內蒙古能源建設投資股份有限公司

Inner Mongolia Energy Engineering Co., Ltd.

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

Stock Code: 1649

2018 Interim Report

Contents

Corporate Profile

The Company was established on March 24, 2016. On May 31, 2016, as jointly initiated by IM Energy Group, a wholly state-owned enterprise subject to regulation by Inner Mongolia SASAC, and IM Sulige Company, a wholly-owned subsidiary of IM Energy Group, the Company was converted into a joint stock company and renamed from Inner Mongolia Keyi Energy Engineering Co., Ltd. (內蒙古科宜能源建設有限責任公司) to Inner Mongolia Energy Engineering Co., Ltd. (內蒙古能源建設投資股份有限公司). On July 18, 2017, the H Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") through initial public offering and the stock code is 1649. As of June 30, 2018, the total number of Shares of the Company was 2,846,860,952 Shares, comprising 821,547,048 H Shares which represent 28.86% of the total issued Shares, and 2,025,313,904 Domestic Shares which represent 71.14% of the total issued Shares.

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

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

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

Financial Highlights

1. KEY OPERATION RESULTS

	Six months ended June 30, 2018 (RMB in million)	Six months ended June 30, 2017 (RMB in million)	Amount of change (RMB in million)	Percentage of change %
Revenue	**3,057.80**	3,240.53	-182.73	-5.64%
Gross profit	**577.63**	663.67	-86.04	-12.96%
Total profit	**204.59**	317.01	-112.42	-35.46%
Net profit	**170.14**	243.58	-73.44	-30.15%
Net profit attributable to the parent company	**170.04**	243.58	-73.54	-30.19%
Basic earnings per share (RMB)	**0.06**	0.12	-0.06	-50.00%

2. REVENUE

	Six months ended June 30, 2018 (RMB in million)	Six months ended June 30, 2017 (RMB in million)	Amount of change (RMB in million)	Percentage of change %
Survey, design and consultancy	**264.20**	230.49	33.71	14.63%
Construction contracting	**1,373.54**	2,645.95	-1,272.41	-48.09%
Trading	**1,197.72**	169.36	1,028.36	607.20%
Power project operations and other business	**222.34**	194.73	27.61	14.18%
Total revenue	**3,057.80**	3,240.53	-182.73	-5.64%

3. ASSETS AND LIABILITIES

	At June 30, 2018 (RMB in million)	At December 31, 2017 (RMB in million)	Amount of change (RMB in million)	Percentage of change %
Total assets	**17,056.57**	17,815.40	-758.83	-4.26%
Total liabilities	**12,716.16**	13,580.93	-864.77	-6.37%
Total equity of owners	**4,340.41**	4,234.47	105.94	2.50%
Equity attributable to equity owners of the parent company	**4,332.81**	4,226.97	105.84	2.50%

Management Discussion and Analysis

1. INDUSTRY OVERVIEW FOR THE FIRST HALF OF 2018

(I) General Status of the Power Industry

1. Overview of the PRC Power Industry

(1) Power Supply and Demand

In the first half of 2018, the national electricity supply and demand was generally loose, which, however, significantly intensified as compared with the previous two years. According to the statistics of the China Electricity Council, in January to June 2018, the power consumption of the whole society was 3,229.1 billion kWh, representing a year-on-year increase of 9.4%, and the growth rate was 3.1 percentage points higher than that of the corresponding period of last year. In particular, the proportion of electricity consumption of the primary, the secondary and the tertiary industries and urban and rural residents was 1.0%, 69.2%, 15.7% and 14.1%, respectively. Compared with the corresponding period of last year, the proportion of the primary industry was flat; the proportion of the secondary industry decreased by 1.2 percentage points, of which the proportion of the four high-energy consuming industries decreased by 1.2 percentage points year-on-year; the proportion of the tertiary industry and urban and rural residents increased by 0.7 percentage points and 0.5 percentage points, respectively.

In January to June 2018, the power output of nationwide power plants increased by 8.3% over the corresponding period of last year to 3,194.5 billion kWh and the growth rate increased by 2.0 percentage points as compared with the corresponding period of last year.

(2) Power Installed Capacity

According to the statistics of China Electricity Council, as of the end of June 2018, the accumulative installed capacity of power plants of 6,000 kW and above in China was 1.73 billion kW, representing an increase of 6.2% over the corresponding period of last year, while the growth rate dropped by 0.7 percentage point as compared with the corresponding period of last year. Among which, the installed capacity of hydropower, fossil-fuel power, nuclear power and interconnected wind power reached 300 million kW, 1.11 billion kW, 37 million kW and 170 million kW, respectively. The growth rate of wind power generation is much higher than the growth rate of installed capacity, displaying the gradual improvement of wind power utilization efficiency. The installed capacity of photovoltaic power generation increased by 24.30 million kW, including 12.06 million kW for photovoltaic power stations, representing a year-on-year decrease of 30%; and 12.24 million kW for distributed photovoltaic power generation, representing a year-on-year increase of 72%.

In January to June 2018, the accumulated average utilization hours of power generation equipment nationwide was 1,858 hours, representing an increase of 68 hours over the corresponding period of the last year, of which the average utilization hours of fossil-fuel power equipment in China was 2,126 hours (including the average utilization hours of coal power generation equipment of 2,184 hours); the average utilization hours of interconnected wind power equipment in China was 1,143 hours; and the average utilization hours of solar power equipment in China was 637 hours. The problem of wind power, photovoltaic power and hydropower curtailment was further alleviated. Obvious effects were achieved in accelerating the use of clean energy through construction of power grids, rational scheduling, increasing market transactions, strengthening the use throughout the entire grid, and promoting technological innovation.

(3) Construction of Power Grids

According to the statistics of the China Electricity Council, in January to June 2018, the domestic trans-regional power transmission reached 200.1 billion kWh, representing a year-on-year increase of 20.3%; the total power transmission of all provinces in China reached 573.6 billion kWh, representing a year-on-year increase of 19.4%; the investment in domestic power grid construction totaled RMB203.6 billion, decreased by 15.1% year-on-year.

In the first half of 2018, more investment was continuously made in the construction of rural power grid and distribution network to effectively improve the conditions of power supply for production in agriculture and rural service industries. The proportion of investment in power grids of 110 kV and below nationwide was still above half. In 2015 to 2020, the investment in construction and transformation of power distribution network shall not be less than RMB2 trillion.

(4) Investment in Power Construction

According to the statistics of the China Electricity Council, in January to June 2018, the newly installed power generating capacity of nationwide infrastructure was 52.11 million kW, representing an increase of 1.55 million kW over the corresponding period of last year, including fossil-fuel power of 15.15 million kW, wind power of 7.53 million kW and solar power of 25.81 million kW.

The investment in fossil-fuel power and wind power recorded a year-on-year decrease. In January to June 2018, the major power generation enterprises in China completed investment in the construction of power source in an amount of RMB97 billion, representing a year-on-year decrease of 7.3%, including RMB29.5 billion in fossil-fuel power, representing a year-on-year decrease of 5.5%, and RMB19 billion in wind power, representing a year-on-year decrease of 7.8%. The investment in clean energy including hydropower, nuclear power and wind power accounted for 69.5% of investment in construction of power source, a decrease of 0.6 percentage points over the corresponding period of last year. The successive commencement of production of a number of UHV transmission line projects in the recent two years boosted the optimized allocation of clean energy in a large area.

In order to promote the healthy development of the photovoltaic industry, the relevant departments of the State issued the Notice on Matters Related to Photovoltaic Power Generation in 2018 (《關於 2018 年光伏發電有關事項的通知》), which clearly sets out the subsidy policy and scale indicators of the photovoltaic industry, rationally guides the photovoltaic enterprises to develop in an orderly manner and optimizes the construction scale of new photovoltaic power generation to prevent intensive commencement of production of projects and waste of resources caused by policy fluctuations, thus promoting the high-quality development of the photovoltaic industry.

2. Overview of Power Industry in Inner Mongolia

(1) Power Supply and Demand

According to the statistics of Inner Mongolia Autonomous Region Electric Power Association, in January to June 2018, the power consumption in the Inner Mongolia Autonomous Region was 158.3 billion kWh, representing a year-on-year increase of 19.6 billion kWh or 14.13%, of which the power consumption of the first industry was 900 million kWh, up by 51.23% year-on-year; the power consumption of the second industry was 137.9 billion kWh, up by 12.60% year-on-year; and the power consumption of the tertiary industry was 11.8 billion kWh, up by 40.12% year-on-year.

Benefited from abundant coal, wind power and solar power resources, Inner Mongolia Autonomous Region is one of China's major power producing provinces. In January to June 2018, the accumulated power generation capacity of the installed capacity of 6,000 kW and above in Inner Mongolia Autonomous Region was 238.4 billion kWh, representing a year-on-year increase of 14.17%, including fossil-fuel power of 198.3 billion kWh, up by 12.96% year-on-year; wind power of 32.3 billion kWh, up by 20.75% year-on-year; and photovoltaic power of 6.3 billion kWh, up by 15.17% year-on-year.

Inner Mongolia Autonomous Region is one of China's important power export provinces. In the first half of 2018, the total outbound power transmission of the region was 87.8 billion kWh, representing a year-on-year increase of 23.52%.

(2) Power Installed Capacity

According to the statistics of Inner Mongolia Autonomous Region Electric Power Association, in the first half of 2018, the installed capacity of power plants (6,000 kW and above) in Inner Mongolia Autonomous Region was 120 million kW including the installed capacity of fossil-fuel power, wind power and photovoltaic power of 81.63 million kW, 27.72 million kW and 8.16 million kW, respectively.

From 2010 to 2017, the accumulated installed capacity of electricity in Inner Mongolia maintained a compound annual growth rate of approximately 9.8%. In the next five years, with the completion of the cross-region power transmission channels and installation base for power transmission, it is expected that the installed capacity of electricity in Inner Mongolia Autonomous Region will maintain a rapid growth, which is above the national average.

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

According to the data of Inner Mongolia Autonomous Region Electric Power Industry Association, in the first half of 2018, the increase in installed capacity of power plants (6,000 kW and above) in Inner Mongolia Autonomous Region (formally put into operation) was 1.82 million kW, including the production capacity of fossil-fuel power, wind power and photovoltaic power of 30,000 kW, 1.02 million kW and 760,000 kW, respectively. The utilization hours of wind power equipment were 1,164 hours, representing an increase of 141 hours as compared with the last year. The utilization hours of photovoltaic equipment was 772 hours, representing a decrease of 22 hours as compared with the last year.

In 2018, as Inner Mongolia Autonomous Region was adjusted from red pre-warning area to orange pre-warning area for wind power investment, UHV outbound transmission channels were successively put into operation and the implementation programs for alleviating wind power and photovoltaic power curtailment including substitution with electric power and heat supply with renewable energy were constantly promoted, the wind power and photovoltaic power market in Inner Mongolia Autonomous Region will be further developed.

(II) General situation of trade industry

In the first half of 2018, the coal market showed a trend of increase in both supply and demand. With the release of advanced production capacity, the upstream coal enterprises proactively engaged in supply, and the coal shipments via railway continued to grow. At the same time, coal demand in the coastal areas remained strong. In particular, the coal demand of the Yangtze River Delta and Pearl River Delta regions continued to grow. Given a small increase in imported coal, the amount of coal transported from the ports around Bohai Sea by southern users maintained growth.

The increase amidst stabilization of oil price is likely to continue in 2018. As of the closing of business on the morning of June 28, Brent oil price reached US$77.13 per barrel, representing an increase of 16.32% throughout the year. According to predicted oil price in the short-term as published by Energy Information Administration (EIA) on June 12, in 2018, the average price of Brent crude oil will reach US$71.06 per barrel and the average price of West Texas Intermediate (WTI) will reach US$64.53 per barrel, with price expected to be greatly higher than the price of Brent oil price of US$60 dollars per barrel at the beginning of the year.

The International Copper Study Group expects that the global surplus of copper concentrate will be 43,000 tonnes in 2018. However, due to labour agreement, the political situation in the producing countries as well as other aspects including dilution of mines, copper shortage will continue and will become more obvious after 2019.

2. BUSINESS OVERVIEW FOR THE FIRST HALF OF 2018

(I) Diversification of business development

The Company is a large comprehensive power industry solutions provider, focusing on power grid and new energy projects. The Company provide a comprehensive range of solutions, including survey, design and consultancy, construction contracting, maintenance and overhaul services to serve the full life-cycle of power projects and the entire value chain of the power engineering industry. During the first half of 2018, the Company proactively complied with the national policy on energy structure adjustment and endeavoured to develop the international and domestic clean energy construction markets to balance the negative impact of de-capacity policy on the energy construction market. It strictly reduced cost expenses and effectively controlled operational risks. The Company's total new contract value of survey, design and consultancy business and construction contracting business during the first half of 2018 reached RMB2,792.58 million, representing a year-on-year increase of 33.4%.

1. Survey, Design and Consultancy Business

Our survey, design and consultancy business, one of our core businesses, covers various services throughout the stages of preliminary discussion, definition and implementation, including master planning, proposal studies, environmental impact assessment, feasibility studies, project application report, basic engineering design, detailed engineering design and project management. The Company provide design and engineering services mainly to power grids, wind power, solar power and fossil-fuel power companies in China and abroad. In the first half of 2018, the Company's revenue of the survey, design and consultancy business segment was RMB264.2 million, representing an increase of 14.63% over the corresponding period of last year. Total new contract value reached RMB293.87 million, representing an increase of 9.6% over the corresponding period of last year. In particular, new contract value of fossil-fuel power, wind power, photovoltaic power, power transformation and transmission as well as non-electricity and other businesses were RMB40.56 million, RMB44.91 million, RMB16.47 million, RMB188.45 million and RMB3.48 million, respectively, each contributing 13.8%, 15.3%, 5.6%, 64.1% and 1.2%, respectively.

In the first half of 2018, due to the national energy structure adjustment and de-capacity policy for fossil-fuel, there were fewer newly commenced fossil-fuel projects. On May 31, the relevant departments of the State jointly issued the Notice on Matters Related to Photovoltaic Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》) (the "Notice"), aiming at solving the rapidly rising photovoltaic installed capacity and the infinite expansion of the subsidy funding gap. The Notice requires: to suspend the release of quota for ordinary power station in 2018; limit the distributed photovoltaic installed capacity to 10GW and bring the cut-off point forward to May 31; in respect of subsidies, the subsidies per kWh for benchmark on-grid tariff and distributed photovoltaic poverty relief projects are uniformly down-regulated by RMB0.05. The introduction of the policy will undoubtedly cause a huge shock in the entire photovoltaic industry. In light of the controlled quota and unbuffered and forced down-regulation of subsidies by the State, the entire photovoltaic industry temporarily enters recession. The development of the photovoltaic industry has gradually returned to normal after "explosive growth", and its development focus has shifted from scale to quality and efficiency enhancement. The newly installed capacity of photovoltaic power plants nationwide decreased year-on-year, and the market was shrinking. The new contract value of fossil-fuel power, photovoltaic power, non-electricity and other businesses of the Company decreased by 31.7%, 39.7% and 4.9%, respectively.

The national wind power investment decreased year-on-year, but the Company, relying on its regional advantage, made use of the favorable policy on lifting ban on wind power investment in Inner Mongolia Autonomous Region to vigorously develop the wind power market while increasing efforts for development of distribution network market in the power transmission and transformation business. The new contract value of the Company's wind power and power transmission and transformation business increased by 118.6% and 19.9%, respectively.

The Company proactively developed the overseas markets and established strategic partnerships with well-known domestic equipment manufacturers to jointly seek for low-risk and high-yield overseas projects. It successfully undertook a number of overseas projects including the 1×16MW lignite power generation project in Nigeria, 1×137.5MW biomass power generation project in Ethiopia and the BXC378MW gas turbine power station project in Ghana.

2. Construction Contracting Business

Our construction contracting business, one of our core businesses, mainly involves the provision of services for construction projects of power grids, power sources, industrial and civil buildings and other infrastructure in China and abroad. In the first half of 2018, revenue of the construction contracting business segment was RMB1,373.54 million, representing a decrease of 48.09% over the corresponding period of last year. Total new contract value reached RMB2,498.71 million, representing an increase of 36.9% over the corresponding period of last year. In particular, the new contract value of fossil-fuel power and wind power was RMB36.96 million and RMB150.42 million, representing a year-on-year increase of 23.2% and 197.5%, respectively; the new contract value of photovoltaic power and power transformation and transmission projects was RMB213.89 million and RMB252.08 million, respectively, representing a year-on-year decrease of 72.4% and 72.7%, respectively; and the new contract value of non-electricity and other businesses reached RMB1,845.36 million, representing a significant increase as compared with the corresponding period of last year.

In the first half of 2018, there was almost no commencement of construction of UHV construction project of the State Grid and the bidding projects of infrastructural projects of 220kV and above in the western Inner Mongolia market decreased significantly over 2017. More investment was made in distribution network and rural power grid. The lower access threshold of power distribution network project resulted in fierce competition; the photovoltaic business was affected by the abovementioned industry policy and the degradation mechanism of benchmarking on-grid tariff, and the project profit rate continued to fall. The above factors have led to a decrease in the amount of new contract value of power transmission and transformation and photovoltaic business in the first half of the year.

As affected by domestic regulatory policies concerning coal-fired power and the decrease in power source investment, the Company, in an extremely unfavorable fossil-fuel power market, made more efforts to further the market development and rallied to overcome obstacles in the first half of 2018. As a result, new contract value of fossil-fuel power projects recorded an increase. Meanwhile, the Company proactively implemented industrial diversification, deeply developed other non-electricity market and contracted the airport navigation lighting and coal mine earth and stone stripping projects, etc., giving rise to a great year-on-year increase in new contract value of non-electricity and other businesses.

Leveraging the Top Grade Qualification in general contracting of power engineering, the Company develops in the direction of general contracting of high-quality and efficient engineering with focus placed on design. At the same time, it strengthens the management and control of capital risks, improves the quality of contracted projects, and is more cautious in undertaking the general contracting projects. In the first half of the year, it contracted the EPC general contracting project of 100MW photovoltaic power generation project in yaerya town of the southern suburb of Datong CLP Phase II Photovoltaic Power Generation Application Base.

3. **Trading Business**

The Company started our trading business in June 2015. The Company trade commodities which primarily include petroleum products, coal and metal materials. In the first half of 2018, the Company entered into 79 new contracts in respect of trading business, including 30 procurement contracts and 49 sales contracts, and generating a sales revenue of RMB1,197.72 million, up by 607.20% year-on-year. In the first half of 2018, the Company further enhanced its trading scale and profitability under strict control over risks, and actively and effectively expanded its business, which played an important role in the implementation of the diversified development strategic of the Company.

4. **Power Project Operation and Other Businesses**

Adhering to the concept of green development, the Company vigorously implemented the new energy strategy by adopting the modes of construction investment, asset acquisition and joint operation, thereby facilitating the large-scale and clustering operation and development of new energy power projects. As at June 30, 2018, the installed capacity of new energy project in operation was 259MW, which comprises of Hengrun Wind Power Project (恒潤風電項目) with an installed capacity of 199MW, Urad Front Banner Photovoltaic Projects (烏拉特前旗光伏項目) with an installed capacity of 50MW and Alxa Right Banner Photovoltaic Project (阿拉善右旗光伏項目) with an installed capacity of 10MW. During the period from December 21, 2017 to June 20, 2018, Hengrun Wind Power recorded on-grid power of 213.6123 million kWh, with the equipment utilization hours reaching 1,076 hours; Urad Front Banner Photovoltaic Projects recorded on-grid power of 42.5043 million kWh, with the equipment utilization hours reaching 850 hours; Alxa Right Banner Photovoltaic Project recorded on-grid power of 8.1316 million kWh, with the equipment utilization hours reaching 813 hours. In the first half of 2018, the revenue of the power projects operation segment was RMB117.13 million, representing an increase of 61.05% over the corresponding period of last year.

Other businesses. The Company substantially expanded operation maintenance and overhaul services for power plants while engaging in production and processing of transmission steel structures. In the first half of 2018, the revenue of other businesses segment of the Company was RMB105.21 million, representing a decrease of 13.77% over the corresponding period of last year.

(II) Rapid progress in basic management

1. Corporate Management

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

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

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

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

2. **Contracts**

As of June 30, 2018, the outstanding contract value of survey, design and consultancy business and construction contracting business of the Company was RMB8,060.92 million, representing a year-on-year increase of 23.4%, among which the outstanding contract value of survey, design and consultancy business was RMB1,107.35 million; the outstanding contract value of construction contracting business was RMB6,953.56 million.

3. **Scientific Research and Awards**

In 2018, the Company put into effect the Thirteenth Five-year Plan for the development of science and technology. Targeting at the goal of improving the capability of independent innovation and core competitiveness and striving to make breakthroughs in the scientific research concerning the businesses of survey, design and consultancy, construction contracting, trading, power projects operation and others, the Company got commands of a number of key technologies with independent intellectual property rights in the fields such as clean energy and smart grid, offering support to relevant business development of the Company. In the first half of 2018, the Company obtained 3 Prizes of Science and Technology Progress Award, authorization for 38 patents (including 6 patents for invention and 32 utility model patents), 2 computer software copyrights, 12 technological innovation achievements, 14 survey and design awards, 27 various awards for QC achievement at different levels and 10 awards for outstanding construction methods granted by the autonomous region.

In the first half of 2018, the Company's projects also won several awards including 5 Prizes of Excellent Project Award for Power Industry, 4 Prizes of Excellent Installation Projects of Inner Mongolia Autonomous Region, and 3 Gold Awards of Steel Structure of Inner Mongolia Autonomous Region.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2018

(I) Power Market of China and Inner Mongolia Autonomous Region

In the second half of 2018, it is expected that the growth rate of the power consumption of the whole society will be lower than that in the first half of the year. It is expected that the growth rate of the power consumption of the whole society throughout the year will be better than expected at the beginning of the year and exceed that in 2017. It is expected that the newly installed capacity of power generation in the country throughout the year will be 120 million kW, including the newly installed capacity of non-fossil energy power generation of approximately 73 million kW and the newly installed capacity of coal power of slightly less than 40 million kW. At the end of the year, the installed capacity of power generation will reach about 1.90 billion kW, including the installed capacity of coal power of 1.02 billion kW and the installed capacity of non-fossil energy power generation of 760 million kW, with the proportion further increased to 40%. According to the Guidelines on Energy Development in 2018 (《2018年能源發展指導意見》), for wind power: it is required to steadily promote the construction of wind power projects. During the year, it is planned to start a new construction scale of about 25 million kW, and the newly installed capacity will be about 20 million kW. The preliminary work shall be solidly promoted for wind power projects in certain areas. The project scale is about 20 million kW; for solar energy: efforts shall be exerted to advance the construction of photovoltaic power generation projects steadily, and boost the development of distributed photovoltaic power generation in a standard way. The transformation of low-carbon energy consumption has been steadily advanced. The construction of a green and diversified energy supply system has been accelerated. The way of energy production and consumption is undergoing profound changes. The energy pattern is gradually moving towards multi-polarization, low-carbon and intelligent development.

Pursuant to the "Thirteenth Five-year Plan of Energy Development in Inner Mongolia Autonomous Region", during the implementation of the Thirteenth Five-year Plan, the power industry in Inner Mongolia Autonomous Region will realize a total power installed capacity of about 165 million kW thereunder, including about 0.1 billion kW of fossil-fuel power, about 45 million kW of wind power and about 15 million kW of photovoltaic power. Leveraging the outbound power transmission lines in places, the construction and development of outbound power transmission lines facilities for new energy will be accelerated, which will in turn promote the preliminary work of the base for outbound clean power transmission in Chifeng and western Inner Mongolia (Ulanqa, Baotou, Alxa, etc.). During the "Thirteenth Five-Year" period, efforts will be made to increase the installed capacity of new energy for outbound transmission by approximately 23 million kW, including wind power of 18 million kW and solar power of approximately 5 million kW.

On the basis of consolidating the advantages of traditional design and construction, the Company will, based on the relevant policies of the State and the autonomous region, carry out in a deep-going way the construction of demonstration projects with a large capacity, high-parameter power generation units, UHV power transmission and transformation, energy-saving and emission reduction technology, solar power generation, biomass power generation, garbage incineration power generation, multi-energy complementation and integrated optimization, energy storage technology pilot, etc. and technical research and reserve in the field of "Internet +" smart energy (energy internet), striving to grow into an enterprise providing package solutions for various types of integrated energy projects.

(II) International Market

The Company will proactively promote the "going global" strategy for power transmission and transformation, fossil-fuel and new energy projects. Based on its own positioning, the Company will rationally avoid political risks, policy risks, and financial risks. It will continue to strengthen cooperation with powerful window companies and large power equipment manufacturers, to strengthen power cooperation relying on its own advantages with the countries and regions surrounding and along the "Belt and Road", China-Mongolia-Russia Economic Corridor, China — Central Asia — West Asia Economic Corridor, China-Pakistan Economic Corridor, and Bangladesh-China-India-Burma Economic Corridor.

4. FINANCIAL REVIEW

(I) Operation Results and Discussion

For the six months ended June 30, 2018, Group's realized revenue was RMB3,057.80 million, representing a decrease of RMB182.73 million or 5.64% over the corresponding period of last year. Gross profit was RMB577.63 million, representing a decrease of RMB86.04 million or 12.96% over the corresponding period of last year. Net profit for the period amounted to RMB170.14 million, representing a decrease of RMB73.44 million or 30.15% over the corresponding period of last year. Among which the net profit for the period attributable to the equity owner of the Company was RMB170.04 million, representing a decrease of RMB73.53 million or 30.19% over the corresponding period of last year.

1. Revenue

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

For the six months ended June 30, 2018, the revenue of the Group was RMB3,057.80 million, representing a decrease of RMB182.73 million or 5.64% over the corresponding period of last year. The decrease was mainly due to that, as affected by the policies of relevant national departments, in the first half of the year, the total new contract value of photovoltaic projects of the Company's survey, design and consultancy business and construction contracting business saw a relatively significant decline as compared with the same period of last year and the Company's income and profit therefrom decreased year on year.

For the six months ended June 30, 2018, the revenue of the Group generated from China amounted to RMB3,057.80 million, accounting for 100.00% of the total revenue. The comparison of the information of the corresponding period of last year is as below:

	Six months ended June 30, 2018 (RMB in million)	**%**	Six months ended June 30, 2017 (RMB in million)	%
Inner Mongolia	**2,348.40**	**76.80**	2,189.93	67.58
Other parts of the PRC	**709.40**	**23.20**	1,050.60	32.42
Total	**3,057.80**	**100**	3,240.53	100

2. **Cost of sales**

For the six months ended June 30, 2018, the cost of sales of the Group amounted to RMB2,480.18 million, representing a decrease of RMB96.68 million or 3.75% over the corresponding period of last year, which was mainly due to the decrease in cost of sales of the construction contracting business segment.

3. **Gross profit and gross profit margin**

For the six months ended June 30, 2018, the gross profit of the Group amounted to RMB577.63 million, representing a decrease of RMB86.04 million or 12.96% over the corresponding period of last year, which was mainly due to the decrease in the gross profit margin of survey, design and consultancy business and construction contracting business. For the same period, gross profit margin of the Group was 18.89% (the corresponding period in 2017: 20.48%).

(II) Segment operating results

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

	Revenue Six months ended June 30,		Gross Profit Six months ended June 30,		Gross Profit Margin Six months ended June 30,		Segment Result Six months ended June 30,		Proportion of Segment Result Six months ended June 30,	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(RMB in million)		(RMB in million)		%		(RMB in million)		%	
Survey, design and consultancy	**264.20**	230.49	**113.31**	120.68	**42.90%**	52.00%	**109.83**	120.68	**27.72%**	25.23%
Construction contracting	**1,373.54**	2,645.95	**339.21**	488.6	**24.70%**	18.50%	**160.92**	344.11	**40.61%**	71.95%
Trading	**1,197.72**	169.36	**42.81**	1.58	**3.57%**	0.90%	**62.34**	-24.23	**15.73%**	-5.07%
Power project operation and other businesses	**222.34**	194.73	**82.29**	52.81	**37.01%**	27.12%	**63.17**	37.74	**15.94%**	7.89%
Total	**3,057.80**	3,240.53	**577.63**	663.67	**18.89%**	20.48%	**396.26**	478.30	**100.00%**	100.00%

1. **Survey, design and consultancy**

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

	Six months ended June 30,				
	2018		2017		
	(RMB in million)	**%**	(RMB in million)	%	% of Change
Segment revenue	**264.20**	**10.64%**	230.49	7.11%	14.63%
Cost of sales	**150.89**	**7.77%**	109.81	4.26%	37.41%
Gross profit	**113.31**	**20.94%**	120.68	18.18%	-6.11%

Segment revenue Revenue of the survey, design and consultancy business after inter-segment elimination increased by RMB33.71 million or 14.63% over the corresponding period of last year, primarily due to the growth of wind power business.

Cost of sales Cost of sales of the survey, design and consultancy business increased by RMB41.08 million or 37.41% over the corresponding period of last year, primarily due to the increase in project development cost and labour cost as a result of the proactive market development for the survey, design and consultancy business and the increase in the number of staff and wages.

Gross profit Gross profit of the survey, design and consultancy business decreased by RMB7.37 million or 6.11% over the corresponding period of last year, primarily due to the increase in project development cost and labour cost as a result of the proactive market development for the survey, design and consultancy business and the increase in the number of staff and wages.

2. **Construction contracting**

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

	Six months ended June 30,				
	2018		2017		
	(RMB in million)	**%**	(RMB in million)	%	% of Change
Segment revenue	**1,373.54**	**55.34%**	2,645.95	81.65%	-48.09%
Cost of sales	**1,034.33**	**53.29%**	2,157.35	83.72%	-52.06%
Gross profit	**339.21**	**62.69%**	488.60	73.62%	-30.57%

Segment revenue Revenue of the construction contracting business after inter-segment elimination decreased by RMB1,272.41 million or 48.09% over the corresponding period of last year, primarily due to the decrease in business volume as affected by national policies; and the decrease in general contracting business as the Company took a more cautious attitude in undertaking general contracting projects and the construction contracts with a large amount were entered into at the time close the end of the interim period, and that the projects under the construction contracts with a large amount were not commenced in this period.

Cost of sales Cost of sales of the construction contracting business decreased by RMB1,123.02 million or 52.06% over the corresponding period of last year, primarily due to the basic consistence with the decrease in revenue from this segment.

Gross profit Gross profit of the construction contracting business decreased by RMB149.39 million or 30.57% over the corresponding period of last year. Gross profit margin of the Company's works and construction contracting business increased to 24.70% in the first half of 2018 from 18.50% in the first half of 2017, primarily due to that the operation of e-commence centralized procurement platform lowered the engineering cost and the Company implemented measures for reduction of project cost on the premise of guaranteeing engineering quality.

3. **Trading**

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

	Six months ended June 30,				
	2018		2017		
	(RMB in million)	**%**	(RMB in million)	%	% of Change
Segment revenue	**1,197.72**	**39.15%**	169.36	5.23%	607.20%
Cost of sales	**1,154.91**	**46.57%**	167.77	6.51%	588.39%
Gross profit	**42.81**	**7.41%**	1.58	0.24%	2609.49%

Segment revenue Revenue of the trading business after inter-segment elimination increased by RMB1,028.36 million or 607.20% over the corresponding period of last year, primarily due to the growth of coal and metal businesses.

Cost of sales Cost of sales of the trading business increased by RMB987.14 million or 588.39% over the corresponding period of last year, primarily due to the basic consistence with the increase in revenue from this segment.

Gross profit Gross profit of the trading business increased by RMB41.23 million or 2,609.49% over the corresponding period of last year, primarily due to the substantial increase in gross profit margin of coal business as affected by the market conditions.

4. **Power project operation and other businesses**

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

	Six months ended June 30,				
	2018		2017		
	(RMB in million)	%	(RMB in million)	%	% of Change
Segment revenue	**222.34**	**8.96%**	194.73	6.01%	14.18%
Cost of sales	**140.05**	**7.22%**	141.92	5.51%	-1.32%
Gross profit	**82.29**	**15.21%**	52.81	7.96%	55.82%

Segment revenue Revenue of the power project operation and other businesses after inter-segment elimination increased by RMB27.61 million or 14.18% over the corresponding period of last year, primarily due to the revenue from the photovoltaic power generation business acquired in the second half of 2017 and the increase in power generation of the former wind power generation business, which was offset by the decrease in sales of towers.

Cost of sales Cost of sales of the power project operation and other businesses decreased by RMB1.87 million or 1.32% over the corresponding period of last year, primarily due to the decrease in cost of sales as a result of the decrease in sales of towers.

Gross profit Gross profit of the power project operation business increased by RMB29.48 million or 55.82% over the corresponding period of last year, primarily due to the substantial increase in the proportion of power generation business with a high gross profit margin.

(III) Floating Capital and Capital Resources

As of June 30, 2018, the bank deposit and cash held by the Group amounted to RMB2,612.9 million, representing a decrease of RMB2,218.96 million as compared with that as at December 31, 2017, primarily due to the repayment of bank borrowings that became due and accounts payable to suppliers and prepayment for purchase.

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

As of June 30, 2018, the current assets of the Group, exclusive of bank deposit and cash, amounted to RMB11,537.02 million, among which debt instrument at fair value through other comprehensive income, trade receivables, contract assets, prepayments, deposits and other receivables and inventories were RMB115.66 million, RMB6,815.9 million, RMB854.66 million, RMB3,603.78 million and RMB136.62 million, respectively.

As of June 30, 2018, the current liabilities of the Group amounted to RMB9,338.4 million, among which trade and other payables and short-term borrowings were RMB4,562.22 million and RMB4,351.5 million, respectively. As of June 30, 2018, the net current assets of the Group, being the difference between total current assets and current liabilities, amounted to RMB4,811.51 million, representing an increase of RMB1,045.38 million or 27.76% as compared with that as of December 31, 2017.

As of June 30, 2018, the outstanding borrowings of the Group amounted to RMB7,346.75 million, among which short-term borrowings and long-term borrowings due within one year were RMB4,351.5 million and long-term borrowings were RMB2,995.25 million; the aggregate of borrowings decreased by RMB498.25 million as compared with that as of December 31, 2017, comprised of a decrease of RMB1,603.5 million in short-term borrowings and an increase of RMB1,105.25 million in long-term borrowings.

1. Cash flows

Cash flows used in operating activities. For the six months ended June 30, 2018, net cash outflow generated from operating activities amounted to RMB1,509.44 million, representing an increase of RMB69.26 million or 4.81% as compared with the net outflow over the corresponding period of last year, primarily due to the increase in payment for purchase.

Cash flows used in investing activities. For the six months ended June 30, 2018, net cash outflow generated from investing activities amounted to RMB487.59 million, representing an increase of RMB330.55 million as compared with the net outflow over the corresponding period of last year, primarily due to (i) deposit paid and purchase of property, plant and equipment of RMB40.55 million; (ii) capital contribution to joint ventures of RMB160.62 million; (iii) deposit of pledged bank deposits and time deposits of RMB421.33 million; and (iv) cash advanced to joint ventures of RMB70.00 million, which was offset by withdrawal of pledged bank deposits and time deposits of RMB189.28 million.

Cash flows generated from financing activities. For the six months ended June 30, 2018, net cash generated from the Company's financing activities was the net outflow amounting to RMB453.98 million, representing a decrease of RMB2,867.06 million or 118.81% as compared with the net inflow over the corresponding period of last year, primarily due to repayment of bank and other borrowings of RMB3,928.25 million, which was offset by receipt of advances from the parent company of RMB190.24 million.

2. **Pledged assets**

As at June 30, 2018 the Group's pledged bank deposits in relation to certain bills and letters of guarantee amounted to RMB956.52 million (June 30, 2017: RMB724.47 million).

3. **Gearing ratio**

The Group monitors the Group's capital structure on the basis of gearing ratio. This ratio is calculated by dividing net debt by total capital. Net debt is calculated as the total borrowings and other liabilities (including short-term borrowings, long-term borrowings, trade and other payables shown in the consolidated balance sheet) minus restricted cash, time deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt minus non-controlling interest. The Group's gearing ratios were approximately 74.14% and 76.60% as at December 31, 2017 and June 30, 2018, respectively. The increase of gearing ratio as of June 30, 2018 as compared with that as of December 31, 2017 was primarily due to the decrease in bank deposits and cash as a result of the repayment of bank borrowings that became due and accounts payable to suppliers and payment for purchase.

4. **Capital expenditure**

For the first half of 2018, our capital expenditures amounted to RMB202.66 million (the corresponding period in 2017: RMB392.59 million), among which RMB40.55 million was used for purchase of property, plant and equipment; RMB1.49 million was used for purchase of intangible assets; RMB160.62 million was used for investment in joint ventures. Capital resources mainly included self-owned capital and borrowings from banks.

5. **Material acquisition**

Up to the Reporting Period, the Company had no material acquisition.

6. **Significant Events**

On February 12, 2018, The Company and IM Huadian entered into a joint venture agreement, pursuant to which the Company and IM Huadian have agreed to set up the joint venture (the "Joint Venture") in accordance with the laws of the PRC and the joint venture agreement in which the Company and IM Huadian will hold 49% and 51% equity interest, respectively. By way of forming the Joint Venture with IM Huadian, the Company can cooperate with IM Huadian in development of Helin Power Station. Helin Power Station is located in Helinge'er New District, a development district under construction. Helin Power Station is a new project under the central government policy of "replacement of low capacity by high capacity". Two 66 MW supercritical indirect air-cooling units will be installed for the phase I of the project. For details, please refer to the announcements of the Company dated February 12, 2018, March 1, 2018 and July 6, 2018.

Pursuant to the Company's 2017 annual general meeting, the Company's articles of association was amended and effective on June 21, 2018. For further information, please prefer to the Company's announcements dated May 4, 2018 and June 21, 2018 and the Company's circular dated May 21, 2018.

5. SUBSEQUENT EVENTS

(I) Change in General Manager and Changes to the Board

On July 31, 2018, the Company held the fifteenth meeting of the first session of the Board at which the change in general manager was approved by way of poll. Mr. Lu Dangzhu, the current chairman of the Company, resigned as the general manager and would be succeeded by Mr. Chao Ketu. The changes to the Board were approved by way of poll: (i) Mr. Chao Ketu was nominated as an executive Director, vice chairman, and a member of each of the strategic investment committee (the "Strategic Investment Committee") and remuneration committee (the "Remuneration Committee") of the Company; (ii) Mr. Wang Wen, Mr. Su Nan, Mr. Ding Zhiyun and Mr. Yang Hong, the current independent non-executive Directors of the Company, will resign as independent non-executive Directors and the chairman or a member of the Strategic Investment Committee, the Remuneration Committee, the audit committee (the "Audit Committee") and the nomination committee (the "Nomination Committee") (as the case may be); (iii) Mr. Duan Guiying was nominated as an independent non-executive Director and a member of each of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee; the changes to the Board shall be subject to the approval by Shareholders at the extraordinary general meeting and the tenure shall commence from the date of consideration and approval at the extraordinary general meeting and end when the term of the first session of the Board expires. For details, please refer to the announcement of the Company dated July 31, 2018.

(II) Amendments to the Articles of Association

On July 31, 2018, the Company held the fifteenth meeting of the first session of the Board at which the resolution in respect of amending the Articles of Association was approved by way of poll. The Company proposed to make nine amendments to the Articles of Association, including adding six articles and amending three existing articles, and the number of relevant chapters and articles were adjusted accordingly. The relevant amendments shall be subject to the approval by Shareholders at the extraordinary general meeting. For details, please refer to the announcement of the Company dated July 31, 2018.

(III) Change in Use of Net Proceeds from the Global Offering

On July 31, 2018, the Company held the fifteenth meeting of the first session of the Board at which the resolution in respect of change in use of net proceeds from the Global Offering was approved by way of poll. Based on the business development needs of the Company, the Board has resolved to change the use of such capital from "approximately 15% will be used for purchasing additional construction equipment and machinery for our construction contracting business" disclosed in the second item of the use of proceeds as disclosed in the Prospectus to "for developing and constructing our pipeline construction contracting projects". For details, please refer to the announcement of the Company dated July 31, 2018.

The projects of the Company's construction contracting business are located in Inner Mongolia Autonomous Region and other provinces in China. When necessary, after giving consideration to the high freight and safety issues of long-distance transportation of large-scale machinery and equipment, the Company will enter into a lease agreement with local service providers in relation to lease of relevant equipment for the project and payments at completion of projects. The rental cost of equipment is usually recognised in construction cost. The Company uses its own funds (including its general working capital) to pay the rental fees.

The unutilized proceeds are expected to be used for relevant purposes at the following points of time:

Purposes	As of December 31, 2018 Amount (RMB100 million)
(i) The major construction contracting projects of power grids and power sources, for which the Company is providing services, for purchase of: (a) primary equipment and auxiliary equipment including wind turbines and photovoltaic modules; (b) power inverters, transformers, cables, steel products and other materials; and	**0.341**
(ii) labor cost or professional service charge paid to third party subcontractors as engaged in the process of carrying out construction contracting business.	**1.12**

As of July 31, 2018, the construction contracting projects for which the Company is providing services include the 49.5MW wind power project in Heilongjiang Province, 99.5MW wind power project in Shanxi Province and the 150MW wind power project in Inner Mongolia Autonomous Region, the 150MW photovoltaic project in Shanxi Province, and the power transmission line/substation construction projects in Inner Mongolia Autonomous Region, Xinjiang Autonomous Region and Tibet Autonomous Region.

As of July 31, 2018, the backlog of the abovementioned major engineering construction projects amounted to approximately RMB1,961 million and the backlog of single projects were in the range of RMB32 million to RMB818 million.

During the implementation of the project construction projects, the Company usually pays for equipment, materials purchase and subcontracting expenses to third parties arising from the projects with its own funds and part of bank loans and then repays the bank loans after receipt of benefits from the project. The 15% of the net proceeds as involved in the change will be used for construction contracting projects, which will reduce the proportion of bank loans during construction, reduce financial costs, and optimize the allocation of financial resources.

(IV) Deferred Payment Interests Agreement

On July 31, 2018, IM Survey & Design Institute, a wholly-owned subsidiary of the Company, and IM Huachen entered into the Deferred Payment Interests Agreement, in relation to, among other things, that IM Huachen agreed to pay IM Survey & Design Institute additional interests on the payments owing to IM Survey & Design Institute. As IM Huachen is a connected person of the Company under Chapter 14A of the Listing Rules, the transaction constitutes a connected transaction. As the highest applicable percentage ratio in respect of the Deferred Payment Interests Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Deferred Payment Interests Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcements of the Company dated July 31, 2018 and August 13, 2018.

(V) Change of Principal Place of Business in Hong Kong

The Company's principal place of business in Hong Kong was changed to 40th floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from July 30, 2018.

(VI) Entrusted Services Management Contract

On August 29, 2018, IM Survey & Design Institute and IM Huachen entered into the Entrusted Services Management Contract in relation to, among other things, IM Survey & Design Institute's provision of a number of management services to IM Huachen. As IM Huachen is a connected person of the Company under Chapter 14A of the Listing Rules, the transaction constitutes a connected transaction. As the highest applicable percentage ratio in respect of the Entrusted Services Management Contract is more than 0.1% but less than 5%, the transaction contemplated under the Entrusted Services Management Contract is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated August 29, 2018.

6. RISK FACTORS

(I) Macroeconomic Risk

The business cycle of the power industry is relatively long and the development of the industry is closely aligned with the macroeconomic development. Volatility in the macroeconomic environment will affect the electricity demand and in turn increase the risks faced by the power industry. The Company will continue to keep an eye on risks arisen from power industry in China and Inner Mongolia Autonomous Region, and make continuous effort to push forward the business transformation and upgrade, explore new areas, create new models and build up new capabilities so as to achieve sustainable and healthy development of the Company.

(II) Industrial Risk

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

(III) Policy Risk

As the regulatory framework in the PRC for new energy resources projects is evolving, the implementation and enforcement of these policies, laws and regulations involve uncertainties and may differ from region to region in the PRC. Any reduction, discontinuation or unfavorable application of policies and economic incentives for companies that operate new energy resources projects could materially and adversely affect our business, financial position, results of operations and prospects. In particular, the PRC government may restrict certain new energy projects if there is excess capacity in the new energy industry. For example, on May 31, 2018, the relevant departments of the State jointly issued the Notice, which requires to suspend the release of quota for ordinary power station in 2018; limit the distributed photovoltaic installed capacity to 10GW and bring the cut-off point forward to May 31; in respect of subsidies, the subsidies per kWh for benchmark on-grid tariff and distributed photovoltaic poverty relief projects are uniformly down-regulated by RMB0.05. The Notice caused a material impact on the domestic photovoltaic industry. The Company will pay continuous attention to the changes in relevant policies, expand business area and increase its business scope to reduce the impact of policy risk.

(IV) Interest Rate Risk

The Group is exposed to the fair value interest rate risk arising from fixed rate bank deposits and fixed rate bank and other borrowings. In addition, the Group is also exposed to the cash flow interest rate risk arising from floating rate bank and other borrowings, and cash and cash equivalents. As of June 30, 2018, the balance of the floating rate borrowings of the Group amounted to RMB2,947 million (as of December 31, 2017, the balance of the floating rate borrowings of the Group amounted to RMB2,007 million).

(V) Exchange Rate Fluctuation Risk

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

(VI) Credit Risk

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

(VII) Liquidity Risk

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

7. EMPLOYEES AND REMUNERATION POLICY

(I) Employees

As of June 30, 2018, the Group had 5,291 employees in total and possessed various sorts of quality talents, including 1,334 managers, 3,016 professional technicians, and 941 technical operating personnel.

In respect of education background, there were 671 employees holding a junior high school diploma or below, representing 12.68% of the total number of employees, 942 employees holding a senior high school diploma or technical secondary school diploma, representing 17.80% of the total number of employees, 1,084 employees holding a college degree, representing 20.49% of the total number of employees and 2,594 employees holding a bachelor's degree, a mater's degree or above, representing 49.03% of the total number of employees. In terms of age, 1,057 employees aged 50 or above, representing 19.98% of the total number of employees; 2,972 employees aged 30–50, representing 56.17% of the total number of employees, and 1,262 employees aged under 30, representing 23.85% of the total number of employees. From the perspective of professional title, 2,656 employees had obtained professional titles, representing 50.20% of the total number of employees, including 1,074 employees with a junior professional title, 870 employees with an intermediate professional title and 712 employees with a senior professional title.

The Company values technology research and development. As of June 30, 2018, the Company had 2,387 professional engineering technicians, 14 professor-level senior engineers, 562 senior engineers, 560 engineers, 782 employees with various national registered professional qualifications and 32 experts of the region and industry.

(II) Remuneration Policy

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

For the first half of 2018, the Company's employee expenses amounted to RMB373.89 million. The Company does not have employee's share option scheme currently.

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

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

(III) Training Program

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

The Company attaches high importance to the education and training of the employees. The Company increased the input of the education and training expenditure and enhanced the employee's quality and professional skills continuously. In the first half of 2018, the Company completed training for 3,574 employees, including on-the-job training for 1,578 employees, continuing education training for 789 employees, and other trainings for 1,207 employees.

8. USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

In accordance with the Prospectus, the net proceeds will be used according to the following amounts and proportions for the following purposes:

- Approximately 55% will be used for developing and constructing our pipeline construction contracting projects;

- Approximately 15% will be used for purchasing additional construction equipment and machinery for our construction contracting business, primarily truck-mounted cranes and crawler cranes;

- Approximately 20% will be used for partially or fully repaying two RMB200.0 million loans from Agricultural Bank of China (Hohhot Xincheng branch), each of which had an annual interest rate of 4.35% and matured in January 2018; and

- Approximately 10% will be used for working capital and general corporate purposes.

The net proceeds from global offering of the Company amounted to approximately RMB974 million. As at June 30, 2018, the net proceeds utilised by the Company was approximately RMB827.9 million and the remaining net proceeds amounted to approximately RMB146.1 million.

The use of net proceeds set out in the Prospectus	Original allocation and percentage of the net proceeds	Amount of net proceeds used and percentage as of June 30, 2018	Remaining balance of net proceeds and percentage as of June 30, 2018
Approximately 55% will be used for developing and constructing our pipeline construction contracting projects	Approximately RMB535.7 million (55%)	Approximately RMB535.7 million (55%)	0 (0%)
Approximately 15% will be used for purchasing additional construction equipment and machinery for our construction contracting business, primarily truck-mounted cranes and crawler cranes	Approximately RMB146.1 million (15%)	0 (0%)	Approximately RMB146.1 million (15%)
Approximately 20% will be used for partially or fully repaying two RMB200.0 million loans from Agricultural Bank of China (Hohhot Xincheng branch)	Approximately RMB194.8 million (20%)	Approximately RMB194.8 million (20%)	0 (0%)
Approximately 10% will be used for working capital and general corporate purposes	Approximately RMB97.4 million (10%)	Approximately RMB97.4 million (10%)	0 (0%)

The Company has changed the use of the balance of proceeds. For details, please refer to the "(III) Change in Use of Net Proceeds from the Global Offering" under "5. SUBSEQUENT EVENTS" in the "Management Discussion and Analysis" of this report.

Unaudited Interim Condensed Consolidated Financial Information

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June, 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	4	**3,057,804**	3,240,529
Cost of sales		**(2,480,175)**	(2,576,855)
Gross profit		**577,629**	663,674
Other income	5	**34,777**	10,720
Other expenses		**(4,233)**	(5,203)
Other gains and losses		**4,463**	(4,455)
Selling and distribution expenses		**(5,342)**	(10,383)
Administrative expenses		**(319,772)**	(261,063)
Share of profit of joint ventures		**6,680**	—
Finance income		**76,306**	43,971
Finance costs		**(165,918)**	(120,249)
Profit before tax		**204,590**	317,012
Income tax expense	6	**(34,453)**	(73,437)
Profit for the period	7	**170,137**	243,575
Other comprehensive (expense) income, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
— Remeasurement of defined benefit obligations		**(11,884)**	35,735
— Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss		**200**	(759)
— Fair value gain on investments in equity instruments at fair value through other comprehensive income		**2,722**	—
Other comprehensive expense for the period, net of income tax		**(8,962)**	34,976
Total comprehensive income for the period		**161,175**	278,551
Profit for the period attributable to:			
Owners of the Company		**170,043**	243,575
Non-controlling interests		**94**	—
		170,137	243,575
Total comprehensive income attributable to:			
Owners of the Company		**161,081**	278,551
Non-controlling interests		**94**	—
		161,175	278,551
Earnings per share			
— Basic and diluted (RMB)		**0.06**	0.12

Condensed Consolidated Statement of Financial Position

As at 30 June, 2018

	NOTES	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,027,652**	2,054,897
Prepaid lease payments		**54,526**	55,723
Investment properties		**8,860**	9,145
Goodwill		**13,249**	13,249
Intangible assets		**133,506**	137,837
Investments in joint ventures		**145,107**	127,805
Available-for-sale investments		**—**	1,000
Equity instruments at fair value through other comprehensive income		**15,116**	—
Deferred tax assets		**67,991**	54,527
Deposit for injection into a joint venture		**150,000**	—
Deposit for acquisition of an office building		**—**	15,498
Trade receivables/Trade and bills receivables	12	**290,653**	260,304
		2,906,660	2,729,985
CURRENT ASSETS			
Inventories		**136,618**	115,796
Prepaid lease payments		**1,285**	1,285
Properties for sale		**9,112**	8,974
Contract assets	11	**854,664**	—
Amounts due from customers for construction contracts		**—**	673,275
Trade receivables/Trade and bills receivables	12	**6,815,899**	6,871,929
Debt instruments at fair value through other comprehensive income		**115,662**	—
Prepayments, deposits and other receivables	13	**3,603,776**	2,582,299
Pledged bank deposits		**956,516**	724,468
Time deposits		**330,000**	330,000
Cash and cash equivalents		**1,326,379**	3,777,385
		14,149,911	15,085,411
CURRENT LIABILITIES			
Trade and bills payables	14	**3,864,185**	4,105,291
Contract liabilities		**247,830**	—
Amounts due to customers for construction contracts		**—**	79,107
Other payables and accruals	15	**698,037**	1,022,136
Income tax payable		**112,147**	134,945
Bank and other borrowings	16	**4,351,500**	5,955,000
Defined benefit obligations		**22,797**	22,803
Dividends payables		**41,906**	—

Condensed Consolidated Statement of Financial Position

As at 30 June, 2018

	NOTES	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
		9,338,402	11,319,282
NET CURRENT ASSETS		**4,811,509**	3,766,129
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,718,169**	6,496,114
NON-CURRENT LIABILITIES			
Bank and other borrowings	16	**2,995,250**	1,890,000
Defined benefit obligations		**380,497**	369,629
Deferred tax liabilities		**2,015**	2,015
		3,377,762	2,261,644
NET ASSETS		**4,340,407**	4,234,470
Capital and reserves			
Issued share capital	17	**2,846,861**	2,846,861
Reserves	17	**1,485,949**	1,380,106
		4,332,810	4,226,967
Non-controlling interests		**7,597**	7,503
TOTAL EQUITY		**4,340,407**	4,234,470

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June, 2018

	Attributable to owners of the Company								
	Issued share capital RMB'000	Capital reserves RMB'000	Statutory reverse RMB'000	FVTOCI reserve RMB'000	Defined benefit obligation remeasure-ment reverse RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At December 31, 2017	**2,846,861**	**1,215,794**	**71,979**	**—**	**55,489**	**36,844**	**4,226,967**	**7,503**	**4,234,470**
Adjustments (see note 3)	**—**	**—**	**—**	**11,394**	**—**	**(24,726)**	**(13,332)**	**—**	**(13,332)**
At January 1, 2018	**2,846,861**	**1,215,794**	**71,979**	**11,394**	**55,489**	**12,118**	**4,213,635**	**7,503**	**4,221,138**
Total comprehensive income	**—**	**—**	**—**	**2,722**	**(11,684)**	**170,043**	**161,081**	**94**	**161,175**
Dividend distribution	**—**	**—**	**—**	**—**	**—**	**(41,906)**	**(41,906)**	**—**	**(41,906)**
At June 30, 2018	**2,846,861**	**1,215,794**	**71,979**	**14,116**	**43,805**	**140,255**	**4,332,810**	**7,597**	**4,340,407**
At December 31, 2016	2,100,000	1,005,832	—	—	(69,798)	424,261	3,460,295	4,578	3,464,873
Total comprehensive income	—	—	—	—	34,976	243,575	278,551	—	278,551
Acquisition of non-controlling interests	—	179	—	—	—	—	179	(278)	(99)
Contributed by non-controlling interests	—	—	—	—	—	—	—	1,680	1,680
Appropriation of Statutory reserve	—	—	96,218	—	—	(96,218)	—	—	—
Arising on the acquisition of subsidiaries	—	—	—	—	—	—	—	1,504	1,504
Dividend distribution	—	(337,934)	—	—	—	(536,796)	(874,730)	—	(874,730)
At June 30, 2017	2,100,000	668,077	96,218	—	(34,822)	34,822	2,864,295	7,484	2,871,779

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June, 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
OPERATING ACTIVITIES			
Net cash used in operating activities		**(1,509,444)**	(1,440,178)
INVESTING ACTIVITIES			
Deposit paid and purchase of property, plant and equipment		**(40,547)**	(321,381)
Addition to intangible assets		**(1,488)**	(3,940)
Capital contributions to joint venture		**(160,622)**	(67,265)
Proceeds from disposal of property, plant and equipment		**5,710**	1,278
Repayments of other financial assets by a third party		**—**	172,219
Withdrawl of pledged bank deposits and time deposits		**189,279**	368,779
Placement of pledged bank deposits and time deposits		**(421,327)**	(352,616)
Cash advanced to joint ventures		**(70,000)**	—
Interest received		**16,460**	16,520
Other cash flows used in from investing activities		**(5,052)**	29,368
Net cash used in investing activities		**(487,587)**	(157,038)
FINANCING ACTIVITIES			
New bank and other borrowings		**3,430,000**	3,990,000
Interest paid		**(159,593)**	(110,440)
Repayment of bank and other borrowings		**(3,928,250)**	(1,495,000)
Repayment to fellow subsidiaries		**—**	(8,564)
Advances from fellow subsidiaries		**13,628**	23,756
Advances from parent company		**190,240**	11,747
Other cash flows used in from financing activities		**—**	1,581
Net cash from financing activities		**(453,975)**	2,413,080
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,451,006)**	815,864
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**3,777,385**	1,535,514
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1,326,379**	2,351,378

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2018

1. GENERAL INFORMATION

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

The address of the Company's registered office is Harbor Building, Ordos East Street, Saihan District, Hohhot, Inner Mongolia, the PRC.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers.

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Construction and contracting
- Rendering of services
- Trading of petroleum, coal, metal and chemical products
- Sales of towers
- Sales of properties
- Sales of electricity
- Maintenance operation

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

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

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

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

3.1.2 Summary of effects arising from initial application of IFRS 15

The Group's existing contracts for Engineering, Procurement and Construction ("EPC contracts") with customers normally have multiple deliverables (mainly including design, construction, sale of equipment and installation). Under IAS 18, the Group recognised the revenue from the construction under EPC contracts on the percentage of completion basis; and the revenue from the sale of equipment under EPC contracts when the goods were delivered and titles had passed to customer and the significant risks and rewards of ownership of the equipment had been transferred to the customer. Based on the terms of the existing EPC contracts, the Group's customer controls the assets during construction period, therefore, the directors consider that the revenue from EPC contracts is recognised over time under IFRS 15.

Regarding the revenue from the sale of electricity by power plants not yet registered in the Catalogue, the directors have evaluated the terms and conditions of, and the counterparties to, the contracts which may impact revenue recognition. The related receivables are mainly from the PRC state grid companies, which would normally be settled within one and a half year based on past experience. The directors have also assessed the impact of the existence of any significant financing component in the contracts and are of the view that adoption of IFRS 15 does not result in significant impact on the revenue recognition and the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

The following table summarises the impact of transition to IFRS 15 on retained profits at 1 January 2018.

	Note	Impact of adopting IFRS 15 at 1 January 2018 RMB'000
Retained profits		
EPC Contracts recognised over time	(a)	**(12,145)**
Tax effects		**1,822**
Impact at 1 January 2018		**(10,323)**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000 (Note b)	Remeasurement RMB'000 (Note a)	Carrying amounts under IFRS 15 at 1 January 2018* RMB'000
Non-current Assets				
Deferred tax assets	54,527	—	1,822	**56,349**
Current Assets				
Contract assets	—	673,275	(2,387)	**670,888**
Amounts due from customers for construction contracts	673,275	(673,275)	—	**—**
Capital and Reserves				
Reserves	1,380,106	—	(10,323)	**1,369,783**
Current liability				
Contract liabilities	—	449,091	9,758	**458,849**
Amounts due to customers for construction contracts	79,107	(79,107)	—	**—**
Other payables and accruals	1,022,136	(369,984)	—	**652,152**

* The amounts in this column are before the adjustments from the application of IFRS 9.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

(a) In relation to revenue recognition from EPC contracts under IFRS 15, RMB2,387,000 and RMB10,323,000 have been adjusted from contract assets and opening retained profits respectively with corresponding adjustment of RMB1,822,000 and RMB9,758,000 to deferred tax assets and contract liabilities.

(b) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of IFRS15. As at 1 January 2018, RMB673,275,000 and RMB79,107,000 of amounts due from/ to customers for construction contracts were reclassified to contract assets and contract liabilities respectively.

As at 1 January 2018, advances from customers of RMB369,984,000 in respect of contracts previously included in other payables and accruals were reclassified to contract liabilities for RMB369,984,000.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported RMB'000	Adjustment RMB'000	Amounts without application of IFRS 15 RMB'000
Current Assets			
Contract Assets	854,664	(1,670)	852,994
Capital and Reserves			
Reserves	1,485,949	(1,670)	1,484,279

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers. (continued)

3.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported RMB'000	Adjustment RMB'000	Amounts without application of IFRS 15 RMB'000
Continuing operation			
Revenue	3,057,804	(1,670)	3,056,134
Profit before tax	204,590	(1,670)	202,920
Profit for the period	170,137	(1,670)	168,467
Total comprehensive income for the period	161,175	(1,670)	159,505

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under *IAS 39 Financial Instruments: Recognition and Measurement*.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and contract assets) .The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, other receivables, contract assets and debt instruments at FVTOCI. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

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 amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application 1 January 2018.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

	Note	Available-for-sale RMB'000	Equity instruments at FVTOCI RMB'000	Trade receivables/ Trade and bills receivables RMB'000	Debt instruments at FVTOCI RMB'000	Prepayments, deposits and other receivables RMB'000	Contract assets RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000
Closing balance at 31 December 2017 - IAS 39		1,000	–	6,871,929	–	2,582,299	–	–	–
Reclassification									
From Trade and bills receivables	(a)	–	–	(247,666)	247,666	–	–	–	–
From available-for-sale	(b)	(1,000)	1,000	–	–	–	–	–	–
Remeasurement									
From cost less impairment to fair value	(b)	–	11,394	–	–	–	–	11,394	–
Impairment under ECL model	(c)	–	–	(4,646)	–	4,733	(14,490)	–	(14,403)
Opening balance at 1 January 2018		**–**	**12,394**	**6,619,617**	**247,666**	**2,587,032**	**(14,490)**	**11,394**	**(14,403)**

Notes:

(a) Trade and bills receivables

As part of the Group's cash flow management, the Group has the practice of discounting some of the discounts bills receivables to financial institutions before the bills are due for payment and derecognises bills discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables of RMB247,666,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI.

(b) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of its equity investment previously classified as available-for-sale, of which RMB1,000,000 related to unquoted equity investment previously measured at cost less impairment under IAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB1,000,000 was reclassified from available-for-sale investment to equity instrument at FVTOCI, of which RMB1,000,000 related to unquoted equity investment previously measured at cost less impairment under IAS 39. The fair value gains of RMB11,394,000 relating to this unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI and FVTOCI reserve as at 1 January 2018.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments (continued)

3.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

Notes: — (continued)

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and other receivables. To measure the ECL, contract assets, trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables and for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB14,403,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including contract assets, trade receivables and other receivables, as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets RMB'000	Trade receivables RMB'000	Other receivables RMB'000
At 31 December 2017	—	(344,460)	(51,980)
Amounts remeasured through opening retained profits	(14,490)	(4,646)	4,733
At 1 January 2018	**(14,490)**	**(349,106)**	**(47,247)**

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current Assets				
Available-for-sale investments	1,000	—	(1,000)	**—**
Equity instruments at fair value through other comprehensive income	—	—	12,394	**12,394**
Deferred tax assets	54,527	1,822	—	**56,349**
Others with no adjustments	2,674,458	—	—	**2,674,458**
Current Assets				
Amounts due from customers for construction contracts	673,275	(673,275)	—	**—**
Contract assets	—	670,888	(14,490)	**656,398**
Trade receivables/Trade and bills receivables	6,871,929	—	(252,312)	**6,619,617**
Debt instruments at FVTOCI	—	—	247,666	**247,666**
Prepayments, deposits and other receivables	2,582,299	—	4,733	**2,587,032**
Others with no adjustments	4,957,908	—	—	**4,957,908**
Current Liability				
Other payables and accruals	1,022,136	(369,984)	—	**652,152**
Amounts due to customers for construction contracts	79,107	(79,107)	—	**—**
Contract liabilities	—	458,849	—	**458,849**
Others with no adjustments	10,218,039	—	—	**10,218,039**
Net Current Assets	3,766,129	(12,145)	(14,403)	**3,739,581**
Total Assets less Current Liabilities	6,496,114	(10,323)	(3,009)	**6,482,782**
Non-current Liabilities				
Others with no adjustments	2,261,644	—	—	**2,261,644**
Capital and Reserves				
Issued share capital	2,846,861	—	—	**2,846,861**
Reserve	1,380,106	(10,323)	(3,009)	**1,366,774**
Non-controlling interests	7,503	—	—	**7,503**
Total Equity	4,234,470	(10,323)	(3,009)	**4,221,138**

4A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from:		
Construction and contracting	**1,373,543**	2,645,949
Rendering of services	**264,200**	230,488
Trading of petroleum, coal, metal and chemical products	**1,197,722**	169,357
Sales of towers	**69,294**	80,021
Sales of properties	**3,616**	1,773
Sales of electricity	**117,127**	72,729
Maintenance operation	**30,734**	37,351
Other service income	**1,568**	2,861
Total	**3,057,804**	3,240,529

Timing of revenue recognition

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A point in time	**1,389,327**	326,741
Over time	**1,668,477**	2,913,788
Total	**3,057,804**	3,240,529

4A. REVENUE FROM GOODS AND SERVICES (continued)

Revenue disclosed in 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 construction and contracting services for large scale power generation, transformation and transmission projects of fossil-fuel power, wind farm and solar power in China and overseas, as well as undertaking other types of construction projects, such as municipal engineering, industrial and civil construction projects ("Construction and contracting");

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

- Trading of petroleum, coal, metal and chemical products ("Trading").

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

4B.SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2018 (Unaudited)

Continuing operations

	Construction and contracting RMB'000	Survey, design and consulting RMB'000	Trading RMB'000	Segment total RMB'000	Investment and other businesses RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue							
External segment revenue	1,373,543	264,200	1,197,722	2,835,465	222,339	—	3,057,804
Inter-segment revenue	—	—	—	—	36,162	(36,162)	—
Consolidated revenue	1,373,543	264,200	1,197,722	2,835,465	258,501	(36,162)	3,057,804
Segment results	160,922	109,832	62,336	333,090	63,167	—	396,257
Unallocated items							
Other income							4,539
Other expense							(4,233)
Other gains and losses							4,463
Administrative expenses							(113,504)
Share of profit of joint ventures							6,680
Finance income							76,306
Finance costs							(165,918)
Profit before tax							204,590

4B.SEGMENT INFORMATION (continued)

For the six months ended 30 June 2017 (Unaudited)

Continuing operations (continued)

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

Geographical information

Over 90% of the revenue and operating results of the Group are derived from the PRC based on location of the operations for the six months ended 30 June 2018 (30 June 2017: over 90%).

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

Revenue from major customers

Revenue from customers for the six months ended 30 June 2018 individually contributing over 10% of the Group's revenue is as follows:

	Six months ended June 30, 2018 RMB'000	2017 RMB'000
Customer A#	**580,600**	733,259

Note:

Mainly from the Construction and contracting segment.

Segment assets and liabilities

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

5. OTHER INCOME

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income	**8,137**	3,599
Sales of scrap materials	**1,020**	3,648
Agency income*	**23,631**	1,296
Others	**1,989**	2,177
Total	**34,777**	10,720

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

6. INCOME TAX EXPENSE

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current PRC corporate income tax	**47,717**	68,125
Deferred tax	**(13,264)**	5,312
	34,453	73,437

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

Certain subsidiaries were entitled to be exempted from income tax in three years starting from the first profit-making year and allowed a 50 percent reduction in the following three years (三免三减半), based on the Notice on the implementation of Preferential tax on Key State-Supported Public Infrastructure Projects issued by State Administration of Taxation (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》) (國稅發[2009]80號).

7. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' and supervisors' emoluments	**428**	503
Other staff costs:		
— Salaries and other benefits	**297,844**	305,589
— Contributions to retirement plans	**75,621**	71,831
Total employee benefit expenses	**373,893**	377,923
Depreciation:		
— Property, plant and equipment	**80,957**	57,141
— Investment properties	**286**	286
	81,243	57,427
Amortization of intangible assets		
— included in administrative expense	**1,338**	1,377
— included in cost of sales	**1,264**	1,262
	2,602	2,639
Amortization of prepaid lease payments	**622**	569
Auditor's remuneration	**2,474**	295
Cost of inventories recognized as expense	**1,244,552**	274,707
Contract cost recognised as expense	**1,034,329**	2,157,352
Cost of rendering services	**150,892**	109,809
Cost of properties sold	**1,242**	1,400
Cost of wind power generated	**49,160**	33,587
	2,480,175	2,576,855
Minimum lease payments under operating leases in respect of buildings	**14,278**	9,473
Gross rental income from investment properties	**(3,289)**	(2,512)

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2018 and 2017 attributable to owners of the Company and the number of ordinary shares in issue during the periods ended 30 June 2018 and 2017.

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

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**170,043**	243,575
Number of shares		
Number of ordinary shares in issue during the period (in thousands)	**2,846,861**	2,100,000

No diluted earnings per share was calculated since the Group had no potential ordinary shares in issue for the six months ended 30 June 2018 and 2017.

9. DIVIDENDS

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

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

The board resolved that the proposed final dividend for the year ended 31 December 2017 was RMB0.01472 per ordinary share of the Company with total dividends of approximately RMB41,906,000. The above-mentioned proposed final dividends for the year ended 31 December 2017 were approved by the Company's shareholders at the annual general meeting held on 21 June 2018.

The board did not propose to distribute any interim dividend for the six months ended 30 June 2018.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB2,250,000 for cash proceeds of RMB5,710,000 , resulting in a gain on disposal of RMB3,460,000.

In addition, during the current interim period, the Group paid approximately RMB40,547,000 for construction costs for manufacturing plant in the PRC in order to upgrade its manufacturing capabilities.

11. CONTRACT ASSETS

	At 30 June 2018 RMB'000 (Unaudited)
Construction	**854,664**
Current	**854,664**

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer contract assets to trade receivable when settling with the customer.

Gross amounts of contract assets above include amounts attributable to fellow subsidiaries as follows:

	At 30 June 2018 RMB'000 (Unaudited)
Fellow subsidiaries	**16,596**

12. TRADE RECEIVABLES/TRADE AND BILLS RECEIVABLES

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Trade receivables	**7,456,688**	7,229,027
Less: allowance of doubtful debts	**(350,136)**	(344,460)
	7,106,552	6,884,567
Bills receivable	**–**	247,666
Total	**7,106,552**	7,132,233
Analysed for reporting purpose as:		
Current assets	**6,815,899**	6,871,929
Non-current assets	**290,653**	260,304
	7,106,552	7,132,233

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

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

12. TRADE RECEIVABLES/TRADE AND BILLS RECEIVABLES (continued)

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
0 to 6 months	**1,553,841**	3,089,749
6 months to 1 year	**1,166,001**	850,995
1 year to 2 years	**1,490,433**	2,208,070
2 years to 3 years	**2,414,429**	357,412
3 years to 4 years	**254,712**	126,363
4 years to 5 years	**112,116**	202,716
Over 5 years	**115,020**	49,262
	7,106,552	6,884,567

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Parent company	**34,490**	34,490
Fellow subsidiaries	**1,075,209**	264,143
Joint ventures	**51,232**	51,036
	1,160,931	349,669

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Advance to suppliers	**2,680,025**	1,825,500
Other receivables	**662,403**	572,613
Performance deposits (note (a))	**65,558**	74,526
Staff advances	**34,503**	22,619
Amounts due from fellow subsidiaries (note (b))	**8,149**	3,097
Amounts due from joint ventures (note (b))	**100,000**	30,000
Prepaid value added tax	**87,809**	105,764
Interest receivable on time deposits	**2,271**	—
Safety guaranty	**114**	160
Less: allowance of doubtful debts	**(37,056)**	(51,980)
	3,603,776	2,582,299

Notes:

(a) Performance deposit are in the Group's normal operating cycle and are expected to be recovered more than 12 months after the end of reporting period.

(b) The amounts due from fellow subsidiaries and joint venture are non-trade nature, unsecured, interest-free and repayable on demand.

14. TRADE AND BILLS PAYABLES

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Trade payables	2,869,424	3,287,650
Bills payable	994,761	817,641
	3,864,185	4,105,291

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

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Within 1 year	2,567,740	3,245,667
1 to 2 years	630,543	484,428
2 to 3 years	446,098	149,604
More than 3 years	219,804	225,592
	3,864,185	4,105,291

The amounts due to parent company included in trade and bills payables are analysed as follows:

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Parent company	5,045	6,822

15. OTHER PAYABLES AND ACCRUALS

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Advance from customers	–	353,876
Proceeds from pre-sale of properties	–	16,108
Other payables (note (a))	394,422	318,901
Amounts due to fellow subsidiaries (note (b))	13,683	55
Amounts due to parent company (note (b))	190,240	–
Amounts due to joint ventures (note (b))	16,862	16,862
Employee benefit payables	27,515	193,151
Non-income related tax payables	50,225	116,799
Interest payables	5,090	6,384
	698,037	1,022,136

Notes:

(a) The balances of other payables mainly include retentions money payable, deposits payable and others.

(b) Amounts due to fellow subsidiaries, parent company and joint ventures were unsecured, interest free and repayable on demand.

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Analysed by nature:		
Non-trade nature	220,785	16,917

16. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB3,430 millions (2017: RMB5,583 millions). The loans carry interest at fixed/variable market rates from 4.35% to 5.23% and are repayable within 1 to 3 years. The proceeds were used to supply operation capital.

17. CAPITAL AND RESERVES

(a) Issued share capital

	At June 30, 2018	
	Number of shares RMB'000 (Unaudited)	Nominal value RMB'000 (Unaudited)
Registered, issued and fully paid		
— State legal person shares of RMB1 each	**2,846,861**	**2,846,861**

(b) Group's reserve (Unaudited)

Details of the Group's reserves for the six-month period ended 30 June 2018 and 2017 are presented in the consolidated statements of changes in equity.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Financial instruments carried at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

(i) Financial instruments carried at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	30 June 2018 RMB'000	31 December 2017 RMB'000			
Unquoted equity investments	**15,116**	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee.	Expected return rate
Debt instruments at FVTOCI	**115,662**	N/A	Level 3	Determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Future cash flows are estimated based on expected return rates.	Discount rate

(ii) Reconciliation of level 3 fair value measurement

	Unquoted equity investments RMB'000	Debt instruments at FVTOCI RMB'000
As at 1 January 2018	12,394	247,666
Purchases	—	707,791
Settlements	—	839,795
Total gains (losses)		
— in profit or loss	—	—
— in other comprehensive income	2,722	—
As at 30 June 2018	15,116	115,662

(iii) Fair values of financial instruments carried at other than fair value

The fair values of financial assets and financial liabilities recorded at amortised cost are not materially different from their carrying amounts, which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

19. CAPITAL COMMITMENTS

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Capital expenditures contracted but not provided for:		
Property, plant and equipment	**69,574**	69,624
Committed capital injection into a joint venture	**240,638**	3,146

20. OPERATING LEASE COMMITMENTS

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Within one year	**15,032**	36,751
1 to 2 years	**—**	4,119
	15,032	40,870

Operating lease payments represent fixed rentals payable by the Group for certain of its office premises owned by the Energy Construction Group as at 30 June 2018. Leases of rented premises are negotiated with fixed lease terms for 1 to 2 years.

21. PLEDGE OF ASSETS

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

	At June 30, 2018 RMB'000 (Unaudited)	At December 31, 2017 RMB'000 (Audited)
Bank deposits	**956,516**	724,468

22. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Construction and contracting revenue		
Joint venture	**4,678**	167,731
Fellow subsidiaries	**—**	7,714
Rental expense		
Parent company	**4,943**	5,076
Finance income		
follow subsidiaries	**19,088**	—
Transfer of other financial assets		
Parent company	**—**	690,302

22. RELATED PARTY TRANSACTIONS (continued)

(a) Significant related party transactions (continued)

Note:

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

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

(b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 11, 12, 13, 14, and 15.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors on 29 August 2018.

Corporate Governance

1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

During the Reporting Period, the Company has complied with the mandatory code provisions in the Corporate Governance Code (except code provision A.2.1[1]). The Company has been committed to improving its standard of corporate governance, and views it as an integral part of creating value for the Company's Shareholders. A modern corporate governance structure, comprising of the general meeting, the Board, the Supervisory Committee and the senior management of the Company, has been established reference to the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which operates independently under effective balance. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

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

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

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

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

1 As of July 31, 2018, Mr. Lu Dangzhu is the chairman of the Board and the general manager of our Company. In view of Mr. Lu's experience, personal profile and his roles in our Group, the Board considers it beneficial to the business prospect and operational efficiency of our Group that Mr. Lu, in addition to acting as the chairman of the Board, continues to act as the general manager of our Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company. On July 31, 2018, the Company held the fifteenth meeting of the first session of the Board at which the change in general manager was approved by way of poll. Mr. Lu Dangzhu, the current chairman of the Company, resigned as the general manager and would be succeeded by Mr. Chao Ketu.

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

4. AUDIT COMMITTEE

The Audit Committee of the Company has three independent non-executive Directors, including Ms. Lau Miu Man (Chairlady), Mr. Su Nan and Mr. Ding Zhiyun, with terms of reference in compliance with the Listing Rules. The Audit Committee has considered and reviewed the accounting principle and practice adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2018.

The unaudited consolidated interim results of the Group for the period under review have not been reviewed by the external auditors of the Company.

5. REVIEW OF INTERIM RESULTS

On August 29, 2018, the Audit Committee reviewed and confirmed the announcement of interim results for the six months ended June 30, 2018, the 2018 interim report and unaudited interim condensed consolidated financial information for the six months ended June 30, 2018 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other Information

1. INTEREST IN THE SHARE CAPITAL

At the Report Date, the total share capital of the Company was RMB2,846,860,952, divided into 2,025,313,904 Domestic Shares and 821,547,048 H Shares of RMB1.00 each respectively.

2. INTERESTS AND SHORT POSITIONS IN SHARES UNDER THE SFO

To the best knowledge of the Company, as of June 30, 2018, except for the Directors, Supervisors or chief executive of the Company, the following persons had interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions registered on the register required to be kept by the Company pursuant to Section 336 of SFO, or, directly or indirectly, is interested in 5% or more of the nominal value of any class of our share capital:

Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
IM Energy Group[1]	Domestic Shares	Beneficial interest/ interest of controlled corporation	2,025,313,904(L)	100%	71.14%
China South Industries Assets Management Co., Ltd. (南方工業資產管理有限責任公司)	H Shares	Beneficial owner	143,676,000(L)	17.49%	5.05%
Fengpu Investment Holdings Limited (豐樸投資控股有限公司)	H Shares	Beneficial owner	47,892,000(L)	5.83%	1.68%
Jizhong Hongyuan International Trading Company Limited (冀中宏遠國際貿易有限公司)	H Shares	Beneficial owner	119,730,000(L)	14.57%	4.21%

Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of our Company
Jiangsu Xinlizhou Energy Construction Investment Company Limited (江蘇新力洲能源建設投資有限公司)	H Shares	Beneficial owner	110,152,000(L)	13.41%	3.87%
Shenmu Baishun Clean Coal Distribution Company Limited (神木縣百順精煤運銷有限責任公司)	H Shares	Beneficial owner	110,152,000(L)	13.41%	3.87%
Ordos Zhendong Earthwork Engineering Co., Ltd. (鄂爾多斯市振東土石方工程有限責任公司)	H Shares	Beneficial owner	110,152,000(L)	13.41%	3.87%
Ordos Haohong Trading Co., Ltd. (鄂爾多斯市浩洪商貿有限責任公司)	H Shares	Beneficial owner	110,152,000(L)	13.41%	3.87%

(L) represented to long position

Note:

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

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

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

As of the Report Date, none of the Company's Directors, Supervisors and chief executive had interests or short positions (a) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

4. CHANGES IN DIRECTORS AND SUPERVISORS

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

On July 31, 2018, the Company held the fifteenth meeting of the first session of the Board at which the changes to the Board was approved by way of poll. The changes to the Board shall be subject to the approval by Shareholders at the extraordinary general meeting. For details, please refer to the (I) Change in General Manager and Changes to the Board" under "5 SUBSEQUENT EVENTS" in the "Management Discussion and Analysis" of this report.

5. CHANGE OF JOINT COMPANY SECRETARY, ALTERNATE TO AUTHORISED REPRESENTATIVE AND AUTHORISED REPRESENTATIVE FOR SERVICE OF PROCESS IN HONG KONG

On May 30, 2018, Mr. Lau Kwok Yin has been appointed as the joint company secretary of the Company, and an alternative to authorised representative of the Company under Rule 3.05 of the Listing Rules on the Stock Exchange and an authorised representative of the Company for accepting service of process or notices in Hong Kong under part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), in replacement of Mr. Wong Yat Tung with effect from May 30, 2018. For further information, please prefer to the Company's announcement dated May 30, 2018.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

7. LITIGATION AND ARBITRATION OF MATERIAL IMPORTANCE

As of June 30, 2018, the Company was not involved in any major proceedings or arbitrations. So far as the Directors are aware, no such litigation or claims of material importance are pending or threatened against the Company.

8. CONTRACT OF SIGNIFICANCE

Save for the connected transactions disclosed in the section headed "SUBSEQUENT EVENTS" in "Management Discussion and Analysis" of this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the controlling shareholder or any of its subsidiaries other than the Group in relation to provision of services.

9. INTERIM DIVIDEND

The Board did not propose a proposal to distribute an interim dividend for six months ended June 30, 2018.

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

The Board of Directors shall fulfill its duty to prepare the financial statements as of June 30, 2018 for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

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

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

11. ACCOUNTING POLICIES

Other than the changes made to the accounting policies as a result of application of the new and revised IFRSs, principal accounting policies and calculation methods adopted in the preparation of our unaudited consolidated financial statements as of June 30, 2018 are consistent with the principal accounting policies for the preparation of our audited consolidated financial statements for the year ended December 31, 2017.

Definitions

"Articles of Association"	the articles of association of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Company Law"	the Company Law of the People's Republic of China
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Company", "our Company", "we" or "us"	Inner Mongolia Energy Engineering Co., Ltd., a joint stock company with limited liability incorporated in PRC
"Supervisor(s)"	supervisor(s) of our Company
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary shares in the share capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	has the same meaning ascribed thereto in the Prospectus
"Group" or "our Group"	the Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and have been approved for the granting of listing, and permission to deal, on the Stock Exchange
"IM Energy Group"	Inner Mongolia Energy Engineering (Group) Co., Ltd. (內蒙古能源建設投資(集團)有限公司), a wholly state-owned company with limited liability established in the PRC on March 28, 2014, the controlling shareholder of our Company, and thus a connected person of our Company
"IM Sulige Company"	Inner Mongolia Sulige Gas Power Generation Co., Ltd. (內蒙古蘇里格燃氣發電有限責任公司), a wholly-owned subsidiary of IM Energy Group
"Report Date"	August 29, 2018
"Reporting Period"	the six months ended June 30, 2018
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"China" or "PRC"	the People's Republic of China

Definitions

"Prospectus"	the prospectus of the Company dated June 30, 2017
"RMB"	Renminbi, the lawful currency of the PRC
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Share(s)"	the shares of the Company including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Helin Power Station"	a thermal power station located in Xindianzi Town Helinge'er County Hohhot City, Inner Mongolia Autonomous Region, PRC
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the People's Republic of China
"Joint Venture"	a joint venture company to be established under the laws of the PRC pursuant to the Joint Venture Agreement
"Joint Venture Agreement"	a joint venture agreement entered into between the Company and IM Huadian on February 12, 2018
"IM Huadian"	Inner Mongolia Mengdian Huaneng Thermal Power Corporation Ltd. (內蒙古蒙電華能熱電股份有限公司), a company established in the PRC and whose shares are listed on the Shanghai Stock Exchange under the stock code 600863
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"controlling shareholder"	has the same meaning ascribed thereto under the Listing Rules
"IM Huachen"	Inner Mongolia Huachen New Energy Co., Ltd. (內蒙古華晨新能源有限公司), a company with limited liability established in the PRC and an indirectly wholly-owned subsidiary and associate of IM Energy Group
"IM Survey & Design Institute"	Inner Mongolia Power Survey & Design Institute Co., Ltd. (內蒙古電力勘測設計院有限責任公司), a company with limited liability established in the PRC and a wholly-owned subsidiary
"Deferred Payment Interests Agreement"	the agreement entered into between IM Survey & Design Institute and IM Huachen on July 31, 2018 where, among other things, IM Huachen agreed to pay additional interests to IM Survey & Design Institute for the payments owing to IM Survey & Design Institute
「%」	per cent

Company Information

CHINESE NAME OF THE COMPANY

內蒙古能源建設投資股份有限公司

ENGLISH NAME OF THE COMPANY

Inner Mongolia Energy Engineering Co., Ltd.

LEGAL REPRESENTATIVE

Mr. Lu Dangzhu

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

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Inner Mongolia Autonomous Region
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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INVESTOR ENQUIRY

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STOCK INFORMATION OF THE COMPANY

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Chen Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

Company Information

AUTHORIZED REPRESENTATIVES

Mr. Lu Dangzhu
Mr. Yang Feng

STRATEGIC INVESTMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Yang Feng
Mr. Wong Yat Tung (resigned on May 30, 2018)
Mr. Lau Kwok Yin (appointed on May 30, 2018)

H SHARE REGISTRAR

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COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
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189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

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