 FINANCIAL INSTRUMENTS

### (a) Financial assets at FVOCI (non-recycling)

| | **At 30 June 2018**<br>**RMB'000**<br>**(Unaudited)** | At 31 December 2017<br>(Note (i))<br>RMB'000<br>(Audited) |
|---|---|---|
| Listed investments: | | |
| Equity securities listed in Mainland China | **896,359** | – |
| Equity securities listed in Hong Kong | **105,360** | – |
| Subtotal | **1,001,719** | – |
| Unlisted investments: | | |
| Private companies (note (ii)) | **715,067** | – |
| Listed company (note (iii)) | **407,132** | – |
| Subtotal | **1,122,199** | – |
| Total | **2,123,918** | – |
| Analysed for reporting purposes: | | |
| Non-current | **2,123,918** | – |

## 13 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial assets at FVPL

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 (Note (i)) RMB'000 (Audited) |
|---|---|---|
| Listed investments: | | |
| Equity securities listed in Mainland China | **39,480** | 52,167 |
| Unlisted investments: | | |
| Private companies | **4,463,512** | – |
| Units in funds and other non-equity investments | **974,243** | – |
| Total | **5,477,235** | 52,167 |
| Analysed for reporting purposes: | | |
| Non-current | **5,034,885** | – |
| Current | **442,350** | 52,167 |
| | **5,477,235** | 52,167 |

Notes:

(i) The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

(ii) The unlisted investments in private companies mainly represent equity securities of private entities established in the PRC. The Group designated its investments in these companies at FVOCI (non-recycling), as the investments are held for strategic purposes. The Group does not intend to dispose of them in the near future.

(iii) These investments represent non-tradable shares of Huadian Fuxin Energy Corporation Limited ("Huadian Fuxin", a PRC established company which is under control by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")), the H shares of which were listed on the Stock Exchange in 2012.

## 14 TRADE AND BILLS RECEIVABLES

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **57,283,593** | 54,427,426 |
| Retention money receivables | **10,866,843** | 10,358,119 |
| Less: allowance for doubtful debts | **(3,410,323)** | (3,282,441) |
| | **64,740,113** | 61,503,104 |
| Bills receivable | **3,956,306** | 5,221,724 |
| Build-Transfer ("BT")/Build-Operate-Transfer ("BOT") project receivables | **11,213,721** | 5,327,706 |
| Total trade and bills receivables | **79,910,140** | 72,052,534 |
| Analysed for financial reporting purpose: | | |
| Non-current | **23,295,521** | 16,573,131 |
| Current | **56,614,619** | 55,479,403 |
| | **79,910,140** | 72,052,534 |

Trade and bills receivables of the Group primarily represent receivables from grid and power generation companies. The credit terms granted to its trade customers mainly ranged from 30 days to 180 days, except for the retention receivables and certain receivables from BT and BOT projects.

Retention receivables are withheld by customers up to a maximum amount calculated based on a prescribed percentage of the construction contract amount. Retention terms of 12 to 24 months after the completion of construction contracts may be granted to customers and debtors for retention receivables depending on the market practice of construction industries in countries where construction contracts are carried out and credit assessment carried out by management on an individual customer or debtor basis. The trade receivables arising from BT and BOT projects are unsecured and are repayable by instalments over a 4 to 30 years period during or after the completion of the construction of the underlying projects.

As at 30 June 2018, the Group pledged its trade receivables from grid companies amounting to approximately RMB1,965 million (31 December 2017: RMB410 million) to secure loan facilities granted to the Group. Details of pledge of assets are set out in note 28.

## 14 TRADE AND BILLS RECEIVABLE (CONTINUED)

### (a) Ageing analysis

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

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| 0 to 6 months | **53,104,230** | 48,959,537 |
| 6 months to 1 year | **9,770,497** | 8,033,600 |
| 1 year to 2 years | **9,212,820** | 8,169,220 |
| 2 years to 3 years | **4,116,099** | 3,573,992 |
| 3 years to 4 years | **1,983,298** | 1,727,523 |
| 4 years to 5 years | **908,749** | 839,368 |
| Over 5 years | **814,447** | 749,294 |
| | **79,910,140** | 72,052,534 |

### (b) Related parties of trade and bills receivables

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

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Ultimate holding company | **119** | 119 |
| Fellow subsidiaries | **11,436** | 12,088 |
| Joint ventures | **960,142** | 128,395 |
| Associates | **5,210,797** | 5,051,323 |
| Total | **6,182,494** | 5,191,925 |

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

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Advance to suppliers | **20,456,569** | 20,957,551 |
| Other receivables (note) | **19,326,310** | 17,213,720 |
| Prepayments for acquisition of property, plant and equipment | **1,514,909** | 1,589,612 |
| Prepaid taxes | **3,886,918** | 2,854,564 |
| Dividends receivable | **73,410** | 68,666 |
| Interest receivables | **99,850** | 115,280 |
| Deposits for prepaid lease payments | **22,130** | 31,628 |
| Deposits paid for acquisition of subsidiaries | **119,674** | 227,201 |
| | **45,499,770** | 43,058,222 |
| Analysed for financial reporting purpose: | | |
| Non-current | **1,849,745** | 2,049,215 |
| Current | **43,650,025** | 41,009,007 |
| | **45,499,770** | 43,058,222 |

Note:

Other receivables mainly represented bidding bonds, performance bonds and various deposits required for the Group's business operations.

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Ultimate holding company | | |
| – Non-trade nature | **221,246** | 223,843 |
| Fellow subsidiaries | | |
| – Trade nature | **165,789** | 51,117 |
| – Non-trade nature | **737,513** | 697,426 |
| Joint ventures | | |
| – Non-trade nature | **12,770** | 12,474 |
| Associates | | |
| – Non-trade nature | **1,801,848** | 1,089,793 |
| Total | **2,939,166** | 2,074,653 |

## 16 OTHER LOANS AND FINANCE LEASE RECEIVABLES

### (a) Other loans

At 30 June 2018, the amounts due from fellow subsidiaries, associates and third parties included in other loans were mainly repayable within one year. These loans are all unsecured and non-trade, further details of which are analysed as follows:

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Amounts due from: | | |
| Fellow subsidiaries | **185,000** | 190,000 |
| Associates | **3,438,591** | 3,452,266 |
| Third parties | **625,712** | 625,278 |
| | **4,249,303** | 4,267,544 |
| Analysed for financial reporting purpose: | | |
| Current | **4,249,303** | 4,267,544 |
| | **4,249,303** | 4,267,544 |
| Loans: | | |
| With ultimate holding company guarantee | **185,000** | 190,000 |
| With third party guarantees | **500,000** | 500,000 |
| Without guarantees | **3,564,303** | 3,577,544 |
| | **4,249,303** | 4,267,544 |
| Interest bearing loans (fixed rate) | **4,118,740** | 4,137,414 |
| Interest-free loans repayable on demand | **130,563** | 130,130 |
| | **4,249,303** | 4,267,544 |
| Range of interest rate (per annum) | **5.23% to 10%** | 4.35% to 10% |

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

## 16 OTHER LOANS AND FINANCE LEASE RECEIVABLES (CONTINUED)

### (b) Finance lease receivables

In 2018, the Group entered into finance lease arrangements for certain of its transportation vehicles and manufacturing facilities. The term range of finance leases entered into is from 1 to 7 years.

The finance lease receivables were mainly with floating interest rates reference to the benchmark interest rate of the People's Bank of China (the "POBC"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates. As at 30 June 2018, the carrying amount of these finance lease receivables was RMB795 million, of which approximately RMB322 million was classified as current assets.

## 17 CONTRACT BALANCES

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | | (Note) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Contract assets | **37,815,424** | – |
| Gross amounts due from customers for construction work | **–** | 34,473,565 |
| Contract liabilities | **(38,293,345)** | – |
| Gross amounts due to customers for construction work | **–** | (7,278,552) |
| | **(477,921)** | 27,195,013 |
| Contract costs incurred plus recognised profits less recognised losses to date | **912,993,967** | 901,223,836 |
| Less: Progress billings received and receivable | **(883,831,940)** | (874,028,823) |
| Advance from customers | **(29,639,948)** | – |
| | **(477,921)** | 27,195,013 |

## 17 CONTRACT BALANCES (CONTINUED)

Contract assets above include amounts attributable to joint ventures and associates as follows:

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | | (Note) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Joint ventures | **405,596** | 166,350 |
| Associates | **566,120** | 173,281 |
| | **971,716** | 339,631 |

Contract liabilities above include amounts attributable to joint ventures and associates as follows:

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | | (Note) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Joint ventures | **59,501** | – |
| Associates | **12,796** | 32,198 |
| | **72,297** | 32,198 |

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

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

## 18 TRADE AND BILLS PAYABLES

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **82,580,175** | 83,770,646 |
| Bills payable | **6,053,594** | 6,369,172 |
| | **88,633,769** | 90,139,818 |

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

As at 30 June 2018, retention payables of RMB5,181 million (31 December 2017: RMB5,713 million) were included in trade and bills payables. Retention payables are interest free and payable at the end of the retention periods of the respective construction contracts. The Group's normal operating cycle with respect to the construction contracts is usually more than one year.

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Within 1 year | **75,582,104** | 76,069,115 |
| 1 to 2 years | **5,223,544** | 6,181,565 |
| 2 to 3 years | **3,741,152** | 4,117,945 |
| More than 3 years | **4,086,969** | 3,771,193 |
| | **88,633,769** | 90,139,818 |

## 18 TRADE AND BILLS PAYABLES (CONTINUED)

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

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Fellow subsidiaries | **141,643** | 100,092 |
| Associates | **11,900** | 12,521 |
| | **153,543** | 112,613 |

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

## 19 OTHER PAYABLES AND ACCRUALS

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | | (Note (i)) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Advance from customers | **–** | 28,422,193 |
| Other payables | **24,569,565** | 22,804,088 |
| Accrued payroll and welfare | **2,332,354** | 2,335,579 |
| Non-income tax related tax payables | **1,886,138** | 2,637,019 |
| Dividend payables | **537,322** | 220,062 |
| Interest payables | **906,461** | 257,387 |
| | **30,231,840** | 56,676,328 |
| Analysed for financial reporting purpose: | | |
| Current | **29,389,777** | 55,576,402 |
| Non-current | **842,063** | 1,099,926 |
| | **30,231,840** | 56,676,328 |

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

## 19 OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | | (Note (i)) |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Ultimate holding company | **1,238,713** | 1,289,087 |
| Fellow subsidiaries | **234,655** | 159,531 |
| Joint ventures | **200,031** | 21,968 |
| Associates | **2,656,066** | 1,248,860 |
| | **4,329,465** | 2,719,446 |
| Analysed by nature: | | |
| Trade nature | **–** | 37,636 |
| Non-trade nature (note (ii)) | **4,329,465** | 2,681,810 |
| | **4,329,465** | 2,719,446 |

Notes:

(i) The Group has initially applied IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See note 2.

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

## 20 BANK AND OTHER BORROWINGS

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Current | | |
| Short term bank borrowings: | | |
| – unsecured | **30,712,023** | 17,505,972 |
| – secured | **120,300** | 489,773 |
| Short term other borrowings: | | |
| – unsecured | **11,945,155** | 9,372,097 |
| Current portion of long term bank borrowings: | | |
| – unsecured | **5,395,717** | 8,021,478 |
| – secured | **4,347,749** | 2,481,606 |
| Current portion of long term other borrowings: | | |
| – secured | **45,116** | 99,045 |
| | **52,566,060** | 37,969,971 |
| Non-current | | |
| Long term bank borrowings: | | |
| – unsecured | **23,408,180** | 14,853,835 |
| – secured | **16,320,425** | 16,268,731 |
| Long term other borrowings: | | |
| – secured | **1,441,232** | 1,427,231 |
| | **41,169,837** | 32,549,797 |

Notes to the unaudited interim financial report

## 20 BANK AND OTHER BORROWINGS (CONTINUED)

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Ultimate holding company | **3,209,185** | 1,653,037 |
| Fellow subsidiaries | **1,020,194** | 1,146,970 |
| Joint ventures | **2,528,510** | 2,528,510 |
| Associates | **1,727,197** | 1,215,500 |
| | **8,485,086** | 6,544,017 |

Bank borrowings and other borrowings were secured by certain assets of the Group, details of which are set out in note 28.

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Guaranteed by third parties | **112,111** | 119,098 |

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

| | At 30 June 2018 | | At 31 December 2017 | |
|---|---|---|---|---|
| | RMB'000 (Unaudited) | % | RMB'000 (Audited) | % |
| Fixed rate bank and other borrowings | **38,803,887** | **1.05 – 8.00** | 30,879,063 | 1.05 – 8.00 |
| Floating rate bank and other borrowings | **54,932,010** | **1.20 – 8.70** | 39,640,705 | 1.20 – 8.70 |
| | **93,735,897** | | 70,519,768 | |

The floating rate bank and other borrowings are arranged at the interest rate based on benchmark interest rates of the PBOC or at London Interbank Offered Rate.

## 21 CORPORATE BONDS

| | At 30 June 2018<br>RMB'000<br>(Unaudited) | At 31 December 2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount repayable based on repayment term (note (i)): | | |
| Within one year | **305,286** | 1,231,753 |
| More than one year but within two years | **1,800,000** | 1,200,000 |
| More than two years but within three years | **10,150,000** | 750,000 |
| More than three years but within four years | **200,000** | 10,000,000 |
| More than four years but within five years | **5,990,420** | 200,000 |
| More than five years | **–** | 12,989,976 |
| | **18,445,706** | 26,371,729 |
| Less: | | |
| Carrying amounts of corporate bonds that contain a repayment on demand clause (shown under current liabilities) but repayable: | | |
| More than five years (note (ii)) | **–** | 10,134,523 |
| Amounts due within one year | **305,286** | 1,097,230 |
| Amounts shown under current liabilities | **305,286** | 11,231,753 |
| Amounts shown under non-current liabilities | **18,140,420** | 15,139,976 |
| Effective interest rate – floating rate (per annum) | **n/a** | n/a |
| Effective interest rate – fixed rate (per annum) | **3.14% – 5.37%** | 3.14% – 5.37% |

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

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

## 22 CAPITAL, RESERVES AND DIVIDEND

### (a) Dividends

#### *(i) Dividends payable to shareholders attributable to the six months ended 30 June*

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

#### *(ii) Dividends payable to shareholders attributable to the previous financial year, approved during the six months ended 30 June 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Final dividend in respect of the previous financial year, approved during the six months ended 30 June 2018, of RMB0.0306 per share (2017: RMB0.0296 per share) | **918,624** | 888,604 |

### (b) Issued share capital

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

| | **At 30 June 2018** | | At 31 December 2017 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value** | Number of shares | Nominal value |
| | **'000** | **RMB'000** | '000 | RMB'000 |
| | **(Unaudited)** | **(Unaudited)** | (Audited) | (Audited) |
| Registered, issued and fully paid | | | | |
| State legal person shares of RMB1.00 each | **20,757,960** | **20,757,960** | 20,757,960 | 20,757,960 |
| H Shares of RMB1.00 each | **9,262,436** | **9,262,436** | 9,262,436 | 9,262,436 |
| | **30,020,396** | **30,020,396** | 30,020,396 | 30,020,396 |

### (c) Group's reserves

Details of the Group's reserves for the period are presented in the consolidated statement of changes in equity.

## 22 CAPITAL, RESERVES AND DIVIDEND (CONTINUED)

### (d) Purchase of shares under restricted share incentive scheme

During the six months ended 30 June 2018, the Company purchased shares under restricted share incentive scheme by a trustee on the Stock Exchange as follows:

| Month/year | Number of shares repurchased | Highest price paid per share | Lowest price paid per share | Aggregate price paid |
|---|---|---|---|---|
| | | HK$ | HK$ | RMB'000 |
| January 2018 | 11,700,000 | 1.5163 | 1.3315 | 14,107 |
| February 2018 | 7,200,000 | 1.4936 | 1.3701 | 8,448 |
| | | | | 22,555 |

### (e) Restricted share incentive scheme

On 21 November 2016, the Company adopted a restricted share scheme (the "Scheme") with a duration of ten years. On 21 November 2016, the Board of Directors approved an initial grant of restricted shares under the Scheme, pursuant to which approximately 287,500,000 restricted shares, representing approximately 0.96% of the issued share capital of the Company as at 31 December 2016, were granted to 542 selected Scheme participants at the grant price of HK$0.66 per share. These restricted shares would vest gradually after the Scheme participants complete a period of 3 years from the date of grant. The vesting conditions of restricted shares are subject to achievement of financial performance of the Company and individual performance assessment of participants over the unlocking period. As of 30 June 2018, the number of grantees being granted with restricted shares of the Company was 519, with a total of 275,272,000 granted shares. The shares which will be acquired from the market will be held as restricted shares by a trustee before they are vested. By 30 June 2018, 248,526,000 shares were acquired from the market (31 December 2017: 229,626,000 shares).

Movements in number of restricted shares granted and related fair value are as follows:

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Average fair value (per share)** | **Number of restricted shares granted** | Average fair value (per share) | Number of restricted shares granted |
| | **HKD** | | HKD | |
| | **(Unaudited)** | **(Unaudited)** | (Unaudited) | (Unaudited) |
| At the beginning of the period granted | **0.66** | **275,272** | 0.66 | 287,500 |
| At the end of the period | **0.66** | **275,272** | 0.66 | 287,500 |

## 23 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments as at 30 June 2018:

| Issuance Date | Distribution Rate p.a | Amount |
|---|---|---|
| | % | RMB'000 |
| 31 May 2016 | 4.28 | 3,000,000 |
| 21 September 2016 | 3.76 | 3,000,000 |
| 21 July 2016 | 3.24 | 2,500,000 |
| 21 July 2016 | 3.48 | 2,500,000 |
| 3 August 2016 | 3.15 | 2,000,000 |
| 3 August 2016 | 3.43 | 3,000,000 |
| 28 July 2017 | 5.80 | 1,000,000 |
| 31 July 2017 | 5.90 | 600,000 |
| 8 December 2017 | 6.00 | 620,000 |
| 12 January 2018 | 6.60 | 520,000 |
| 22 January 2018 | 6.60 | 660,000 |
| Total | | 19,400,000 |

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

The Group could not defer current distribution and all deferred distribution when any of the following compulsory interest payment events occur:

- to declare and pay dividend to shareholders; and
- to reduce registered capital.

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

The distribution rate of these instruments will be reset according to the terms agreed in each contract of instruments respectively in every two to five years.

The Group does not have the contractual obligation to deliver cash or other financial assets to other parties, therefore the perpetual capital instruments are recognised as equity in these consolidated financial statements.

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Fair value measurement for financial instruments measured at fair value on a recurring basis

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents financial instruments of the Group that are measured at fair value at 30 June 2018 and 31 December 2017:

**As at 30 June 2018:**

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets at FVOCI | | | | |
| Listed investments | 1,001,719 | – | – | 1,001,719 |
| Unlisted investments | | | | |
| – private companies | – | – | 715,067 | 715,067 |
| – listed companies | – | – | 407,132 | 407,132 |
| Financial assets at FVPL | | | | |
| Listed investments | 39,480 | – | – | 39,480 |
| Unlisted investments | – | – | 5,437,755 | 5,437,755 |
| Total assets | 1,041,199 | – | 6,559,954 | 7,601,153 |

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Fair value measurement for financial instruments measured at fair value on a recurring basis (continued)

As at 31 December 2017:

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Assets | | | | |
| Tradable listed equity securities classified as available-for-sale financial assets | 1,359,327 | – | – | 1,359,327 |
| – private companies | – | – | 6,829,208 | 6,829,208 |
| – listed companies | – | – | 403,986 | 403,986 |
| Financial assets at fair value through profit or loss | 52,167 | – | – | 52,167 |
| Total assets | 1,411,494 | – | 7,233,194 | 8,644,688 |

The fair value of financial instruments traded in active markets is based on quoted market prices on the date of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Fair value measurement for financial instruments measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurement of financial assets:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Unlisted investments | | |
| Beginning of the period | **7,233,194** | 4,351,465 |
| Adjustment on initial application of IFRS 9 (note 2(b)) | **121,767** | – |
| Adjusted balance at the beginning of the period | **7,354,961** | 4,351,465 |
| Movement for the period | | |
| – (Decrease)/increase of unlisted investments | **(801,024)** | 737,228 |
| – Fair value gain/(loss) recognised in other comprehensive income | **3,146** | (14,855) |
| – Fair value gain recognised in profit or loss | **2,871** | – |
| At 30 June (Unaudited) | **6,559,954** | 5,073,838 |

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

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in this interim financial report approximate their fair values.

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **At 30 June 2018** | At 31 December 2017 | **At 30 June 2018** | At 31 December 2017 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | **38,803,887** | 30,879,063 | **42,520,014** | 33,513,361 |
| Corporate bonds (fixed rate) | **18,445,706** | 26,371,729 | **18,756,771** | 26,647,262 |
| Financial lease payables (fixed rate) | **412** | 902 | **403** | 886 |
| | **57,250,005** | 57,251,694 | **61,277,188** | 60,161,509 |

## Notes to the unaudited interim financial report

## 24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

**Fair value hierarchy as at 30 June 2018**

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | – | 42,520,014 | – | 42,520,014 |
| Corporate bonds (fixed rate) | – | 18,756,771 | – | 18,756,771 |
| Financial lease payables (fixed rate) | – | – | 403 | 403 |
| Total | – | 61,276,785 | 403 | 61,277,188 |

Fair value hierarchy as at 31 December 2017

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Bank and other borrowings (fixed rate) | – | 33,513,361 | – | 33,513,361 |
| Corporate bonds (fixed rate) | – | 26,647,262 | – | 26,647,262 |
| Financial lease payables (fixed rate) | – | – | 886 | 886 |
| Total | – | 60,160,623 | 886 | 60,161,509 |

## 25 CAPITAL COMMITMENTS

### Capital expenditure:

| | At 30 June 2018<br>RMB'000<br>(Unaudited) | At 31 December 2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Contracted for but not provided | | |
| Property, plant and equipment | **1,248,926** | 1,693,123 |

### Investment commitments:

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

| | At 30 June 2018<br>RMB'000<br>(Unaudited) | At 31 December 2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Investment commitments in: | | |
| – Associates | **4,450** | 12,217 |
| – Joint ventures | **366,700** | 366,070 |
| | **371,150** | 378,287 |

## 26 OPERATING LEASE COMMITMENTS

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Within one year | **134,291** | 178,831 |
| 1 to 3 years | **182,376** | 235,907 |
| Over 3 years | **51,496** | 41,177 |
| | **368,163** | 455,915 |

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

### The Group as lessor

For the six months ended 30 June 2018, rental income earned by the Group from its investment properties was RMB25 million (six months ended 30 June 2017: RMB24 million).

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

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

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Within one year | **24,178** | 64,522 |
| 1 to 3 years | **35,478** | 73,519 |
| Over 3 years | **137,901** | 106,864 |
| | **197,557** | 244,905 |

## 27 CONTINGENCIES

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

**(b)** In accordance with the relevant policies issued by SASAC and MOF, the State-owned Enterprises shall carve out and transfer their assets related to water supply, power supply, heat/gas supply and property management of employees' communities, together with their maintenance obligation and management function, to the parties, which are designated by local governments, after the necessary upgrades, before the year end of 2018 (the "Transfer", 三供一業移交). As at 30 June 2018, the Group was still in the process of negotiating the arrangements with the relevant government authorities and other parties. The overall arrangement of the Transfer including the extent of Group's obligation in relation to the upgrade works is subject to relevant approvals according to corporate governance structure. It is impracticable to quantify the financial impact of the Transfer with sufficient reliability at the time this interim report is approved for issue.

### (c) Guarantees

| | **At 30 June 2018<br>RMB'000<br>(Unaudited)** | At 31 December 2017<br>RMB'000<br>(Audited) |
|---|---|---|
| Guarantees given to banks and other financial institutions in respect of loan facilities granted to: (note (i)) | | |
| Joint ventures (note 30 (a)) | **953,491** | 938,791 |
| Associates (note 30 (a)) | **3,440,092** | 3,405,158 |
| Investee recognised as available-for-sale financial assets | **-** | 33,550 |
| Investee recognised as financial assets at FVOCI | **33,550** | - |
| | **4,427,133** | 4,377,499 |
| Mortgage loan guarantees provided by the Group to banks in favour of its customers (note (ii)) | **877,828** | 833,106 |
| | **5,304,961** | 5,210,605 |

Notes:

(i) In the opinion of the directors, the fair value of these guarantee contracts is insignificant at initial recognition.

## 27 CONTINGENCIES (CONTINUED)

### (c) Guarantees (continued)

(ii) The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition, and the directors consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the interim financial report.

## 28 PLEDGE OF ASSETS

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

| | Note | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|---|
| Property, plant and equipment | 10 | **2,902,954** | 2,946,803 |
| Prepaid lease payments | 11 | **299,158** | 340,558 |
| Intangible assets | 12 | **7,396,563** | 7,484,795 |
| Trade receivables | 14 | **1,965,439** | 410,361 |
| Properties under development for sale | | **19,118,375** | 21,388,648 |
| Completed properties for sale | | **32,345** | 32,345 |
| Bank deposits | | **3,773,940** | 3,453,706 |
| | | **35,488,774** | 36,057,216 |

## 29 BANK AND CASH BALANCES

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Bank and cash balances | **45,307,775** | 48,439,660 |
| Time deposits | **3,821,665** | 3,424,687 |
| | **49,129,440** | 51,864,347 |
| Less: Pledged deposits for | | |
| Bills payable | **1,190,240** | 1,214,195 |
| Letter of credit | **1,083,181** | 1,005,107 |
| Others | **1,500,790** | 1,234,404 |
| | **3,774,211** | 3,453,706 |
| Bank and cash balances at end of the period | **45,355,229** | 48,410,641 |
| Less: Non-pledged time deposits with original maturity of three months or more when acquired | **1,716,475** | 710,804 |
| Cash and cash equivalents in the consolidated statement of cash flows | **43,638,754** | 47,699,837 |

## 30 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Significant related party transactions

Save as disclosed elsewhere in the interim financial report, the Group entered into the following transactions with related parties during the period:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Sales of goods** | | |
| Ultimate holding company | **–** | 282 |
| Joint ventures | **–** | 1,036 |
| Associates | **51,028** | 120,538 |
| | **51,028** | 121,856 |
| **Construction service** | | |
| Fellow subsidiaries | **–** | 5,034 |
| Joint ventures | **1,121,797** | 33,856 |
| Associates | **2,463,542** | 1,150,544 |
| | **3,585,339** | 1,189,434 |
| **Purchase of goods** | | |
| Fellow subsidiaries | **–** | 747 |
| Joint ventures | **–** | 2,341 |
| Associates | **6,191** | 15,095 |
| | **6,191** | 18,183 |
| **Purchase of services** | | |
| Ultimate holding company | **4,416** | 1,872 |
| Fellow subsidiaries | **3,565** | 12,370 |
| Joint ventures | **89** | – |
| | **8,070** | 14,242 |
| **Lease expense** | | |
| Fellow subsidiaries | **23,288** | 67,373 |
| **Finance income** | | |
| Fellow subsidiaries | **3,900** | 3,400 |
| Joint ventures | **–** | 74,710 |
| Associates | **5,657** | 12,522 |
| | **9,557** | 90,632 |
| **Finance costs** | | |
| Ultimate holding company | **15,507** | 13,063 |
| Fellow subsidiaries | **5,385** | 357 |
| | **20,892** | 13,420 |

## 30 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Significant related party transactions (continued)

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

| | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Associates (note 27(c)) | **3,440,092** | 3,405,158 |
| Joint ventures (note 27(c)) | **953,491** | 938,791 |
| | **4,393,583** | 4,343,949 |

During the six months ended 30 June 2018, the Group had transactions with enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises") including, but not limited to, the provision of infrastructure construction services and purchases of services. The directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationship, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

### (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 14, 15, 16, 17, 18, 19 and 20.

## 31 COMPARATIVE INFORMATION

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Certain comparative figures have been adjusted to conform to current period's presentation for the first time in the six months ended 30 June 2018.

## 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARD AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases,* which may have a significant impact on the Group's consolidated financial statements.

### IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of IFRS 16, where the Group is the lessee under the lease, the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. IFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

As at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amounting to RMB368 million (31 December 2017: RMB456 million) for property, plant and equipment and land use rights, the majority of which is payable either between 1 and 3 years after the reporting date or in more than 3 years.

Upon the initial adoption of IFRS 16 at 1 January 2019, the present value of some of the future minimum lease payments will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and effect of discounting.

# Glossary of Vocabulary and Technical Terms

| | |
|---|---|
| "Company" or "our Company" | refers to China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock company with limited liability established in the PRC on 19 December 2014 |
| "Group" or "our Group" | refers to the Company and its subsidiaries |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |
| "Energy China Group" | refers to China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), a wholly state-owned company with limited liability established in the PRC on 28 September 2011, the Controlling Shareholder and one of the promoters of our Company, and thus a connected person of our Company |
| "EPPE Company" | refers to Electric Power Planning & Engineering Institute Co., Ltd. (電力規劃總院有限公司), a limited liability company established in the PRC on 17 July 2014 and a wholly-owned subsidiary of Energy China Group and one of the promoters of our Company, and thus a connected person of our Company |
| "Board" | refers to the board of directors of the Company |
| "Director(s)" | refers to the director(s) of the Company |
| "Supervisory Committee" | refers to the committee of supervisors of the Company |
| "Reporting Period" | refers to the six months ended 30 June 2018 |
| "year-on-year" | refers to comparison with the same period of the previous year |
| "13th Five-Year Plan" | refers to the Thirteenth Five-Year Planning Outline for National Economic and Social Development of the People's Republic of China |

# Glossary of Vocabulary and Technical Terms

| | |
|---|---|
| "Corporate Governance Code" | refers to the Corporate Governance Code as contained in Appendix 14 to the Listing Rules |
| "Listing Rules" | refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| "Model Code" | refers to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "SFO" | refers to Hong Kong Securities and Future Ordinance |
| "PRC" or "China" | refers to the People's Republic of China |
| "MOC" | refers to Ministry of Commerce of the People's Republic of China |
| "MOF" | refers to Ministry of Finance of the People's Republic of China |
| "SASAC" | refers to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) |
| "Stock Exchange" | refers to The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "One Belt and One Road" | refers to a development strategy and framework, proposed by the People's Republic of China that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road" |
| "MW" | refers to a measure of electric power equal to 1,000,000 watts, alternatively 1 MW equals 1,000 kW |

## Glossary of Vocabulary and Technical Terms

| | |
|---|---|
| "PPP" | refers to public-private-partnership, a business model in which public infrastructure projects are financed, built and operated by way of partnership between the public sector and the private sector |
| "PV" | refers to a technology directly converting light energy into electrical energy by using the photovoltaic effect of the semiconductor interface |
| "smart grid" | refers to the new modern grid highly integrating the advanced sensor measurement technology, information and communication technology, analysis and decision technology, automatic control technology, energy electric technology and power grid infrastructure in order to achieve the reliable, economical, efficient, and environmental friendly and safety use objectives |
| "sponge city" | refers to the city having a good "flexibility" in adaptation to environmental change and response to natural disasters caused by rain, etc., capable of water absorption, water storage, water seepage, and water purification when it rains, and "release" and exploitation of the stored water when required |
| "urban comprehensive underground pipe gallery" | refers to the public tunnels laid underground in urban areas for paving municipal pipelines including electricity, telecommunications, television broadcast, water supply, water drainage, heat and gas, etc. |

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